



Connecting globally

**CONNECTING GLOBALLY.
CONNECTING RESPONSIBLY.**

Corporate Social Responsibility report
of TELE-FONIKA Kable S.A. for 2017





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[102-14]

LADIES AND GENTLEMEN,

TELE-FONIKA Kable S.A. has been present in the Polish and global markets for more than 25 years. A stable growth strategy based on full market diversification has reinforced the company's position as one of the best manufacturers in the cable industry.

Our main goal is to manufacture and deliver cables and wires that satisfy the demands of our customers in various parts of the world. Both in highly technologically advanced projects or in the most challenging sectors such as mining or offshore oil and gas, as well as on a micro scale, i.e. in households. Quality is our top priority. Our aim is to safely deliver proven technologies which, among other things, increase the energy efficiency of industrial installations and civic structures. For this reason, our cables and wires undergo hundreds of burn tests during the year. We hold 380 quality certificates awarded by 34 certifying centres worldwide; the safety of our products is confirmed by fulfilled CPR requirements (Construction Products Regulation).

We are aware that with business success comes huge responsibility towards our employees, customers and suppliers, as well as the environment and communities in which we operate.

This report is an expression and confirmation of our commitment to sustainable business development, continuous innovation and improving the manufacture of cables – all the while respecting health and safety – and countering the negative effects of climate change.

Monika Cupiał-Zgryzek,
Chief Executive Officer, TELE-FONIKA Kable S.A.

2. ABOUT US

2.1. TELE-FONIKA KABLE S.A.

Basic information about TELE-FONIKA Kable S.A. [102-2], [102-7]

25,000+

cable and wire
constructions

More than
3,500

employees

6

commercial
companies

8

production
plants

More than
500

production lines

Over
PLN 3M

annual sales value

Over
40%

market share
in Poland*

*the estimation of the Board

4th

among cable
manufacturers
in Europe

5th

among rubber-insulated
cable manufacturers
in the world

380+

international
certificates

Presence in
80+

countries

One of the top

25

Polish exporters

TFKable Group production plants and branch offices located in Europe together with a distribution network, encompassing international sales regions. The Board of the TFKable Group is understood as the Board of TELE-FONIKA Kable S.A. which is the parent company of the Capital Group.

In terms of production volume, TFKable Group ranks fourth among manufacturers of technologically advanced cables and wires in Europe. It is also the top cable and wire manufacturer in Poland, with nearly 40 % of the domestic market share.

Our experience dates back to the early 20th century. Our Kraków-Wielicka plant, acquired in 1999 as Krakowska Fabryka Kabli, has been in operation before World War II. It was established in 1928 and for 60 years it served as the biggest power cables and wire manufacturing facility in Poland. Meanwhile, the Bydgoska Fabryka Kabli manufacturing plant, which was purchased in 2001 thanks to the acquisition of Elektrim Kable S.A., has been in operation from as early as in 1923. In addition, the Zakłady Kablowe TELE-FONIKA s.c. plant was established in 1992 in Myślenice. The increase in assets went hand in hand with valuing the experience and skills of workers from the acquired plants. By building on these skills for the past 25 years, TFKable Group has transformed from a family business with one plant and distributing cables domestically into a group of companies with 8 manufacturing plants worldwide exporting innovative cables and wires globally.



TFKable Group's portfolio includes ca. **25,000 types of cables and wires**. Our main product types include:

- low voltage cables
- medium and high voltage cables
- wires
- rubber cables
- telecommunication cables
- fibre optic and optic cables

TFKable Group's products reach over **2,000 customers from 80 countries in 5 regions of the world**. Our key sales markets include: Poland, Germany, United Kingdom, countries of North and South America, as well as the Baltic and Nordic states.

Sales by geographic area in 2017



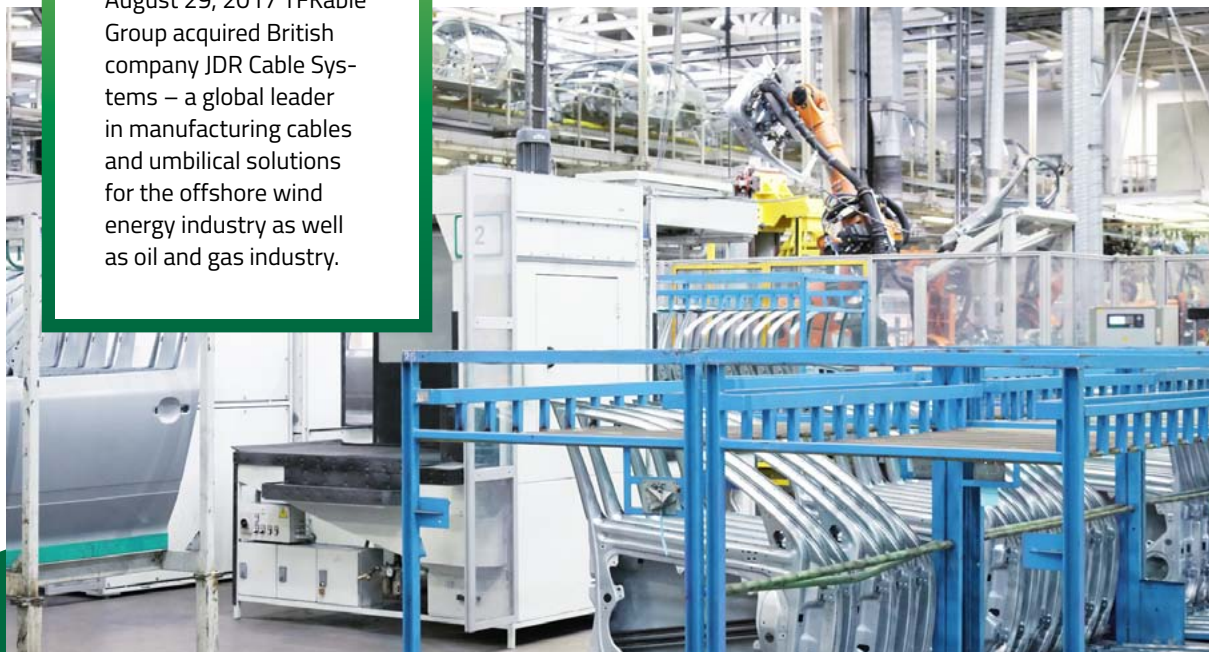
Our products are intended for a **distribution network including ca. 65% of our regular customers, and companies from the power, mining and telecommunication sectors.**

TFKable Group a positive impact on the Polish economy. **40% of raw materials** used for manufacturing our cables comes from proven domestic suppliers. This way, we contribute to creating **added value for the Polish economy** – new jobs and higher income for households. The TFKable Group includes a dozen or so production and trade units, as well as a recycling facility.

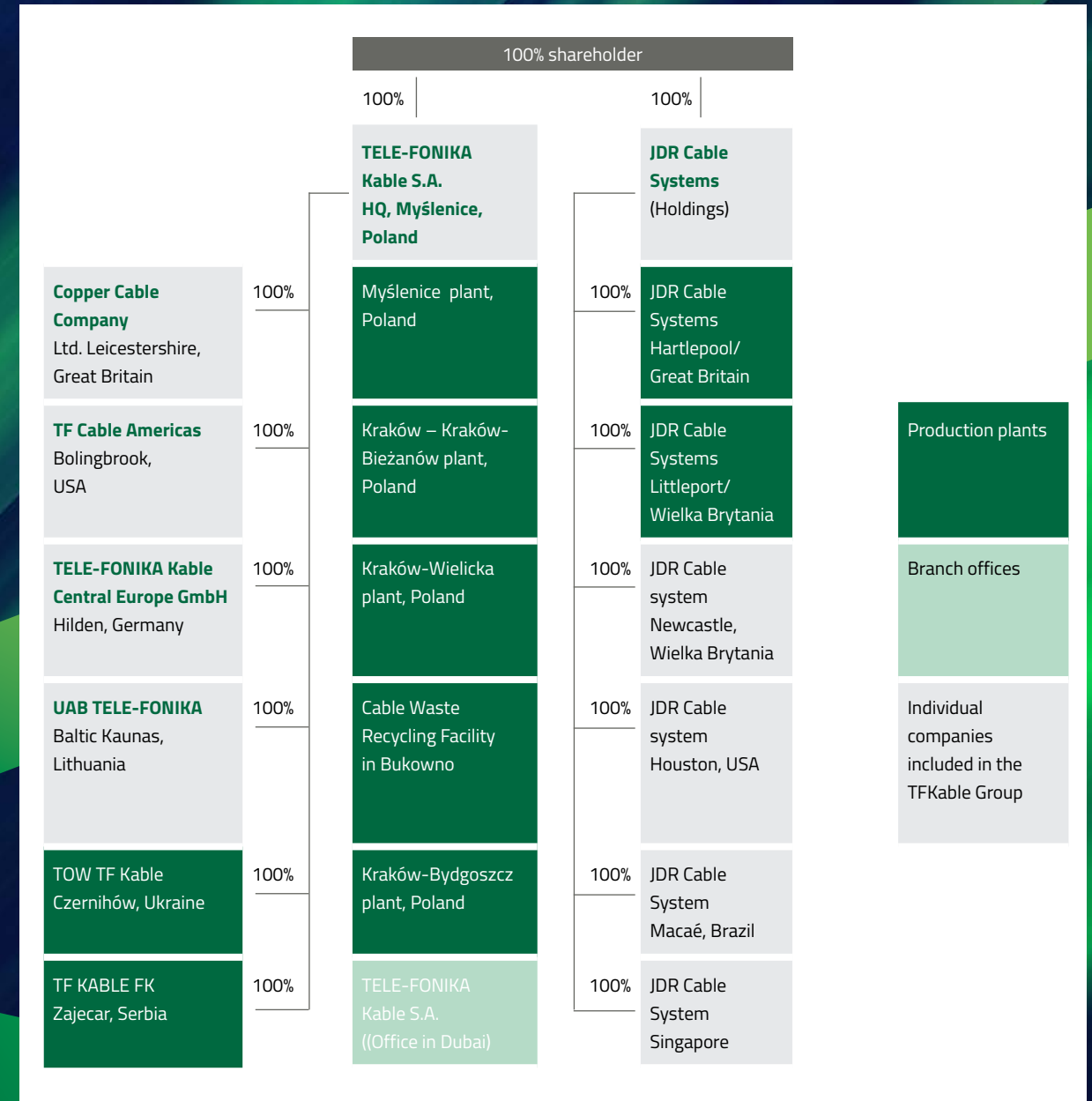
The TFKable Group consists of:

- Five companies responsible for cable and wire distribution in key sales areas (one domestic and four globally)
- six production plants (four in Poland, one in the Ukraine and one in Serbia)
- a Waste Cable Recycling Facility
- JDR Cable Systems (Holdings) – a company consisting of two manufacturing plants in the United Kingdom and four service and commercial units globally.

Driven by its strategic growth strategy, on August 29, 2017 TFKable Group acquired British company JDR Cable Systems – a global leader in manufacturing cables and umbilical solutions for the offshore wind energy industry as well as oil and gas industry.



TFKable Group



[102-5] [102-3] TELE-FONIKA Kable is a joint-stock company whose sole shareholder and owner is Bogusław Cupiał. The seat of TELE-FONIKA Kable S.A. is located in Myślenice at ul. Hipolita Cegielskiego 1.

[102-4] Our plants have the following production specialties:

Kraków-Wielicka plant – manufactures power cables rated for voltage from 1 kV to 30 kV, including rubber cables. These products are applied in the mining and wind industries. At the Kraków-Wielicka plant we also manufacture halogen-free cables and wires installed in buildings, as well as special purpose signal and control cables. The plant features a burn test laboratory for testing cables and wires. This includes testing on flame spreading on individual samples to flame spreading on bundles, together with testing the thickness of emitted fumes and emission of corrosive gases.

Kraków-Bieżanów plant – in operation since 2001, this modern, automated plant manufactures flexible multi-stranded conductors, aluminium mass conductors, overhead cables from alloyed aluminium, traction cables for trolley-type quick railways, as well as PVC cables for common use. The overhead aluminium cables and traction cables from silver-plated copper are manufactured on automated process lines.

Bydgoszcz plant – thanks to its nearly 100-year specialisation, eight XLPE process lines and its laboratory, the Bydgoszcz plant is the largest manufacturing centre of medium, high and extra-high voltage cables in Europe. In 2006, we launched the production of extra-high voltage cables, i.e. 127/230 kV, delivering the first order of such type for a South American customer. The plant features a high and extra-high voltage laboratory with four Faraday chambers – three for conducting routine tests and one for testing cable types and cable systems. There is also a surge generator with its own research field for qualification tests, a 500 kV test system, as well as a set of 5,000 A heating generators. Thanks to this, we are one of the few manufacturers in Europe with highly specialised equipment for cable testing.

Myślenice plant – manufacturing telecommunication cables: copper and fibre optic, as well as computer and vehicle cables.

Zajecar plant (Serbia) – manufacturing low and medium voltage cables, signalling and controlling cables, as well as halogen-free cables.

Chernihiv plant (Ukraine) – manufacturing non-combustible cables, self-supporting overhead cables, aluminium and copper up to 1 kV, including assembly cables.

United Kingdom plant – manufacturing undersea power and bus cables (umbilicals), composed of power and data transmission cables. These are applied in monitoring and remote control, as well as to connect offshore and onshore structures.

STRATEGIC DEVELOPMENT PILLARS

Our business model creates value for customers based on further development and use of four key company resources referred to as the **strategic development pillars**.

Pillar 1 - Commodity	Pillar 2 - Special-purpose cables	Pillar 3 - Projects, i.e. complete solutions	Pillar 4 - Acquisitions
Development in this area involves managing business relations with numerous suppliers of the TFKable Group to guarantee the company an optimum raw material price. At the same time, this should limit the risk of disruption to the supply and manufacturing process. This strategy allows for expanding the sales volume of products. Its purpose is to reinforce the position of TFKable Group as a leader in key markets, to increase the process efficiency and reduce cost, to maintain competitive advantage.	Our goals in this area revolve around the selective production development and sales of cables and wires to customers operating in market segments aligned to TFKable Group.	Growth in this area means continuing to manufacture and sell high and extra-high voltage cables together with accessories, as well as further cooperation with customers to whom we deliver undersea cables.	Development in this area entails acquiring entities in attractive market segments, while considering geographic diversification.

OUR RESULTS IN 2017

Economic value created by TELE-FONIKA Kable S.A. in 2017 [201-1], [102-7]

Revenues	Operational costs	Employee salaries	Taxes	Retained economic value
PLN 3.3B	PLN 2.9B	PLN 188M	PLN 20M	PLN 86M

*economic value added



2.2. GLOBAL ACTIVITY AND REACH

THE CABLE INDUSTRY IN 2017. WHAT IMPACTED OUR RESULTS? [102-15]

Like any other industry, we operate in a complicated economic environment, with our company's results impacted by macroeconomic events, as well as changing legal regulations, labour market changes, customer behaviour and our competition. The key factors in 2017 which impacted TFKable Group include:

Macroeconomic factors.

Among the factors which directly impacted the demand for our products included changes in GDP and interest rates, access to loans, cost of raw materials and the general level of power consumption. These determine the energy demand in many countries and, together with prolonged economic difficulties, negatively impact investment

The economic and political situation in some regions of the world.

TFKable Group has operations in the Middle East and Eastern Europe (in Lithuania, the Ukraine, Serbia, United Arab Emirates). Our activities in these regions are exposed to the risk related to local regulations and legal systems, imposed tariffs or taxes, as well as political and economic instability and FX rate fluctuations.

Knowledge and technology.

Thanks to our innovative technology and expertise regarding introducing new products to the market, we maintain the advantage globally in technologically advanced areas. This includes the manufacture and supply of high voltage underground cables, and optical and undersea cables.

OUR DECLARATIONS AND MEMBERSHIP IN ORGANISATIONS [102-13], [102-12]

The position of TFKable Group is further reinforced in both the domestic and international markets due to its branch organisation memberships and involvement in initiatives focusing on the largest manufacturers in the industry. Tasks executed as part of these activities symbolise our commitment to ethical conduct in business. We want to impact the future of the industry and its positive social standing. Importantly, we want to support the idea of sustainable development in the cable manufacturing sector. We believe that these ambitious, future goals will be effectively executed in cooperation.

The signed declarations and directives implemented by TFKable Group include:

Europacable Industry Charter. The charter obliges its signatories – cable and wire manufacturers – to observe shared rules and aim to achieve socially responsible goals, continuous innovation and improve high-quality production of cables, while at the same time respecting health and safety values. Moreover, it obliges representatives of the cable industry to counter the negative effects of climate change.

Code of Good Practices – an initiative of the Polish Economic Chamber of Electrotechnics. Its signatories have committed themselves to observe rules of fair competition and good trade practices defined in the *Act on countering unfair competition*.

RoHS Directive. At the production stage we rely on the RoHS directive which introduced limits regarding the volume of hazardous substances permeating the environment from electric and electronic waste.

CPR Regulation. This regulation introduced changes to the European standard regarding the fire safety of cables and wires. In 2017 we implemented this 100 per cent across all products.

Organisations which TELE-FONIKA Kable S.A. is part of:

- **Europacable and ICF**, i.e. International Cablemakers Federation. It is an international branch association which gathers the largest European manufacturers of cables and wires. Representative of TELE-FONIKA Kable S.A. – CEO Monika Cupiał-Zgryzek – serves as Vice President of Europacable. Within the association, we are involved in the following committees: Europacable General, Digital (telecom & data), Energy, Industry, HSE (Health, Safety & Environment) and Communication
- **PIGE, i.e. Polish Economic Chamber of Electrotechnics**. We are an active member of the quality and e-mobility teams. A representative of TELE-FONIKA Kable S.A. serves as member of the board
- **PSEW** – Polish Wind Energy Association, **PTMEW** – Polish Offshore Wind Energy Society, **PPCC** – Polish-Portugal Chamber of Commerce, **KPZ** – Association of Pomorze and Kujawy Employers, **PKWSE/CIGRE** – Polish Committee of Large Power Grids, **STUL** – Installer Union, British Polish Chamber of Commerce

We are also an active participant of in global industry events. During the year, we participated in approximately 35 events as speakers, panellists and exhibitors, including:

- PSEW Conference titled „Offshore Wind Power”, *Poland*
- Middle East Electricity fair, *The United Arab Emirates*
- 3rd Advanced Cable Middle East conference, *The United Arab Emirates*
- Kabel 2017 conference, *Poland*
- All Energy fair, *The United Kingdom*
- Elfack fair, *Sweden*
- Anga Com fair, *Germany*
- International Mining Conference in Aachen, *Austria*
- PSEW fair and conference, *Poland*
- General Convention of the European Union of Electrical Wholesalers EUEW, *Poland*
- FIREX International fair, *The United Kingdom*
- TRAKO International Rail Fair, *Poland*
- ENERGETAB International Power Fair, *Poland*
- HUSUM WIND congress devoted to renewable energy, *Germany*
- ENERGETICS Power Fair, *Poland*
- INMR congress, *Spain*
- PES-ICC meeting, *The United States*
- a meeting for investors and designers, labour fair and many more

2.3. RELATIONS WITH THE ENVIRONMENT

OUR STAKEHOLDERS [102-13], [102-12]

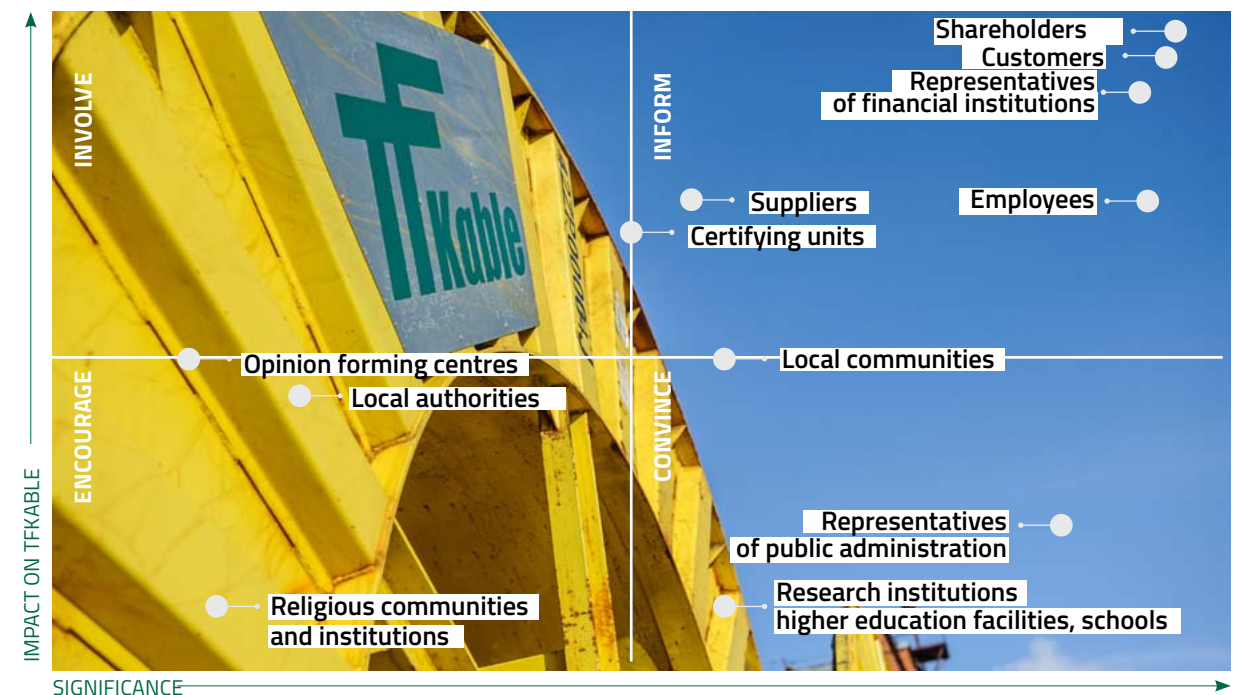
As an international capital group, we have a vast group of stakeholders. We know that relations with our customers, business partners employees and members of the local communities in which we function, guarantee our success. Thanks to dialogue, commitment and cooperation with key stakeholders, we can run our business efficiently and offer top quality products to our customers, thus fulfilling their needs.

Bartłomiej Zgryzek,

Treasury, M&A, Investor Relations, Vice President, Board Member, TELE-FONIKA Kable SA.

Identifying and prioritising our stakeholders is crucial in effectively managing our relations with them. This approach allows for developing relations building strategies which cater to our most important business goals.

Map of TELE-FONIKA Kable S.A. stakeholders [102-40], [103-2], [103-3]



The largest stakeholder groups, i.e. those with the biggest impact on the company, include:

- Shareholders
- Customers
- Representatives of financial institutions
- Employees
- Suppliers
- Certifying units
- Local authorities

Relations with stakeholders are very important to us. We understand that involving stakeholders in the management process, conducting active dialogue with them and referring to their experiences, will increase of the Group's value.

OUR COMPETITIVE ADVANTAGE STEMS FROM GOOD RELATIONS

For companies that operate globally, such as the TFKable Group, caring for stakeholder relations is necessary. It secures the current position of the Group and ensures further growth. Maintaining good relations enables significant information acquisition such as the assessment of our products, our customers' demands and expectations, market trends or innovations implemented by our competition. Reliable analysis of this information is strategically important to our business strategy.

Relations are the basis on which we have built our business model. Thanks to the knowledge and applied solutions, it is possible to develop the pillars of our model:

- knowledge about resources, and especially the needs, possibilities and the market position of customers/suppliers from the **commodity** pillar increases process efficiency and reduces cost
- knowledge about the expectations and construction requirements of customers from technologically demanding sectors contributes to growth in the areas of designing, manufacturing and selling **special-purpose cables**
- delivering **designs**, i.e. complete structures supplemented with carefully selected accessories

Relations are a source of knowledge. Based on stakeholder relations, we create our own understanding and value for customers. As a result, we maintain our competitive advantage, despite operating in a dynamic and often uncertain cable industry which relies on macroeconomic factors.



WE ARE IN CONTACT WITH OUR ENVIRONMENT

We actively initiate and maintain dialogue with our social and market environment. The form and frequency of this dialogue depends on the needs and priorities of a given group of stakeholders, whereas the dialogue itself is structured in a way so that it is beneficial to both parties. With effective and satisfying communication in mind, which builds durable, trust-based stakeholder relations, we undertake the following activities:

- We regularly check the satisfaction level of customers through surveys. Polling is undertaken in Q4 each year, through an online platform among customers from a list prepared by domestic trade and export departments of TELE-FONIKA Kable S.A. The survey usually contains a dozen or so questions pertaining to the quality of offered products, customer service, technical support or individual company approach
- as per the adopted *Information Policy*, we regularly exchange information with market players through the www.tfkable.com portal and with the support of LinkedIn, where we maintain a company portal
- we are in regular contact with regulators, inspection and monitoring organisations and the European Bank for Reconstruction and Development
- we conduct dialogue with employees directly and through trade unions

RELIABLE MANUFACTURER AND SUPPLIER

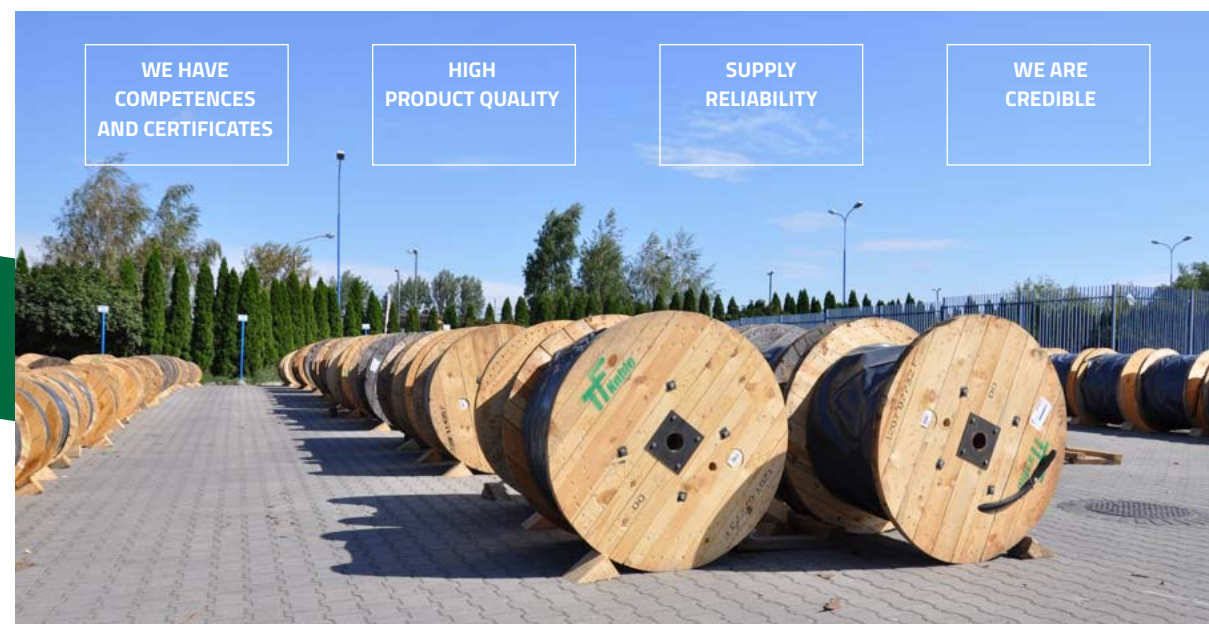
We are one of the **biggest manufacturers** of cables and wires in Central Europe. **We have built our position based on long-standing relations with customers**, maintained not only through the high quality of our products, but also because of reliability of our suppliers, which makes it possible to execute the most demanding industrial and infrastructure projects. We know that in the most technologically advanced sectors where our customers come from, time is of the essence and, together with efficiency, mobility and reliability of suppliers, it determines the success of a specific business undertaking. We offer our customers **quality and top workmanship of our cables and wires, but also reliability and timeliness of our suppliers.**

WE ARE A RELIABLE SUPPLIER

The distribution network of TFKable Group, encompassing six continents, is composed of six foreign commercial companies through which we deliver products to remote **areas** which lack developed transport infrastructure (e.g. construction sites of new pits or underground mines, or to new offshore drilling rigs). Thanks to our own commercial companies and proven, long-standing distributors, we provide efficient and timely execution of orders for customers located in **remote parts of the world**, including China, Peru, Chile, Australia, Mexico, USA and Russia.

We maintain business relations with more than **2,000 customers worldwide**. We have had an established position as reliable partner for many years, which is confirmed by regular orders for cables and wires.

What builds the reliability of TFKable Group?



WE CARE ABOUT MAINTAINING TOP STANDARDS

Caring about for maintaining our position as a reliable manufacturer and distributor, we submit our constructions for assessment of notifying units which have awarded us with several hundred quality certificates to date. Moreover, we subject cables and wires to various types of tests, including several hundred burn tests per year, and we test the continuity of cores in terms of punctures. We invest in highly specialised equipment which we use to check the operational safety of our products. However, our reliability is not only about safe high quality products, but also about how we shape our relations with current and potential customers. The standards we develop and implement, applied by our salespeople and marketing specialists on a daily basis, involve all stages of the sales process. From a request for quote and preparing an offer, through the actual order, production, invoice issuing, up to product shipment, verification of existing liability or possible claim. In this area, we use tools which are part of an implemented **integrated management system**, such as: **procedures, instructions and process sheets**. To this system we have also added a process for checking the satisfaction of customers from branches such as: power, distribution, industry, mining, telecommunication, oil and gas. The process takes place via **polling** conducted by a marketing employee in Q4. [103-2], [103-3]

Procedures and instructions of the integrated management system, which determine the manner of shaping relations and subsequent activities in communicating with customers, are described in documents such as: *Handling quotes and orders of export customers, Handling customer orders, Instructions for documenting the sales process, Handling claims and complaints or Customer satisfaction polling*. Tools which support the handling of business processes include SAP transactional systems, ERP for advanced planning as well as scheduling production of SAP APO and CRM for customer relationship management.

- **Sales process management** – in 2014, the first in-house CRM module was implemented enable TFKable Group to conduct quote processes in a clear, quick and easily controllable fashion. Starting in 2015, successive models were added: receivables – a user-friendly way for salespeople to track customer balances, calendar – for sales reps and investment projects – grouping requests for quotes.

From the moment of CRM's implementation until now, more than 31,000 quotes were prepared for export markets, with special consideration for offering new cable constructions, as well as 65,000 offers for the Polish market. Dozens of thousands of invoices and payments allocated to them have been processed.

Many user groups function within the system: salespeople, sales support department, technologists, product managers and the financial department. We work on the system's development on an ongoing basis in order to make it user-friendly, which combines numerous business processes.

WE SPONSOR SOCIALLY IMPORTANT EVENTS

We are active in conducting activities, for our social partners in direct vicinity of our production plants. In all areas of our sponsoring activities, we focus on the needs of our stakeholders, bearing in mind the aim of solving important local social problems. We regularly meet partners in order to identify both their needs as well as the needs of the local environment, and to develop a programme which is suitable and satisfying for partners and the TFKable Group.

As part of sponsoring, we provide material and technical support, indirectly co-financing events and undertakings, e.g.:

- we support the youngsters' football team at the production plant in Bydgoszcz, mainly in material form
- we support self-governments during the organisation of large events for teenagers. This is often technical help involving equipping event organisers with cables or wires free of charge, so they can achieve a suitable sound or lighting effect

WE SHARE EXPERTISE WITH TEENAGERS

We cater to the educational needs of the youth.

- We organise and provide school trips tours around our manufacturing plants. Thanks to this, school students can learn about technological and production processes
- We organise internships and traineeships for school pupils, during which they can learn about executive or administrative positions
- We are happy to take students in for internships and traineeships from labour offices. We are an active partner of these offices also because of our involvement in organising commune and municipal career days
- We make materials available for secondary school pupils, university and PhD students for the purpose of preparing academic papers



Our firefighters

Firefighters have been acting at the production plant in Bydgoszcz formally since 1930. The Voluntary Fire Brigade was created as part of a workers initiative following a plant fire in 1927. In September 1939, workers and firefighters evacuated equipment and machines to Warsaw. They also defended the capital by putting out fires, among other things. Currently, the Voluntary Fire Brigade at the Bydgoszcz production plant consists of 18 firefighters authorised to participate directly in rescuing and firefighting activities, six people trained in the area of technical rescuing and four leaders who can run rescuing and firefighting activities. **Firefighters from our Voluntary Fire Brigade conduct numerous activities for employees and local communities:**

- At the plant – they supervise firefighting equipment and escape routes, as well as conduct training events
- During heavy snowfall, they clean roofs, remove icicles, clean gutters. They removed the effects of the 2017 storm wind
- They conduct regular fire prevention events at preschools and schools. In 2015 they signed an agreement with Middle School No. 3 in Bydgoszcz, where a Youth Fire Team was created; they represented our Voluntary Fire Brigade at city, provincial and international competitions in Belarus, Germany and Austria
- As part of international cooperation, in 2014 our Voluntary Fire Brigade hosted delegations of firefighters from Belarus, Austria and Liechtenstein in our plant
- As a result of an agreement with the Wiatrak Foundation, each year on Palm Sunday our firefighters guard the organisation of the event in the Fordon Valley of Death

Each year, Voluntary Fire Brigade units from Bydgoszcz undergo evaluation by a special committee. Recently, we were awarded 1st place twice.

3. OUR DEVELOPMENT IS BASED ON TOP QUALITY

3.1. INNOVATIVE PRODUCTS

WE MANUFACTURE INNOVATIVE TRANSMISSION SOLUTIONS

For nearly 100 years, we have been designing, manufacturing and delivering **cables, wires and cable systems** with broad application in numerous sectors based on modern and advanced technologies, including mining, power, rail, shipyard, car, telecommunication, automation or renewable energy sectors. [103-2]

We deliver innovative and safe solutions for the industry



TELECOMMUNICATION

- Telecommunication cable constructions, designed for both traditional and modern broadband transmission systems. In addition to copper telecommunication cables category 5e and 6, as well as fiber optic cables of various types (ADSS, reinforced cables, cables with anti-rodent protection and micro-cables) up to 432 fibers – we also produce telecommunication cables for mining and shipbuilding industries



RAILWAY INDUSTRY

- Specialized medium and low voltage cables, telecommunication cables, signaling and control cables, as well as full range of products for the construction of overhead traction that provide operational security and allow for higher speed limits



SHIPBUILDING INDUSTRY

- Cables with halogen-free coatings that do not spread out flames and do not emit harmful gases during fire
- Fire-proof cables that ensure trouble-free operation for a certain period of time during fire conditions dedicated for safety circuits – e.g. emergency power supply (i.e. lighting of evacuating routes)



ENERGY

- High voltage (HV) and extra high voltage (EHV) cables – offered within the framework of complex support during all stages of project implementation – cable system design, its installation along with accessories and acceptance tests
- Power cables of low voltages – 1kV
- Power cables of medium voltages, ranging from 6/10 kV to 18/30 kV
- Cables and wires for overhead lines
- Power lines – 450/750 V



OIL AND GAS

- Cables and wires designed for ship and platform operations. They are characterized by excellent mechanical and chemical resistance, which is required for working difficult conditions; additionally, just as is the case with the new generation of unleaded cables, they are environmentally friendly



RENEWABLE INDUSTRY

- Cables and wires of low, medium and high (XLPE) voltages, as well as control/optical cables for the transmission of data and provision of security, which are applied in the construction and operation of coastal and inland wind farms



MINING

- Cables and wires in a polyurethane sheath (PTU), which is characterized by extremely high abrasion resistance
- Cables and wires in reflective coatings, which are characterized by not only exceptionally high mechanical parameters, but also a unique solution of the so-called reflective coating, which significantly increases the work safety in mining pits
- Cables containing the optical module, as well as cables with control lines, cables with pilot lines, trailing cables and cables for use in shearers



AUTOMOTIVE INDUSTRY

- Power cables and wires data transmission cables and control cables that are characterized by the highest mechanical resistance, as well as resistance to elevated temperatures, humidity, fire and various chemical agents



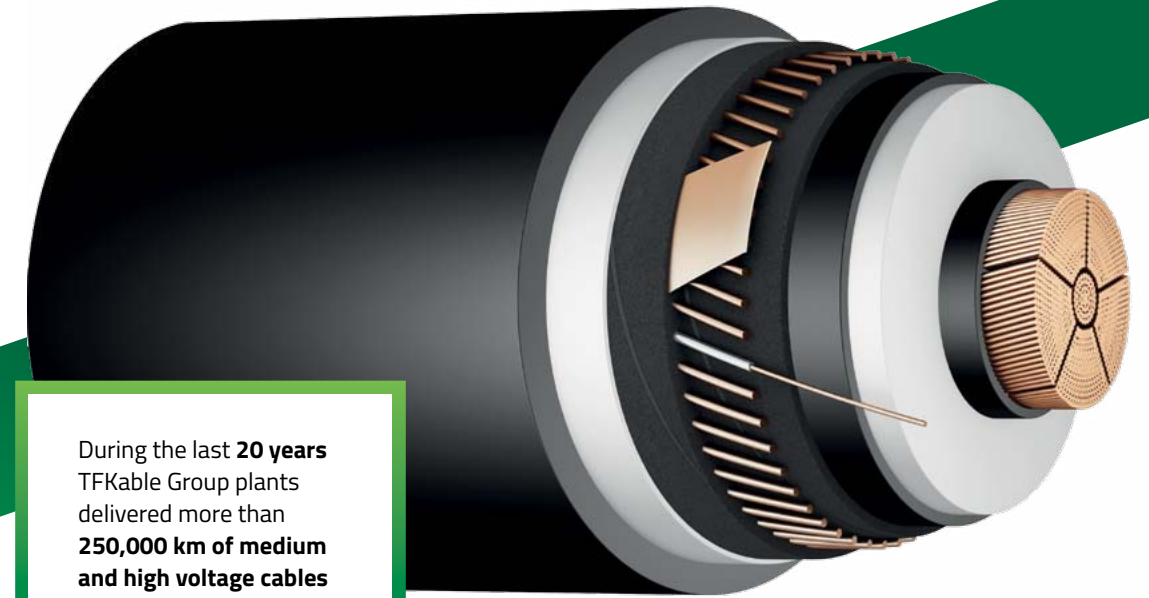
AUTOMATICS

- Signaling cables 0,6/1 kV, signaling and control cables 300/500 V and control cables – dedicated as connecting lines and connection for control devices in machines, production and assembly lines, conveyors, production lines for fixed installation, as well as flexible hoses with free movement in dry, damp and wet areas



WELDING INDUSTRY

- Welding cables and wires retain high flexibility and durability. Furthermore, they are resistant to gases and liquids, and they do not spread flame. They are used both indoors and outdoors – in dry and humid conditions



During the last **20 years** TFKable Group plants delivered more than **250,000 km of medium and high voltage cables** to the market, compliant with global standard requirements.

QUALITY IS OUR TRADITION

The history of manufacturing plants included in TFKable Group dates back to the 1920s. During the development process, thanks to acquiring subsequent plants, we have enriched our experience with the best solutions drawn from the long standing tradition of the Polish cable industry. Thanks to acquisitions of the Bydgoska Fabryka Kabli or the Krakowska Fabryka Kabli, we have broadened the scale of activities and assortment of technologies and products characterised by top quality and reliability in their respective cable and wire category. These include **high and medium voltage cables** manufactured since **1997** at the Bydgoszcz plant, as well as **cables and wires in rubber cover** manufactured at the Kraków-Wielicka plant.

We have developed and modernised the acquired plants, increasing their production capacity. Among other things, we have launched four additional manufacturing lines at the Bydgoszcz plant in 2002. Thanks to the traditions of the plant, combined with as many as eight modern process lines and laboratories, the **Bydgoszcz plant became the largest manufacturing centre of medium and high voltage cables in Europe**. It produces the entire assortment of cables in one location. At the same time, we launched a new plant – the modern Kraków-Bieżanów plant put into operation in 2001.

We are one of the few manufacturers in Europe with highly specialised equipment for testing high and extra-high voltage.

We hold more than **380 quality certificates** awarded by **34 certifying centres in the world.**

WHAT DOES QUALITY MEAN TO US? [103-2], [103-3]

- **Quality is safety.** Our products transmit current and are an element of people's daily lives; therefore, we understand that safe use of our cables is a top quality element
- **Quality is about using the best raw materials.** Our cables and wires are manufactured using the best raw materials, such as copper, aluminium, PVC, polyethylene and rubber [301-1], which come from diversified, carefully selected sources. That is why our final products are characterised by top workmanship and preservation of unique resource qualities which guarantee their safe use
- **Quality means minimising a negative environmental impact.** Care for high product quality is undeniably linked to alleviating the impact that we exert on the natural environment through our activities. For this reason, our manufacturing process is based on an environmentally-friendly technology, including the recovery of production waste. Our waste recycling facility in Bukowno can process up to 24,000 tonnes of cable waste per year. The result of this process is the creation of non-ferrous metal granulates, plastic and rubber. Copper granulate is subjected to further recovery process, which leads to the creation of copper rod with a purity of over 99.5%. This can be used in the cable manufacturing process

Thanks to our recycling solutions, TELE-FONIKA Kable S.A. was awarded the title of **Polish Ecology Partner.**

R&D, I.E. RESEARCH AND DEVELOPMENT

One of the most important tasks for us is to ensure that our products fulfil the quality and safety requirements described in national and international regulations. At the same time, we want to follow the latest technology trends and discoveries, which can broaden the usable properties of the cables and wires we manufacture. For this purpose, we conduct various activities in the area of research and development:

- we subject our cables and wires to numerous examinations and tests
- we continuously improve our production processes thanks to investments in highly specialised control and measurement instruments, as well as laboratory and research equipment
- Our Burn Test Laboratory at the Kraków-Wielicka plant is equipped with instruments which allow for **conducting broad tests on flame spreading on samples and cores.** This means we can determine the impact of a structure and materials on the flame spreading during a fire
- We have equipment for testing the density of emitted fumes and corrosive gases against their coherence with standards
- At the High and Extra-High Voltage Laboratory of our production plant in Bydgoszcz, we use **Faraday chambers**, in which we test the degree to which our cables are resistant to external electromagnetic fields. We also have a surge generator with its own research field for qualification tests, a 500 kV test system and a system of 5000 A heating generators. Using the **surge generator**, we locate damage in cables and wires
- we conduct tests in partnership with universities, as well as national and international academic and certifying institutions
- The Laboratory in Bydgoszcz cooperates with VDE (VDE Testing and Certification Institute, Representative Office in Poland), KEMA (Keuring van Elektrotechnische Materialen te Arnhem), DEKRA (DEKRA Certification S.A.), CESI (Centro Elettrotecnico Sperimentale Italiano) and STRI
- The structures we test are also subjected to assessment by certifying units
- We cooperate with the non-ferrous metals and electric faculties of the AGH University of Science and Technology and the Kraków University of Technology as part of research projects conducted for our needs or the needs of universities / research units. We finished three such projects in 2017

SAFETY AND TESTS

> We fulfil all requirements pertaining to domestic and international regulations on product safety and testing. **In practice, this means that our cables and wires are subject to numerous tests and trials by external certifying and/or notifying units, e.g. by the ITB Instytut Techniki Budowlanej.** We also invest in our own control-measurement and laboratory equipment. It allows us to check, both on single samples as well as cable and wire bundles, e.g. the rate of fire spreading (the purpose of these examinations is to test the behaviour of a cable during fire), as well as the density of emitted smoke and corrosive gases and the continuity of cores or presence of punctures. **By putting this knowledge into practice we manufacture top quality products which cater to the needs and expectations of our partners.**

We continuously monitor all changes to domestic and international regulations regarding the production of cables and wires, and we adapt our procedures to meet them.

From 2016 onwards, our priority has been to fully adapt the production and marking of cables and wires that we market to the requirements of **Regulation 305/2011 of the European Parliament and of the EU Council** the CPR regulation. It introduced a number of changes to the fire safety requirements for cables and wires, which are covered by **European standard EN 50575:2014**.

Standard EN 50575:2014 obliges manufacturers of cables and wires to place information on the product regarding its intended use, class, reaction to fire, as confirmed by tests carried out by an independent test facility.

Before we place our cables and wires on the market, they are subjected to a variety of quality and safety tests, whose course is defined in detail in various international and national standards.

These include:

- **IEC**, i.e. International Electrotechnical Commission standards, such as IEC 60331, IEC 60332, IEC 6104, IEC 60754

How is a cable test per IEC 60331 performed?

Part 60331-21

A 1,200 mm long cable sample with two metal rings is mounted horizontally in a specially ventilated chamber. During the test, a voltage compliant with the nominal value of the tested cable (for telecommunication cables, the value is 110 V) is applied to the cores, resulting in a closed electrical circuit. The sample is tested on a 500 mm long linear burner and using a flame with a temperature of 750-900°C. The test lasts 19 minutes. The result is considered positive if the cable maintains continuity of transmission during the test and no short circuit occurs.

Part 60331-31 deals with cables over 200 mm in diameter and introduces standards and procedures for testing cables for fire and mechanical impact (temperature in accordance with regulations of standard 60331-12). The cable sample should be 1,500 mm long. It is bent to a U shape, while maintaining the minimum bending radius as per manufacturer's recommendations. A prepared section is mounted on a metal test frame.

During the test, a voltage corresponding to the rated voltage of the tested structure is released through all cable cores and the burner is actuated together with mechanical impacts repeated cyclically every five minutes. The testing time is 120 minutes. The result can be considered positive if no interruption of electricity transmission occurs during this time and no shortages are observed.

- **EN** – these are binding standards in all of the European Union. They are usually developed on the initiative of the EU by European standardisation organisations – CEN and CENELEC. CEN and CENELEC form the basis for all national standardisation organisations in Europe

How is a cable test per standard EN 50200 performed?

In an adapted chamber, a 1,200 mm long cable sample is mounted, through which a voltage equal to the rated voltage of the cable is released, forming a closed circuit. During the test, the cable is subjected to fire at a temperature of 842°C and to mechanical impact caused by a metal bar falling on the cable in a specified period of time. Measurement of the cable operation time corresponds to so-called fire resistance class PH.

- **BS**, i.e. British standards which cables and wires introduced on the market have to fulfil

How is a cable test per standard BS 6387 performed?

The test is performed in three stages:

1. Fire resistance test for cat. C (category C – cable sample subjected to fire at a temperature of 950°C for three hours) – it involves exposing the cable sample to a flame with an exact defined temperature during a specified time period.
2. Fire and water resistance test for cat. W – the cable is subjected to fire at a temperature of 650°C for 15 minutes, while for the next 15 minutes water is poured over the cable and the area surrounding the sample.
3. Fire and mechanical resistance test for cat. Z (category Z – the cable sample is burned at a temperature of 950°C and is subjected to mechanical impact) – a test in which a cable is subjected to a flame with a specified temperature and to mechanical impact for 15 minutes.

- **DIN**, i.e. standards developed by the German Institute for Standardisation (DIN), which is responsible for publishing standards for electronic and electrotechnical equipment and systems applicable in Germany

How is a cable test per standard DIN 4102-12 performed?

Cables are connected to a current source with rated voltage corresponding to the rated voltage of the cable. During the test, the cable cannot be short-circuited and the cable system has to maintain continuity of transmission for a certain period of time.

What activities have we undertaken in order to implement the CPR Regulation?

- we have conducted **several hundred burn tests** at the Burn Test Laboratory operating at the Kraków plant
- for notification purposes, we have submitted the tested constructions for further tests to an authorised certifying unit – ITB in Warsaw
- we have introduced **a uniform classification of cables and wires** produced by TFKable **according to fire reaction classes** and co-existing factors, e.g. emission of smoke, corrosive gases and burning droplets
- we have **categorised cables and wires according to their purpose and use in construction structures** – commercial, civil and industrial, referring to fire safety rules

Results of full implementation of the CPR regulation:

- we have introduced **new labels** as per requirements of the CPR regulation. The purpose of placing a label on a product (or its packaging) is to provide the user with information about the function of the product and its conformity. Cables intended for construction purposes are marked with CE (Fr. Conformité Européenne). This is a manufacturer's declaration that the labelled product complies with the CPR Regulation
- we have introduced **markings on covers** of cables and wires for construction facilities
- we have limited **the use of PVC materials** to higher class products. > PVC, from which cables and wires are made, does not spread fire and is a self-extinguishing material. However, due to the fact that it contains halogen components (fluorine, chlorine, bromine and iodine), it emits dense and suffocating smoke during combustion, which makes it difficult for people to evacuate during a fire
- we issue **Declarations of Performance (DoP)**, in line with regulations. These are documents required when marketing construction products covered by a harmonised standard, here: EN 50575:2014, containing information on the manufacturer of the construction product, its intended use and usable properties, amongst other things

Since 1 July 2017, we have implemented **100% of the new EU safety standards** set out in the CPR Regulation for cables and wires intended for the construction sector.

OUR INNOVATIVE AND SAFE SOLUTIONS FOR THE INDUSTRY

With the safety of people and the environment in mind, we have created and introduced on the market the following solutions:

- **Reflective cables – visible and resistant to exploitation.** This is a new line of reflective mining cables which comply with safety requirements under difficult mining conditions. These cables have reflective coatings with polyurethane insulation, which means they are resistant to high mechanical stress, abrasion and tear and are highly flexible. The reflective coating also ensures visibility in the most difficult conditions – in tunnels and excavations
- **Halogen-free cables and wires – non-combustible** – They do not emit toxic, dense smoke or corrosive gases; therefore, they are safely used as power and signalling cables in buildings with high concentrations of people and in places where more stringent fire safety requirements and/or CPR regulations apply
- **400 kV cables, i.e. extra-high voltage cables.** They are intended for big undertakings in the power sector. Their introduction by the TFKable Group was possible thanks to technological investments in machinery and research equipment
- **Cables with XLPE insulation and combined reinforcement which serves as a protective core at the same time.** They can be used in open spaces, underground and in cable ducts, especially where increased conductivity of the grounding core is required. XLPE insulation allows for the safe operation of a cable at core temperature up to 90°C. These are mining cables. Compared to other cables currently used in mining, our cables are characterised by:
 - several times higher resistance to abrasion
 - higher resistance to stretching
 - higher resistance to tear
 - considerable decrease of mass of the cover
- **Comprehensive support.** Our specialist expertise allows us to support a project at all stages – from designing the cable system, through its installation with its accessories, to acceptance tests
- **TF Easyline MVC – mobile medium voltage cable line – comprehensive solution for the power industry** Works on the innovative design started at the Bydgoszcz Production Plant of the TFKable Group, where specialist tests and trials were positively evaluated by auditors. Starting from Q3 of 2017, TF Easyline MVC is available for sale.
 - TF Easyline MVC is a solution that minimises the power outage time during planned overhauls or in the event of a power grid breakdown. As a result, the line ensures a continuous supply of electrical power and faster restoration of the power supply on damaged overhead lines
 - The TFEasyline MVC system is fitted with a three-core cable terminated with cable heads, a metal drum, a cable trailer, 9 single-core cables for connecting the three-core cable to the overhead line or transformer, as well as cable and additional accessories – the entire system guarantees safety and easy operation of the medium-voltage mobile cable line
 - TF Easyline MVC has many advantages, including easy and quick assembly, increased resistance to winding and unwinding, increased resistance of the accessories to multiple connections and disconnections, compliance of electrical properties with standard PN-HD 620 S2:10C. What is important, according to the CPR directive, is that a mobile cable line is resistant to fire propagation (PN-EN 60332-3-23) according to the fire reaction class (PN-EN 50575) – Eca

HOW DO WE DEVELOP INNOVATIONS?

Our innovation is driven by quickly changing customer needs as a result of technological progress market competitors and their achievements, as well as introduced mandatory standards and regulations regarding industrial products. In this respect, we are particularly motivated both to create our own innovations and to provide access to knowledge about innovations created in science and business.

- Our laboratories in Bydgoszcz and Kraków, as well as our Technology Department work on improving the mechanical and functional properties of cables
- We participate in meetings of international cable industry organisations (e.g. Europacable), scientists and business practitioners (ICF – International Cablemakers Federation, BCA – British Cable Association, PSWE – Polish Wind Energy Association). This means we have access to knowledge about new industry trends, as well as market needs and expectations. Based on this, we deliver technologically advanced products of the highest quality
- In 2017, we continued an overview of our operational areas in order to strengthen activities aimed at executing a sustainable development strategy, i.e. product, production and environment safety



During the year, our **Technology Department:**

creates more than
2,000
new products codes

conducts more than
30
development works related to new product groups.

conducts more than
1,000
process trials

3.2. COOPERATION WITH SUPPLIERS AND CLIENTS

OUR KEY MARKETS [102-6]

We are a leader in the domestic market in terms of the production volume of cables in rubber insulation. We supply these to customers all over the world – for applications such as mines, industrial plants, wind and solar power plants. We supply cables to all power distribution companies in Poland, as well as to the largest global distribution networks.

We export these cables to most European countries, as well as to the USA, Canada, Chile, Peru, Australia and South Africa.

In 2017, we continued to develop sales in North and South America and the Middle East – continuing our geographic market diversification strategy implemented several years earlier.

In 2015, the largest share of TFK cables in the total TFK cable sales **was held by 1 kV cables – 29%**, followed by medium voltage cables – 23%, wires – 19%, cables in rubber insulation – 16%, high voltage cables – 7% and telecommunication cables – 6%.

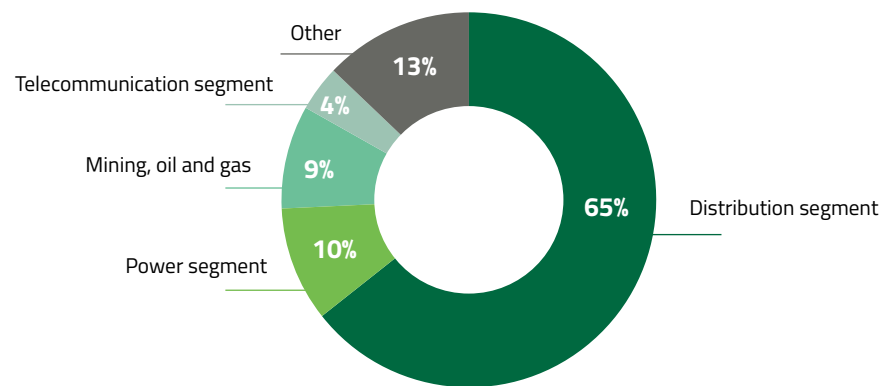
We have **more than 20 years** of experience in supplying opencast mines all over the world with specialist rubber-insulated cables and **more than 30 years** of experience in supplying them to underground mines and mining purposes.



OUR CUSTOMERS

We offer a diverse product portfolio. It includes **25,000 constructions** split into **5 segments** per our customers' sectors.. These are:

TFKable Group customers divided into segments [102-6]



Data for 2017

1.

Distribution segment – our key customers, including electrical wholesalers, who sell our products to retail customers in various industry sectors.

- Customers from this sector **make up 65% of all our customers**
- Domestically, our products are sold via electrical and electrotechnical wholesalers
- International distribution includes customers world-wide. Our products reach them through global distribution networks such as **Rexel, Sonepar, Idee and Fegime**, with which we have signed cooperation agreements. By implementing this strategy, we have gained the status of preferred cable supplier for companies belonging to those networks

2.

Power segment – power plants or projects modernising the infrastructure of energy sector companies, designers and executors of energy projects, e.g. wind farm constructors in the energy sector.

- **Customers from the power sector make up approximately 10% of all our customers**
- The energy sector constitutes the second largest group of our customers in terms of revenue generation
- Key products sold in this segment include medium and high voltage cables
- In Poland, our customers include companies from main energy groups, among others. Key foreign recipients include **energy system operators** from the United Kingdom, France and Germany

3.

Mining, oil and gas (MOG) – mines and other entities operating in this sector.

- **This segment includes 9% of our customers**
- We supply them mainly with cables in rubber insulation

We are successful in delivering high quality cables to offshore and onshore customers:

- We handle **dozens of different oil and gas projects globally, as well as** offshore and tidal wind farms

- We have delivered over **1,500 km of cables** to customers in this sector to date
- **No cable damage** was reported during offshore exploitation

For more than 30 years, we have been delivering safe mining cables, resistant to harsh conditions and very high temperatures (up to 90°C) to customers world-wide - from Germany to the USA, Canada, Mexico, Chile and Peru, to South African countries all the way to Russia, Australia and China.

Export of mining cables – TFKable Group's presence on world markets:



4.

Telecommunication segment – telecommunication operators and suppliers of these operators.

- The telecommunication segment constitutes 4% of our customers
- Key products sold in this segment include telecommunication cables
- Our main markets in this segment, apart from the domestic market, include Serbia and Germany

5.

Other customers are mainly from the industrial sector.

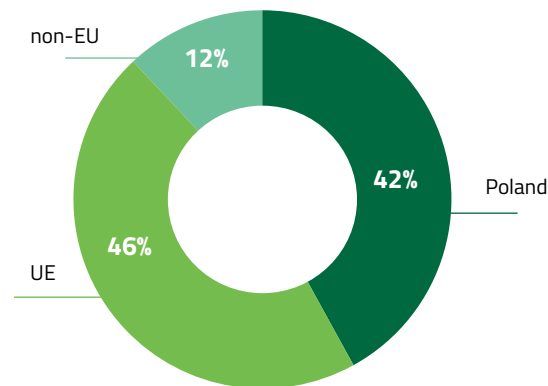
- They constitute 13% of all our customers and come from Poland, France, the Americas, markets, Germany or other member states of CEFTA
- 82% of generated revenue comes from export

OUR SUPPLIERS [103-2], [103-3]

Our main goal in the purchasing process is to obtain the best possible raw materials – copper and aluminium rods, gum and rubber. Their unique properties often determine the safety and reliability of TFKable cables and wires. For this reason, we have developed detailed procedures for reducing procurement risk.

- To reduce the risk of production downtime and to ensure the quality of purchased raw materials, we try to diversify our purchase sources and to constantly increase their quantity. At the same time, we focus on regular cooperation with proven suppliers. For this purpose, we have developed an **internal list of qualified suppliers subject to continuous evaluation**. It currently includes **300 entities**
- One of the objectives of our Procurement Department's purchasing policy is to limit purchasing risk, so **we are working directly with raw material manufacturers**, who currently account for 65% of our suppliers

Geographical breakdown of raw material purchases



Data for 2017

- We use segmentation of our suppliers and divide them into **materials groups**. The breakdown by material groups can be found in the *Register of Approved Suppliers of Raw Materials* (DZ-05-WYD. 12-03/14). There are currently 138 items in the register and this number changes as the document is updated every six months [102-9]

The most important material groups include metals which constitute more than **70% of the value** of all raw material purchases.

40% of materials we buy come from Poland. 60% are purchases from abroad, mainly from European countries.

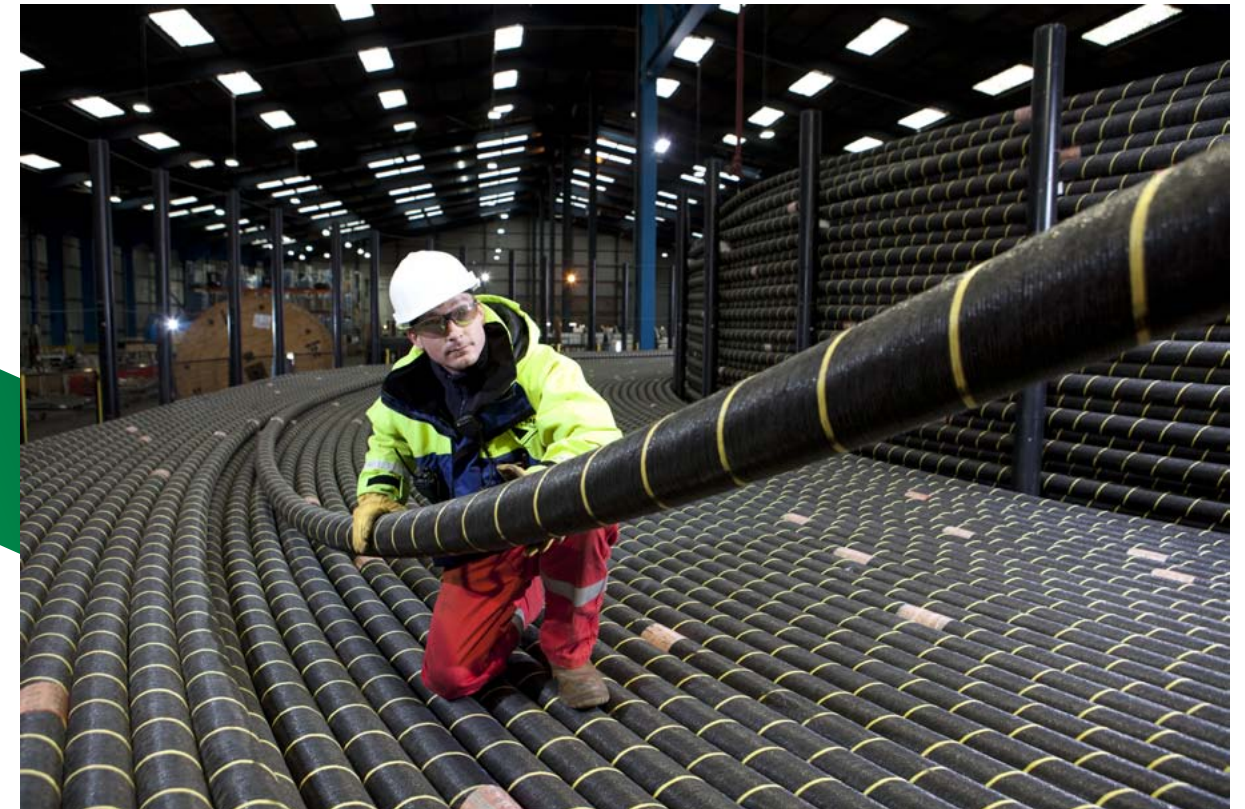
HOW DO WE SELECT AND ASSESS OUR SUPPLIERS?

We verify our suppliers both at the stage of their qualification as well as during a half-yearly summary of the partnership. The *Selection and Evaluation of Suppliers, Supplier Audit instruction*, which regulates supplier evaluation, is treated as one of the main risk management elements in the procurement process.

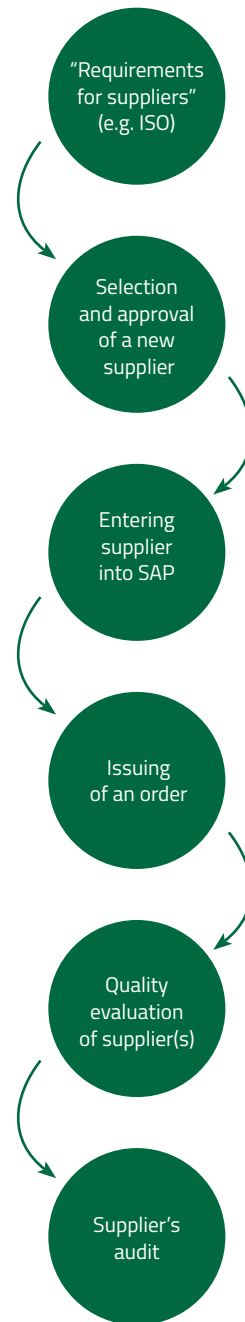
The purpose of the *Selection and Evaluation of Suppliers, Supplier Audit* instruction is to:

- ensure proper selection of suppliers
- to supervise suppliers in order to guarantee the required quality and quantity of ordered raw materials, while ensuring the best commercial conditions
- to conclude agreements in such a way that they include clauses stipulating the right to conduct an audit by TFKable Group representatives

With the quality of our products in mind, we attach large significance to professional management of the procurement process. **We have therefore established a central procurement unit**, which serves four plants in Poland and partially two production plants abroad. It supervises purchasing processes throughout the Group and controls whether they come from proven sources.



Outline of the supplier selection, evaluation and audit process



Verification whether the Supplier is compliant with the Requirements for Suppliers. In case of various types of supplied materials, Suppliers must comply with different requirements (e.g. **ISO 9001, ISO 14001, ISO 1400 or ISO/TS 16949 standards**). The company groups **Suppliers into 5 categories**, each having to comply with strictly determined requirements: suppliers of direct manufacturing materials, indirect manufacturing materials, automotive production materials, auxiliary materials and general purpose materials.

Selection and approval of a new supplier. Selection of a supplier is based on such criteria as: technological ability to fulfil the offer, material quality, optimal cost of purchase, timeliness of delivery, payment provisions and currency, guarantee and acceptance of delivery conditions required by TFK-able group, supplier's financial standing, adaptability for changes in demand etc.

Entering supplier into SAP. Entering a supplier into SAP and all changes made within this system has to be approved by Procurement Department Director. Information on supplier available in SAP system is accessible by **all Procurement Department employees**.

Issuing of an order. After entering of the supplier to SAP base proper Procurement Department Specialists/Managers are able to prepare a trial order. Material from trial order is then **tested in a valid laboratory and undergoes the process of trial production**. After achieving positive results at tests material is accepted by appropriate Technologist and a **Material Acceptation Chart** is issued. On this basis the material can be acquired in the future.

Quality evaluation of supplier(s). In case of suppliers of basic direct manufacturing materials and indirect manufacturing materials a ranking list is combined and analysed by Procurement Department **twice a year** and for other than basic materials once a year. Such parameters as timeliness of delivery (OTD), ISO 9001 and ISO 14001 certification, Supplier's self-assessment survey, REACH compliance declarations, supply quality (complaints) and evaluation of cooperation are taken into account.

Supplier's audit. Supplier's Audit Program is prepared by Procurement Department and approved by Board Representative for ISO. Suppliers of basic production resources who fulfil all requirements are audited **every 5 years** and those on whose account complaints were noted within last 2 years are audited **every 2 years**.

RESPONSIBILITY AND RIGHTS DURING THE SUPPLIER SELECTION, EVALUATION AND AUDIT PROCESS

Procurement Department Director:

- supervision over the supplier selection and evaluation process
- concluding agreements containing clauses which allow for conducting an audit at the supplier's premises and developing a programme for audits at the supplier's premises
- initiating audits in agreement with the Board Representative for ISO

Board Representative for ISO:

- determining the team of auditors and appointing the main auditor
- confirming audit reports
- approving audit programmes at the suppliers' premises and initiating audits
- approving corrective activities undertaken by suppliers

Chief Plant Technologist:

- participation in audits at the supplier's premises
- providing other auditors with information regarding: specifications of products to be audited, model quality certificates or attestations test methods and scopes
- assessment of changes in the supplier's formulation or manufacturing technology

Chief Auditor:

- preparing contents of audits
- preparing audits and compiling reports
- submitting signed reports to the Board Representative for ISO

Heads of Quality Assurance Department:

- submitting information regarding the quality of supplies to auditors
- personal participation in audits
- authorisation to request for conducting audits at suppliers

Procurement Specialists:

- selection of supplier
- obtaining necessary data and documents from the supplier
- entering the supplier in system SAP and updating information about them
- placing an order for a trial supply purchase, ordering a technological batch
- conducting evaluations at suppliers' premises
- maintaining contact with suppliers in order to inform them about the evaluation and monitoring results
- informing suppliers about the audit date

In 2017 we conducted internal audits on nearly half (47.4%) of new suppliers [308-1], [102-9]. Acting in accordance with the adopted *Procurement Policy* and instructions allows for achieving objectives and eliminating risks in the purchasing process.

4. WE ARE DRIVEN BY VALUES

In the production of cables and wires, which securely supply electricity to houses and flats, there is no place for even the slightest omission of high safety and quality standards. Dependability, reliability and security guarantee market success in this industry. A company operating in the cable industry simply needs to be ethical. Credibility is its most important competitive advantage. This is who we are.

Jarosław Romanowski,

Chief Financial Officer, Vice President, Board Member, TELE-FONIKA Kable S.A..

4.1. STABLE MANAGEMENT FOUNDATIONS

CORPORATE GOVERNANCE

Through **corporate governance** we understand that the daily functioning, management and supervision of an organisation is based on the highest corporate standards and applicable law.

The key result of our corporate governance involves **sustainable, transparent and trusted relationships** with employees, suppliers, partners and investors.

TELE-FONIKA Kable is a joint-stock company. According to the *Code of Commercial Companies* this means that decisions regarding company matters are made by the General Meeting of Shareholders, the Supervisory Board and the Management Board. The competences of these bodies are compliant with the aforementioned Code and Statute of TELE-FONIKA Kable.

The **General Meeting of Shareholders** is one-man, which results from the fact that Bogusław Cupiał is the sole shareholder and owner of the company. His competences include, among other things:

- appointing all members of the Supervisory Board, Management Board or key employees in subsidiaries
- approving the annual budget of TELE-FONIKA Kable S.A.
- agreeing to issue bonds and donations
- granting consent to the establishment of securities, accepting the purchase or sale of real estate

Bogusław Cupiał's personal right is the possibility of dismissing all members of the Supervisory Board apart from its Chair, as well as all Board Members.

[102-18] The Supervisory Board has permanent supervision over the activity of TELE-FONIKA Kable S.A. in all areas of its operation. The main competences of this body include issuing opinions regarding financial statements and reports on the Management Board's activities and its decisions in the area of profit distribution. The Audit Commission is a permanent commission appointed at the Supervisory Board. Issues pertaining to the functioning of the Supervisory Board, not regulated in the *Code of Commercial Companies*, are specified by the *Supervisory Board Code* adopted at TELE-FONIKA Kable. The Supervisory Board currently consists of 6 people.

The Board represents the company and deals with all corporate issues. Board members are responsible for specific operational areas of TELE-FONIKA Kable S.A. The company may be represented before third parties in specific people configurations and functions, i.e.:

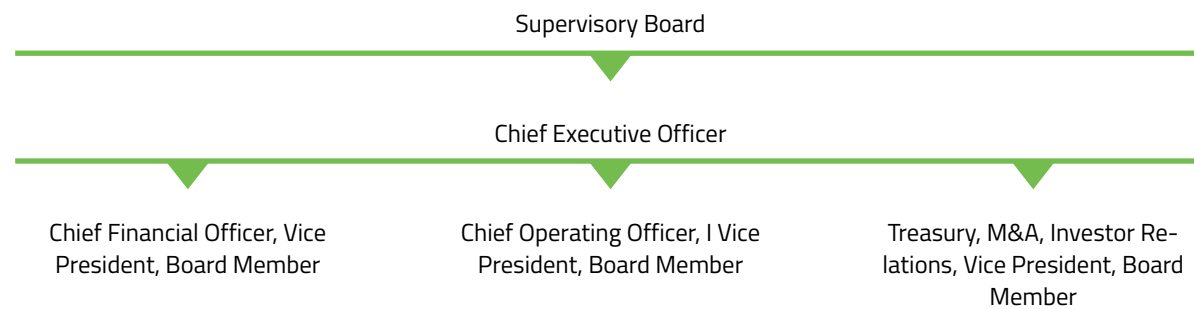
- by all members of the Board acting together
- by two members of the Board and a **proxy**

Issues related to the Board's functioning, not regulated by the *Code of Commercial Companies*, including the manner of organisation and certain procedures, are specified by the *Management Board Code*.

[102-22] **The function of CEO is performed by a woman.** The Board of TELE-FONIKA Kable S.A. comprises four people – one woman and three men. These are:

- CEO
- Board Member, Vice President, Chief Operating Officer
- Board Member, Vice President, Chief Financial Officer
- Board Member, Vice President Treasury, IT, M&A and Investor Relations

Management and supervisory structure of TELE-FONIKA Kable S.A. [102-18]



Internal management policies. We have implemented corporate governance principles based on best market practices. Part of this process is to create and implement internal policies which regulate conduct in key areas of the company's operations, both on an ongoing basis and in operational planning. They support the risk management process.

These include: *Trade Policy, Investment Policy, Procurement Policy, Dividend Policy, Credit Risk Management Policy, Liquidity and Financing Management Policy, Currency Risk Management Policy, Interest Rate Risk Management Policy or Commodity Risk Management Policy.*

HOW DO WE MANAGE RISK? [102-11], [102-15]

As a company operating on a global scale, we are influenced by particularly on the uncertain macroeconomic situation, including increasing competition, price pressure and demand dynamics, to which we have a very limited control over. Our situation is also conditioned by other risk factors, such as: customer insolvency, changes in prices of copper and other raw materials, currency risk, legal risk, liquidity risk, changes in managerial staff or loss of assets.

Therefore, in order to ensure our primary goal – manufacturing and efficient delivery of high quality products in a convenient place and on time – we examine and diagnose risks and opportunities in key areas of our activity, especially in the distribution and energy segments. We do this in order to make optimum business decisions, i. e. ones which will enable us to continue to deliver safe, technologically advanced, cables and wires, while minimising the environmental impact of our manufacturing activities, developing innovations and maintaining our position as one of the leading cable manufacturers in the European and global market.

Risk management process is the basic tool we use to continuously, day by day, examine risks and opportunities and to take appropriate action. This approach consists of several stages during which we identify and assess risk, monitor it, report it and check the effectiveness of our risk reduction measures:

Risk management process at TELE-FONIKA Kable S.A.



- Regarding environmental risk and labour law, we observe rules stemming from: **ISO 14001** and – in the case of the Bydgoszcz plant – **OHSAS 18001**.
- When introducing new products, we follow industry management policies and standards which are regulated through suitable **certificates and permits**.

4.2. ETHICS AND VALUES

OUR MISSION. CONNECTING GLOBALLY

We are a global company with Polish roots. Our cables „wrap the whole world“. We are very proud of this, but at the same time we know that with the growing scale of activities comes bigger responsibility. Therefore, in order to deliver top quality products worldwide, we implement innovative solutions, invest in our employees and manufacturing infrastructure, but also prioritise for sustainable development. We want our impact on the environment to be as positive as possible.

Piotr Mirek,

Chief Operating Officer, I Vice President, Board Member, TELE-FONIKA Kable S.A.

Our mission is to deliver high quality transmission solutions which transmit current safely and are applied in industries specialised in complex, challenging projects – in water, underground, under the seabed or at very high temperatures. We want to contribute to the success of the most demanding projects in terms of infrastructure and technology. Our mission is best expressed by its four elements:

Innovative solutions designed in the cable industry

We design, manufacture and supply solutions based on modern technologies. This means our products are adapted to complete cable constructions ensuring undisturbed energy supply necessary for building transmission grids.

Competences and experience of employees

We have been investing in our employees for years. This means they systematically improve their qualifications and transform their knowledge into actionable expertise. Thus, we constantly improve and streamline internal processes by implementing new rules of conduct. Thanks to this emphasis on employee development, we have been employing specialists with suitable competences, qualifications and required certificates.

Sustainable development

The lives and health of our employees is our highest priority. Therefore, measures and procedures increasing safety are implemented and enforced at every stage of the production process. We also take care of the work-life balance of our employees. We care about the environment in which we operate. We have implemented environmentally friendly technology – our cable waste recycling facility in Bukowno has the capacity to process up to about 10,000 tonnes of cable waste per year, which means we recover fractions with a purity of over 99.5%.

Investments raising production capacity

We carry out investment and capital projects whose primary objective is to continuously improve our production potential, including through the implementation of modern technologies, as well as to increase our market share through the effective use of market opportunities. Our goal is sustainable growth. It enables us to deliver a wide range of products on time, in a convenient place and at competitive prices.

OUR INVESTMENTS:

- Recently, we have strengthened the technological potential of the Kraków-Wielicka plant by adding a fully automated IM320E mixer to the production line. It is intended for the production of rubber compounds. By doing this, we have significantly reduced production costs, gained independence from suppliers of rubber compounds for the production of cables in rubber insulation, as well as led to the specialisation of this plant, which allows for efficient production planning.
- We have improved the mechanical properties of cables used in difficult mining conditions by applying polyurethane insulation. Compared to other cables on the market, our mining cables have several times higher abrasion resistance, higher tensile strength, higher tear resistance and significantly lower weight of the outer cover.
- We are constantly improving our production process, by investing in highly specialised equipment, including control and measurement instruments as well as laboratory and research equipment. Our Fire Test Laboratory at the Kraków-Wielicka production plant is fitted with devices that allow us to carry out extensive research regarding fire spreading on samples and bundles of cables and wires we manufacture.
- We have equipment to test the density of emitted fumes and the level of corrosive gas emissions. We check the continuity of cores and the lack of puncture on a special fireproof board subjected to mechanical impact with cables exposed to direct fire for a specified period of time. We perform several hundred flammability tests every year.
- We have a **High and Extra-High Voltage Laboratory at our production plant in Bydgoszcz**. We are one of the few manufacturers in Europe with their own highly specialised equipment for testing cables.
- Our goal is a stable growth based on sustainable development. This means, among other things, that in the production process **we use resources in a rational and efficient manner, while limiting emissions of harmful pollutants to the atmosphere**. We introduce environmentally friendly technologies as well as efficient and smart (automated) production lines. Our investments in this area include: implementation of the ERCO. Net media management system, thermal upgrading of buildings and production plants, including cogeneration and the use of photovoltaic panels. Thanks to the modernisation of compressors in all production plants we have recovered about 80% of waste heat, which we currently use for heating office rooms and production halls; moreover, in the Kraków-Wielicka production plant we use recovered heat to warm water intended for the production of process steam.

OUR GOALS

- Providing a friendly working environment which inspires improvement and self-fulfilment
- Caring for an unrivalled network of partners by creating mutual loyalty
- Providing innovative solutions to the market, including those which focus on environmental safety
- Being a responsible member of the local community
- Maximising returns together with respect for broadly understood social responsibility
- Aiming at developing unique and innovative solutions
- Putting focus on technology user expectations
- Standardising and optimising technology processes
- Creating projects and delivering complete solutions

OUR VALUES

In our activities, we are driven by four key values. These are:



Integrity

We always strive to act properly **and in accordance with the law** and in accordance with its letter. Our activity is based on long-lasting relations built on trust and mutual respect.



Responsibility

In our activities, we are guided by the principles of respect for human dignity, rights and freedom, including labour rights, environmental protection, countering corruption and responsible supply chain management. We take **full responsibility** for our actions.



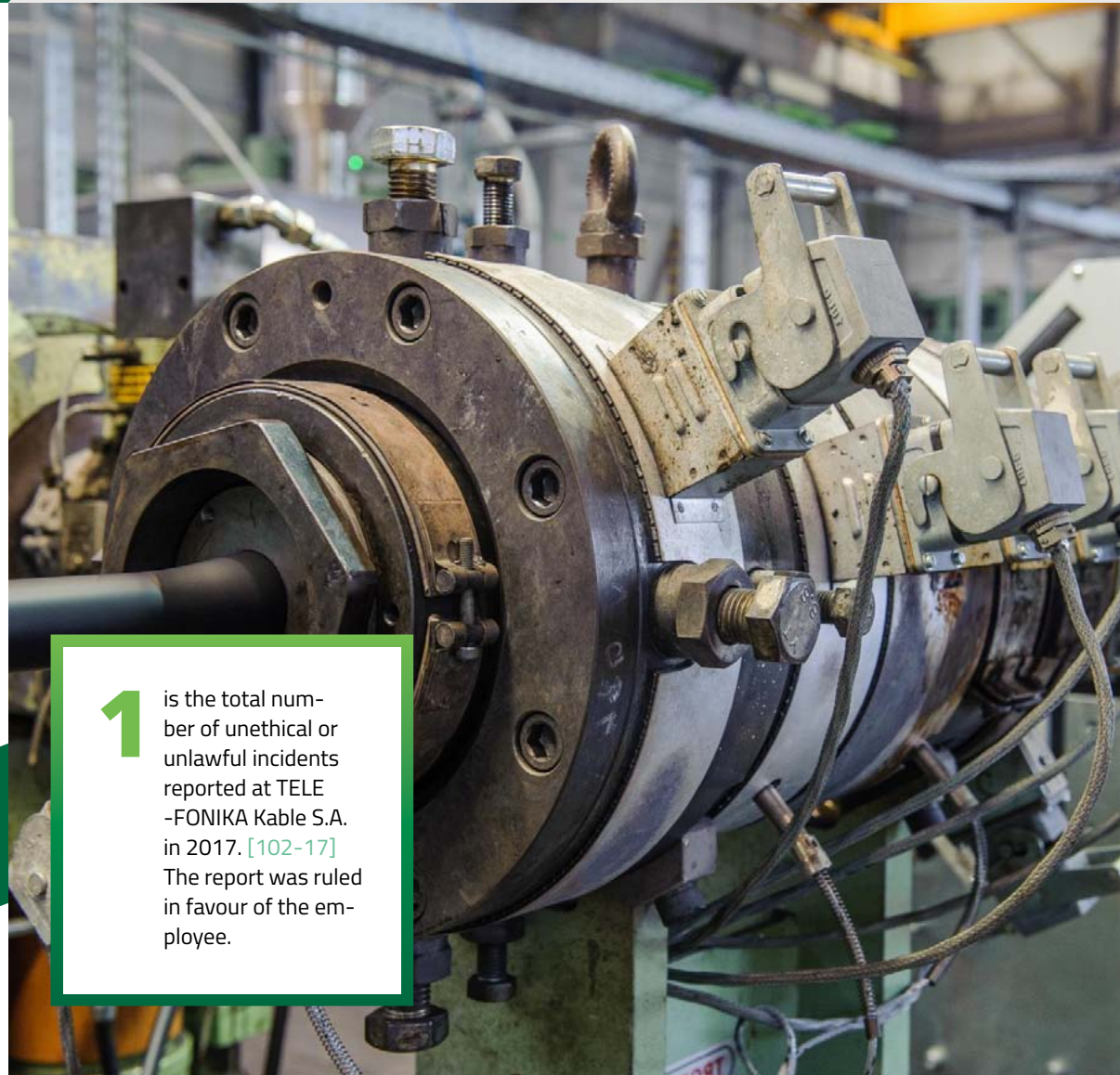
Passion

We are passionate about **doing** our work.



Reliability

This is our **most important commitment**. Our mission is to exceed customer expectations. We achieve this by offering reliable and efficient products, professional services and expert knowledge.



1 is the total number of unethical or unlawful incidents reported at TELE-FONIKA Kable S.A. in 2017. [102-17] The report was ruled in favour of the employee.

DAY TO DAY ETHICS. CODE OF PROFESSIONAL AND ETHICAL CONDUCT [102-16]

The values, principles, standards and behaviour norms for employees at all levels of the company's day-to-day operations are set out in the *Code of Professional and Ethical Conduct*.

We strive to familiarise all employees with the Code. Those with access to a corporate e-mail account receive messages with its current version. Others can learn about it thanks to **message boards**.

Moreover, on their first day at work, employees undergo a **mandatory induction training**, during which they are introduced to the Code of Professional and Ethical Conduct.

REPORTING MISCONDUCTS [102-17]

The Company has internal mechanisms for reporting both misconducts as well as concerns. By „misconduct“ we understand unethical and/or illegal activities. [205-3] No case of corruption was noted in 2017. Mechanisms which employees of the TFKable Group can use, include:

- Leaving messages in a **contact box** available at each plant; they are administered by the Human Resources and Administration Department
- Sending messages to **kadry@tfkable.pl**
- Reporting misconducts/concerns to **trade unions**
- Referring to regulations included in the **Internal Anti-harassment Policy**, whose purpose is to counter violence and discrimination in the Group's daily conduct. An employee who considers themselves the subject of harassment, may report this fact orally, in writing or by e-mail as a **complaint** to the Director of Human Resources or directly to the Management Board. Complaints may be filed by every employee who believes that somebody has been harassed
- Possibility of filing **formal complaints and requests**. The procedure pertaining to submitting and examining complaints is possible thanks to tools for internal communication

Reported doubts are treated as **confidential matters**. Only those involved in a given case have access to information about the process of verifying reports of unethical or unlawful conduct

The Head of Human Resources and Administration is responsible for the proper functioning of the reporting mechanisms

The Code of Professional and Ethical Conduct adopted at TFKable Group **forbids any forms of retaliation** against employees who reported suspected or actual infringement/abuse.

ADVICE ON ETHICAL MATTERS [102-17]

The Company has internal mechanisms in place that enable employees to obtain information on ethical and legal behaviour and corporate integrity issues. In case of doubt, employees and other people may submit remarks and requests for **information and interventions to independent trade unions** operating within the company.

The manner in which a company employee can obtain assistance from trade unions is determined in the Complaints Procedure. **All requests for information are treated with confidentiality.**

Regulating various ethical issues in the Group's day-to-day operations is the responsibility of the **employees from the Human Resources and Administration Department, as well as from the Quality Systems department.**

5.

OUR EMPLOYEES AS THE KEY TO SUCCESS

Employee issues are regulated by a number of adopted standards: *Code of Ethical and Professional Conduct*, „*Work Regulations or Internal Anti-harassment Policy*”.

With the care of the Bydgoszcz plant in mind, we have implemented OHSAS 18001. We involve employees in creating a safety culture through the programme „**I work safely, I work consciously**”.

In order to acquire qualified and innovative staff, **we cooperate in research programmes** with students of the AGH University of Science and Technology and the Kraków University of Technology.

We employ 84 handicapped people and we activate them socially and professionally.

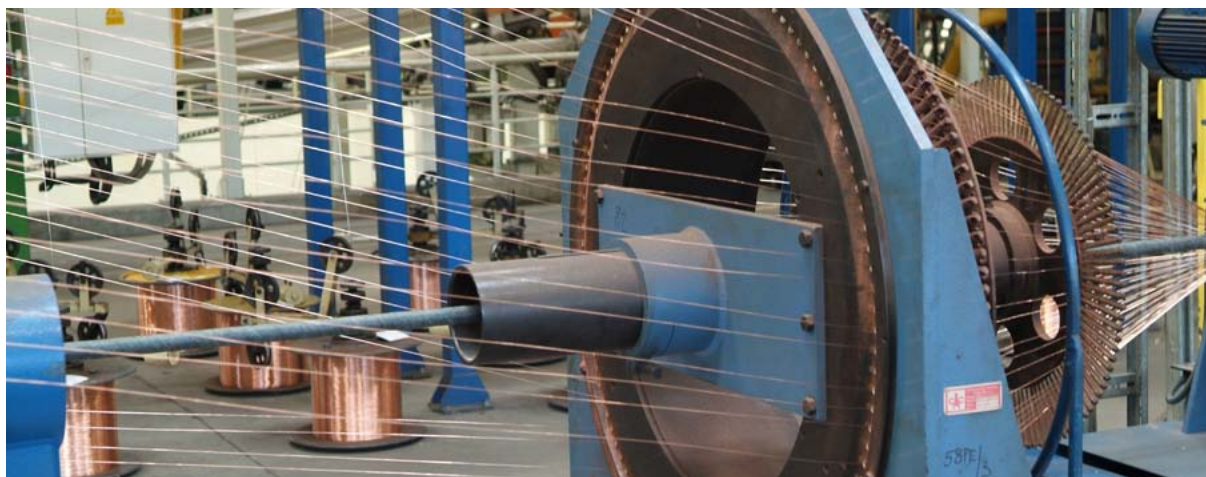
We provide jobs for long-term employees with **medical certificates** on health restrictions in employment.

Due to the nature of the industry, **86% of our employees are men.**

Our employees are our greatest resource. Their expertise and experience in the field of electro-technology, innovation and commitment to work build our competitive advantage. Their safety is always our number one priority and caring for them is a key element of our organisational culture.

Employees put our values into practice, identify with them and create our unique culture of high safety at work. That is why we do our best to create safe and stable working conditions and an organisational culture based on respect and cooperation.

Monika Cupiał-Zgryzek,
Chief Executive Officer, TELE-FONIKA Kable S.A.



OUR BIGGEST ASSET – EMPLOYEES

Our concern for long-term relationships with our employees is reflected in the implementation/execution of documents, standards and procedures that guarantee their safety and respect for workers' rights, i.e.:

- *the Code of Professional and Ethical Conduct*, which introduces the ban on discrimination, ban on child labour, as well as the obligation to observe legally determined working time and it ensures minimum wage
- The European standard OHSAS 18001 – at the Bydgoszcz plant – a system for managing work safety and hygiene, also referred to as *HSE (Health, Safety and Environment)* or *HSES (Health, Safety, Environmental and Social)*, including procedures that alleviate the social effects of staff reduction
- *The EU Works Directive*, i.e. the EU labour law, which provides employees with the freedom of association and the right to work in conditions free from any form of discrimination
- The recruitment instruction (*Recruitment, Hiring and Firing Employees*) and training assessment procedure (*Planning, Conducting and Assessing the Effectiveness of Training*), which are part of an integrated management system
- *Regulations pertaining to remuneration and rules for awarding appreciation bonuses*
- Work regulations and Internal *Anti-harassment Policy*

As a result of these policies, TFKable Group employees are treated in a manner that ensures positive working conditions on a daily basis from recruitment

MEET OUR EMPLOYEES

I like working at TELE-FONIKA...

... because our managers act in accordance with company values and ensure a friendly team atmosphere. Everybody here shares the feeling of being responsible for safety, which is crucial. **Leszek Resner, quality inspector**

... because since I started 25 years ago, all the challenges reported by employees to bosses have been solved in a constructive manner. **Bogusław Badura, machine and cable equipment operator**

... because thanks to the new technologies and products developed regularly by the company, I always learn something new. **Bogusław Szostak, machine and cable equipment operator**

...because... it may sound like an exaggeration, but I am really proud of the fact that we supply high quality products all over the world and that I work in such a modern factory. **Jakub Węgrzyn, technologist**

...also because I can develop my passion as a fire-fighter at the Voluntary Fire Brigade. **Marcin Szmyt, HSE specialist**

CODE OF PROFESSIONAL AND ETHICAL CONDUCT

The TFKable Group undertakes:

- To respect fundamental employee rights:
 - **Equal treatment of employees regardless of colour, race, nationality, origin, disability, sexual orientation, beliefs, gender, age, affiliation to trade unions.** This principle applies to recruitment, employment, training, promotion and other conditions of employment. **Every supervisor has a duty to ensure that acts of discrimination do not occur**
 - To treat workers with respect and to protect their human rights
 - To respect human personal dignity and privacy.
 - Not to tolerate the unacceptable treatment of workers, such as bullying, harassment, discrimination, coercion, threats, insults, abuse and exploitation
- To guarantee a **minimum wage** in accordance with the law.
- To follow general labour code provisions in accordance with the law
- To observe the ban on child labour
- To ensure suitable working conditions **in accordance with HSE** and fire-fighting provisions
- To respect the principles of non-discrimination with regards to the selection and treatment of suppliers

We make every effort to ensure that our company is associated with respect for human rights, fairness and safe working conditions

OUR EMPLOYEES IN NUMBERS

The age and gender of our employees

In 2017 2,191 men and 368 women worked at TELE-FONIKA S.A., giving a total of 2,559 people [102-7].

Women constitute
14.6%
of all employees.

2,077

people were hired for an unspecified period of time. Only 495 people had contracts for a specified period of time. 2,544 people were employed full time. [102-8]

The biggest age group among employees is 30–50. 1,577 people in this age group work at our plant, i.e.

60%

of all employees.
All Board members also belong to this group.
[405-1]

In 2017 we hired 166 new employees (149 men and 17 women). The highest percentage increase in the number of employees was recorded in the age group under 30, where the number of employees increased by as much as

72%

[401-1]

Women most often work in administrative positions. Most men work as equipment and cable machine operators making up for

45.3%

of all employees.

Remuneration and gender [202-1], [405-2]

197%

the ratio of our employees remuneration to the minimum wage.

The ratio of women's pay to that of men employed at different levels and positions is as follows:

- at the management staff level – 99.92%
- at the officers' level – 86.98%
- at the level of administrative employees – 90.91%
- at the level of blue collar workers – 81.12%
- at the positions of machine and cable equipment operators – 95.78%

No act of discrimination were noted at TELE-FONIKA Kable S.A. in 2017 [406-1].

COMMUNICATION WITH EMPLOYEES

In order to communicate effectively with employees, we use message boards and boxes which are accessible to production workers. In addition, as part of internal communication, a regular mailing/postmaster is sent containing important employee information regarding organisational changes, company meetings or administrative matters. We also organise meetings for crews and employees from given operational areas.

TRADE UNIONS [102-41]

We know that taking care of employee relations with a friendly and safe work atmosphere, positively influences commitment and has a direct impact on creating high quality products. TELE-FONIKA Kable S. A. has four independent trade union organisations. **Around 30% of our employees belong to them.** Although the company does not have a collective labour agreement [102-41], any changes to internal regulations such as the *Work Regulations* or *Remuneration Regulations*, are consulted with trade unions representing employees. These consultations are based on the *Labour Code* and the *Trade Union Act*.

WHAT DO WE DO FOR OUR EMPLOYEES? SERVICES AND BENEFITS

Bearing in mind the work comfort and work-life balance of our employees, we offer them a number of benefits, both under the *Labour Code*, as well as voluntary ones. As a result we are perceived as an attractive employer. These benefits include [401-2]:

- occasional shopping vouchers
- hardship benefits for employees affected by accidents or illnesses
- additional life insurance*
- medical care*
- MultiSport cards*
- occasional meetings, e.g. Christmas Eve for pensioners and former employees
- occasional awards e.g. celebration of company anniversaries
- preferential working conditions for employees who, due to their job seniority, wish to work part-time despite their poor physical condition

* benefits which can be voluntarily accepted on preferential rules negotiated by TELE-FONIKA Kable S.A.

We also run the "Kabel" holiday resort in Zakopane. Employees and their families, as well as retired employees can use its services under preferential rules.

A significant portion of employee benefits is financed by the Corporate Social Benefits Fund. Children and spouses of current, former and deceased workers can benefit from it. The funds are allocated by the Social Committee based on applications submitted by employees.

The Corporate Social Benefits Fund consists of two sub-funds – a central and plant one. Resources from the first fund are intended for the following purposes:

- purchasing multiple admission tickets for employees to cultural events
- subsidising the participation of employees in other sporting, cultural and social events

Funds from the plant sub-fund are intended for financing or subsidising, among others, the following:

- self-arranged holidays, i. e. longer rest periods organised by employees on their own
- summer camps (leisure and health-oriented) for employees' children, winter camps, health retreats and outdoor schools organised or purchased by the Kraktel Travel Agency or other institutions
- in-kind or financial support for people in a difficult life situation, i. e. with the lowest income per family member
- financial aid for housing
- sports, recreation and cultural activities
- special events and parcels on occasion of Children's Day, Christmas, Easter and St. Nicholas' Day
- leisure activities for children of employees organised by employees themselves

WE ACTIVATE PEOPLE WITH DISABILITIES

We employ people with disabilities, thus contributing to the social activation of this group. Currently, we employ **84 handicapped people**, which constitutes 3.9% of the overall working force of TFKable Group, including:

- 34 handicapped people at the Myślenice production plant
- 26 people at the Kraków-Wielicka plant
- 14 people at the Kraków-Bieżanów plant
- 8 people at the Bydgoszcz plant
- 2 people at the Bukowno plant



WE PROVIDE JOBS FOR EMPLOYEES WITH LONG SENIORITY

Bearing in mind the value the experience that our long-standing employees provide, we ensure their employment at a time when health does not allow them to perform their duties in their current positions.

If an employee receives a medical opinion restricting their ability to work due to health reasons, or legal confirmation of the disabled person's status, we provide them with a transfer to another position where such conditions do not prevent them from working. This allows us to benefit from their expertise and potential.

WE CARE FOR THE DEVELOPMENT OF OUR EMPLOYEES. OUR TRAINING SYSTEM

We want to prepare our employees to work safely and efficiently at production plants. For this reason, we have created and implemented a training system that is regulated by the *Planning, Conducting and Assessing the Effectiveness of Training* procedure which constitutes part of the integrated management system.

The main objective of this procedure is to identify training needs and raise awareness in the areas of safety, environmental impact and requirements set for employees. We execute these educational priorities thanks to the efficient implementation of projects aimed at improving qualifications and involving employees and external partners in training and professional development.



HOW DO WE IDENTIFY TRAINING NEEDS?

In order to improve employees' qualifications and shape their awareness in the areas of safety, the environmental impact of their activities and the quality of their work, we take into account the following variables:

- legal requirements
- the *Quality Policy, Environmental Policy and HSE Policy*, as well as requirements of the quality, environmental and HSE management system
- the tasks and responsibilities of employees and their influence on achieving compliance with requirements of the integrated quality, environmental and HSE management system
- the actual or potential impact of actions taken by employees (or persons performing work on behalf of the company) on quality, environment and work safety
- the significant environmental aspects identified
- the identified work station hazards
- the potential benefits of increasing employee knowledge in specific areas
- the potential consequences of deviations from established rules of conduct in these areas

We attach special importance to the proper training of employees and contractors **who carry out any work that affects product quality.**

WHAT TYPE OF TRAINING DO WE CONDUCT?

Depending on the training needs identified in our employees, we offer various forms of training. These are:

- before commencing work – introductory training
- mandatory training
- specific training
- individual training

Introductory training takes place before an employee starts work and it covers areas such as:

- requirements of management systems according to ISO 9001, ISO 14001, ISO/TS 16949, OHSAS 18001
- the functioning of these systems at the company and plant
- the Group's policy and goals in the area of quality, environment and HSE
- health and safety requirements at work stations
- identified hazards and risk assessment at work stations
- rules of conduct in the event of a work accident
- rules of conduct in case of fire
- using extinguishing equipment
- environmental aspects of the performed work and their actual or potential impact on the environment (including air emissions, waste generation, noise)

- possible consequences of deviations from the established integrated management system procedures

Mandatory training should be delivered under provisions of the Labour Code, HSE or other ministerial provisions, including specialist training. The training is mandatory for all employees, who:

- work with power equipment and installations
- operate forklift trucks
- operate gantries, hoists, and cranes
- engage in welding
- operate non-pressure containers
- transport and prepare the transport of raw materials and products. In their case, it is necessary to provide consultancy on ADR, i.e. regulations stemming from the international convention on the carriage of hazardous goods by road
- deal with radiological inspection

Specific training provides employees with an insight into internal and external quality standards which determine how they should perform their work. Specific training can provide employees with knowledge about the importance of product quality for customers or about various aspects of the quality and environmental management system according to **ISO 9001** and **ISO 14001** standards. The subject matter of specific training may also include the **ISO/TS 16949** quality management system for the automotive industry or an HSE management system based on the OHSAS 18001 standard.

Individual training is provided during the performance of employee duties, if they report such need. The purpose of the training is to improve employees' qualifications and professional skills applied at their specific work stations.

Information regarding the demand for mandatory training is collected and reported by the business unit directors/managers every year by the end of Q3. In Q4, the Human Resources and Administration Department prepares and publishes an annual training schedule, which is available to all employees.

Based on the needs reported the directors and managers to the Human Resources and Administration Department, a training plan is developed, with the exclusion of mandatory training. It is communicated to employees at the beginning of Q1 each year.

HOW DO WE EVALUATE THE EFFECTIVENESS OF OUR TRAINING COURSES?

With product quality and employee safety in mind, we check the effectiveness of completed training using various tools, such as:

- **learning about the effectiveness of training immediately after it finishes** by conducting an interview, examination, test or survey among the training participants. Based on this, we determine the level of trainees' knowledge after the training, as well as their satisfaction with the applied teaching methods. This serves as the basis for assessing the extent to which the educational objectives have been achieved
- training assessment performed by trainees who fill out a survey in accordance with the prepared model, i.e. the **Training Effectiveness Assessment Sheet**, sharing their comments and observations
- **assessment of practical training outcomes** We check how employees use their knowledge on a daily basis at their work stations. People responsible for this assessment include quality auditors and environmental protection specialists, HSE and fire-fighting specialists, as well as direct supervisors
- **individual employee training sheets** which allow for the assessment of employees' effectiveness

OUR EMPLOYEES SHARE KNOWLEDGE

Our training system supports a culture of knowledge and skills sharing between employees, departments, plants and individual companies. This is achieved by teams established within investment projects or process improvement projects in the Group. Thanks to this approach, we have successfully prepared our organisation and employees to implement changes resulting from external regulations. As a result of the project teams in which employees share their knowledge, we have successfully implemented improvements in the flow of information regarding customer service, including management of a customer or product knowledge base, as well as the processing of agreements and contracts.

Knowledge sharing fosters learning both among employees and the organisation as a whole, and it increases our staff's commitment to change management.

The culture of knowledge sharing also applies to our external relations, including companies that we cooperate with during acquisitions. The acquisition of JDR Cable Systems was preceded by the exchange of knowledge and experience. The added value of this cooperation and mutual knowledge sharing was, among other things, the introduction of the OHSAS/OHSAS 18001 health, safety and environment management system in the Bydgoszcz plant. Thanks to the earlier knowledge exchange, the integration of the UK company with TFKable Group is progressing smoothly.



HOW DO WE ATTRACT QUALIFIED STAFF?

In order to expand our knowledge and look at the function of our company and products from a different angle, as well as educate and attract qualified staff, we have entered into partnerships with the faculties of non-ferrous metals and electric metals at the AGH University of Science and Technology and Kraków University of Technology. By conducting joint research projects we get to know our potential employees. In 2017, we completed three such projects. We organise student internships and traineeships from labour offices for the same reason.

EMPLOYEE EVALUATION SYSTEM – WHY DO WE EVALUATE EMPLOYEES? [404-3]

In order to ensure the development of specialist skills and the constant improvement of our employees' knowledge, we have created a system of periodic employee evaluation in accordance with external requirements and regulations. The purpose of the regular evaluation is to verify an employee's competences and compliance of their attitudes and behaviours with the company's values and standards. As a result of this evaluation, we know what an employee's level of competence is and use this knowledge to determine their training needs. Regular employee evaluation has an impact on career advancement and salary.

- Regular work performance assessment and career reviews are conducted with **100%** of men and women employed as equipment and **cable machine operators**
- This also pertains to 32% of women and 40% of men working in administrative positions, as well as 33% of women and 22% of men in management positions
- Work evaluations and career reviews pertain to **38% of women and 64% of men** employed at TELE-FONIKA
- The different percentage of women and men subjected to periodic evaluation reflects the fact that such evaluation is not performed in all units/departments. **All employees in a given group are subjected to evaluation, regardless of gender**

SAFETY IS PARAMOUNT [103-2], [103-3]

Our approach to employee safety is regulated by, among others cooperation with the European Bank for Reconstruction and Development and the *Environmental & Social Action Plan*, whose implementation is monitored and reported annually to the bank. The document contains a detailed plan of operational activities that alleviate possible adverse working conditions in production facilities.

In line with the *plan*, we took the following steps:

- We appointed an HSE Coordinator and introduced the HSE department into the organisational structure of TELE-FONIKA Kable S. A. We verified the qualifications and competences of people in decision-making positions in this area
- We implemented an HSES (*Health, Safety, Environmental and Social*) system at our Bydgoszcz plant, compliant with ISO 14001 and OHSAS 18001 standards

OHSAS 18001 18001 is an international standard that specifies requirements for a health and safety management system. It enables the organisation to formulate policies and goals regarding occupational health and safety as per company needs, as well as its effective execution. In practice, this means that the company undertakes planned, systematic actions to improve health and safety at work. The main effects of implementing the standard include:

- reducing the number of accidents at work
 - preventing accidents by avoiding potentially dangerous incidents
 - reducing costs and losses due to accidents
 - improving work comfort and raising employee morale
- We reviewed OHS documentation and procedures, i.e. occupational health and safety at the Bydgoszcz production plan, in terms of compliance with the OHSAS 18001 standard
 - We provided measures to mitigate the potential harmful health effects for employees, that may result from the proximity of oil product warehouses to our Zajecar plant (Serbia)
 - We developed procedures for managing the effects of restructuring for our employees in all facilities and units belonging to the TFKable Group
 - We implemented EU labour law and EU Health and Safety (H&S) regulations, as well as regulations pertaining to the freedom of association and prevention of discrimination in the workplace
 - We have planned the first EHS system audit for 2018

HOW DO WE RAISE THE SAFETY LEVEL AT OUR PRODUCTION PLANTS? GOOD PRACTICES

The Bydgoszcz plant uses the „I work consciously, I work safely“ programme which constitutes the HSE management model in practice. Its goals include:

- complete safety and eliminating potential hazardous events;
- increase of awareness of safety and risk thanks to the ongoing exchange of knowledge and information between employees
- increase of employees' commitment to safety issues by taking actions through HSE KAIZEN
- increase of safety in the plant thanks to effective production planning using the LOTO system

As per the OHSAS certificate implemented at the plant in 2014, all activities undertaken to create safe working conditions are aimed at ensuring the full commitment of employees. That is why we organised a competition for the staff, a result jointly decided that the work and activities in the HSE management area in the Bydgoszcz plant will be carried out under the slogan „I work consciously, I work safely“.

As part of the programme, we have implemented new tools for communicating information between department managers and operators in order to eliminate potentially dangerous situations.

By filling out the **HSE KAIZEN idea sheet**, an employee can suggest a change in the area of risk prevention using a commonly available tool box. The idea is then developed on the basis of the following actions:

- risk identification
- idea presentation
- defining its goal,
- detailed specification of the task
- broader presentation
- gathering feedback

We have implemented **LOTO procedures** which allow us to eliminate hazards related to the operation of machines and equipment as a result of properly marking (ragout) and blocking (lockout) those which are shut down due to maintenance or repair work.



The programme also includes fitting the plant with **modern safety equipment** and implementing an **intensified training system for administering first aid**.

[403-2] As a result of implementing safety standards at our plants in 2017, the number of work-related accidents remained very low:

- there were only 47 light accidents and 46 of them were related to men; therefore, they affected less than 2% of our workforce
- no serious or fatal accidents have been reported
- no occupational diseases have been reported in our employees

GOOD PRACTICE

Running unites us

The Kabel Team Runners Club is a way to integrate employees. A well-integrated team cooperates better, which leads to better results. The more pleasant the atmosphere among the staff, the greater the level work commitment and job satisfaction. All this contributes to the results achieved by TELE-FONIKA S.A. in the market. Kabel Team is a strong and stress-resistant group that supports work and sports competitions.

Tomasz Draganek,
Director of the Production Plant in Bydgoszcz,
TELE-FONIKA Kable S. A.

The health and work-life balance of employees and their motivation to work are particularly important to us. In order to support their physical fitness and the resulting productivity, as well as to strengthen their ties to the TFKable Group, the Kabel Team Runners Club was established at the Bydgoszcz production plant

The goals of Kabel Team include:

- Worthy representation of the brand in sports competitions
- Increasing the level of physical fitness and care for the health of employees
- Promoting running as the most accessible form of sport
- Encouraging running and helping with the right training
- Organising trips to running events

Every year, employees take part in more than 20 runs. In 2013–2017, the members of the Kabel Team were proud to represent the TFKable Group at running, swimming and triathlon events at regional, national and charity events organised in Bydgoszcz, Toruń, Świecie, Nakło, Poznań, Piła, Warsaw or Gdańsk, winning many medals and cups.

6. WE CARE FOR THE ENVIRONMENT

6.1. WE MANAGE OUR IMPACT ON THE NATURAL ENVIRONMENT

FOR NATURE. LOCALLY AND GLOBALLY [103-2], [103-3]

Our approach to the natural environment is characterised by activity and responsibility. This is a result of our commitments – including, among other things, **creating positive conditions for our environment** and others included in the Environmental Policy, which we implement through:

- Applying modern technologies, introducing materials and solutions aimed at manufacturing products that are safe for people and the environment
- Efficient and economical use of natural resources and power utilities
- Preventing and reducing pollutant emissions into the environment, including reducing greenhouse gas emissions.
- Rationally managing raw materials, especially non-renewable resources (metals)
- Reducing waste generation and executing responsible waste management based on the “circular economy” principle
- Conducting activities in a socially responsible manner, taking into account the expectations of stakeholders, including the local community, and meeting the needs of future generations

We consider the environmental impact of our operations.

Our goal is to deliver sustainable growth and achieve permanent market advantage based on sustainable development. For this purpose, an integral part of our strategy to develop the TFKable Group and ensure that we supply our customers with high quality products, means considering the environmental impact of our activities. When introducing new solutions in production and business, we always choose those that combine benefits with the least possible environmental pressure.

In 2017, we did not incur any financial penalties for non-compliance with environmental legislation and regulations. [307-1]

THE INDUSTRY FOR THE ENVIRONMENTAL

Our commitment to the environment is included in the **Europacable Industrial Charter** in 4 its points. As one of the signatories of the Charter, the TFKable Group has undertaken to follow its provisions. These include:

- **adopting business ethics and social responsibility rules** understood as: execution of the commitment regarding corporate social responsibility, and > voluntary commitment to supporting and executing 10 principles of the commonly accepted UN Global Compact agreement, including in the field of environmental protection
- **complying with environmental safety rules, especially countering the negative effects of climate changes in the following areas** use of acquired knowledge concerning introducing sustainable electricity and telecommunications infrastructure in the EU policy development and execution, as well as implementation of long-term action strategies in accordance with relevant EU directives which regulate environmental conduct and an active approach to environmental safety in the area of employed materials, supply chain and the entire product life cycle

Because of the commitments made towards institutions such as Europacable, the UN Global Compact and the European Bank for Reconstruction and Development, we have taken the following actions at the operational level, which minimise our impact on the environment:

We have implemented quality and environmental management systems based on ISO 14001 and 9001 standards and have established policies in various areas of our business. The ISO 14001 system was implemented and certified in 1998–1999 and ISO 9001 in 1995–1997. As a result, our activities in the field of environmental protection involve:

- avoiding the use of raw materials and others in production, containing substances harmful to humans and the environment
- reducing pollutant emissions and minimising the negative impact of conducted activity on people and the environment
- reducing the amount of generated waste and carrying out rational, environmentally sound waste management

- applying modern, environmentally friendly technologies
- effective and economical management of natural resources and energy utilities, including electricity and natural gas
- undertaking pro-environmental activities

The environmental management system implemented and maintained for many years means we are dynamically developing our production activity while limiting its impact on the environment. The impact on our immediate environment and meeting the expectations of local communities is of particular importance to us.

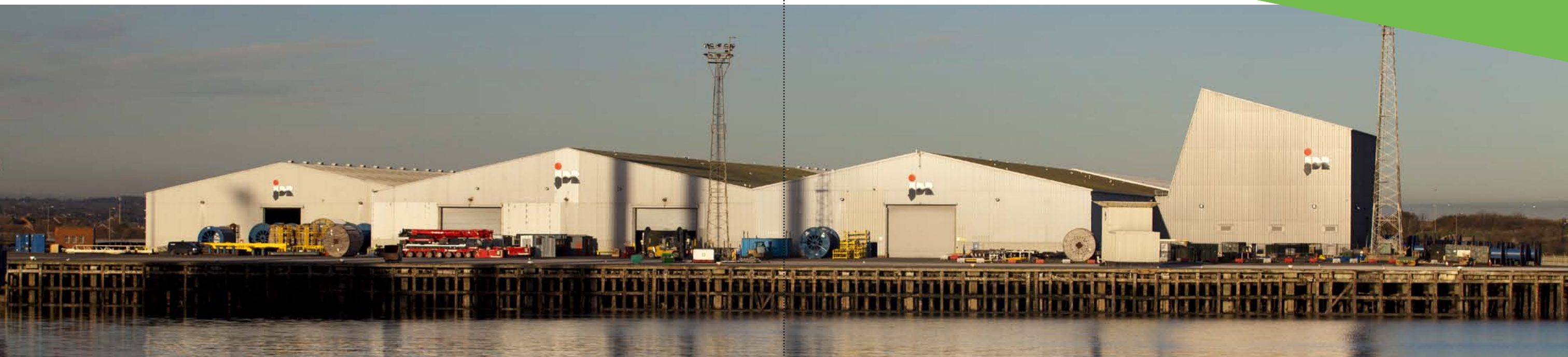
We carefully analyse processes, investigating their impact on the environment.

We operate in accordance with applicable legal requirements.

The environmental management system implemented and maintained continuously for many years according to ISO 14001 guarantees continuous improvement of our environmental performance.

ISO 14001 standard

ISO 14001 is an ISO standard used in environmental management, i.e. managing organisational processes to minimise their impact on the natural environment. The key objective of ISO 14001 is to **identify environmental aspects, with particular emphasis on those that are significant**, and continuously improve the organisation's performance in terms of reducing negative environmental impacts (through environmental objectives, tasks and programmes).



WE CONDUCT ENVIRONMENTAL AUDITS OF SUPPLIERS AND RAW MATERIAL SOURCES [308-1], [102-9]

In the production of some cables and wires, TFKable Group uses tin, which belongs to so-called conflict minerals. The global production of tin is concentrated, among other places, in the Democratic Republic of Congo and neighbouring countries affected by armed conflict, and the extraction of raw material is linked to violence and human rights violations. For the sake of business ethics and social responsibility **throughout the entire supply chain**, we require all our tin suppliers to declare the sources of this metal – **all the way up to the level of steelworks and refineries**. We work only with those who confirm that the tin we buy is obtained legally. This approach is defined by the company's Conflict Minerals policy.

We audit our suppliers. [103-2], [103-3] To a large degree, it means an **environmental audit**. The basic supplier evaluation parameters that we have adopted include:

- **Complying with the environmental management system ISO 14001.** Suppliers have to update information about their certificate every six months
- **Environmental declarations REACH**
REACH is an EU regulation adopted to protect the environment and human health from risks posed by **chemicals**. Under the regulation, companies have to identify and control the risks associated with substances they manufacture and market in the EU. Manufacturers are obliged to demonstrate that the substance can be used safely to communicate the risks of its use and the risk mitigation measures

In line with the REACH regulation, the TFKable Group requires its suppliers to provide information on the properties of supplied chemicals and the associated risks to human health and the environment. This information enables effective risk management and action to minimise the negative impact of these substances

▪ **RoHS**

RoHS is the *EU Restriction of Hazardous Substances* directive. Its purpose is to reduce the volume of hazardous substances permeating into the environment from electrical and electronic waste. The RoHS Directive covers restrictions at the production stage.

According to the Directive, from 2006 onwards new electronic equipment marketed in the EU and EFTA may contain only trace amounts of heavy metals and other hazardous substances: **lead, mercury, cadmium**, hexavalent chromium, polybrominated **biphenyls** (PBB) and polybrominated **diphenyl ethers** (PBDE).

Therefore, we require that our suppliers deliver information regarding the concentration of these substances in the raw materials and minerals that we use in manufacturing processes.



WE MINIMISE OUR ENVIRONMENTAL IMPACT, EMPLOYING THE KNOW-HOW OF EXPERTS. COOPERATION WITH EBRD

In line with this approach, we have decided to cooperate with the **European Bank for Reconstruction and Development (EBRD)**. The mission of the EBRD is to provide substantive and financial support to enterprises in the development and achievement of their business objectives, provided that they simultaneously implement **solutions mitigating the impact** that their operations have on the environment to the maximum degree possible in respect to the technologies they use.

We are committed to introducing **strategic** solutions that will **minimise our impact** on the environment on both an ongoing basis and in the future. **We anticipate** our impact on the ecosystems in which we operate. **We know that responsible business should coexist with the natural environment, including the local ecosystem in which it operates.**

Financing obtained from the EBRD in our plants has been earmarked for investments in innovative products and related R&D activities, as well as preventive actions related to their environmental impact – on an ongoing and long-term basis. Our halogen-free cables do not propagate flames and do not emit toxic, aggressive gases or fumes when burning. Therefore, they are less harmful to human health and the environment in the event of fire and other emergencies. In addition, in the production process of these cables we use raw materials that do not harm the health of our employees. DEHP phthalate, now considered as an endocrine active substance, was completely withdrawn from production in 2011.

At the same time, as early as 1998–1999, we developed, implemented and certified an environmental management system that is still in place today. We continuously monitor our impact on the environment, including the natural environment, which stems from the implemented Corporate Social Responsibility strategy (CSR).

EACH YEAR, WE REPORT ENVIRONMENTAL DATA TO THE EBRD.

In our Annual *Environmental & Social Report*, we inform the EBRD about initiatives taken to minimise the environmental impact of our manufacturing operations. In 2017, we reported the following activities:

Myślenice production plant:

- Start of the boiler house modernisation
- Installation of heat recovery ventilation systems
- Modernisation and extension of the ERCO. Net energy monitoring and management system
- Modernisation of the control system in the pumping station in order to **reduce electricity consumption and stabilise water pressure**
- Replacement of stairway doors leading to **heat loss reduction**

Kraków-Bieżanów production plant:

- Modernisation and extension of the ERCO. Net energy monitoring and management system
- Modernisation of the heat distribution system by introducing circulation pumps with continuous flow control
- Replacement of polycarbonate panels in the production hall, which resulted in **better internal lighting** and insulation parameters

Kraków-Wielicka production plant:

- Modernisation and extension of the ERCO. Net energy monitoring and management system
- Modernisation of industrial lighting – mercury and sodium lamps were replaced with energy efficient LED lighting

Bydgoszcz production plant:

- Modernisation of boiler room and change of energy source from fuel oil to gas
- Modernisation and extension of the ERCO. Net energy monitoring and management system
- Modernisation of compressor room involving replacement of compressor and dryer with more energy efficient equipment
- Dredging of the Brda river bottom in the impact area of the plant – as an element of maintaining the existing ecosystem

WE DELIVER CABLES TO MARKETS ALL OVER THE WORLD – WE ARE PART OF A GLOBAL ECOSYSTEM

The TFKable Group's ethical approach to the natural environment is also rooted in **Global Compact rules** which call upon the business world to protect it.

ENVIRONMENTAL PROTECTION

- Companies should support a **preventive approach** to problems with the natural environment
- Undertake initiatives which promote **higher environmental responsibility**
- **Support the development and spreading of environmentally-friendly technologies**

The cables and wires we manufacture are used on six continents, in 80 countries, in areas of high biodiversity and different degrees of environmental impact. Our products, used in the offshore, mining and wind farm industries, impact those ecosystems. **The awareness of global interdependencies** influences our approach to manufacturing.

In this aspect, we focus not only on our own activity, but we also try to promote a suitable environmental approach in our business relationships.

HOW DO WE DECREASE OUR ENVIRONMENTAL IMPACT?

- **We manage power effectively and responsibly.** We implemented an ERCO.Net media management system which analyses and manages the use of power utilities, including electrical and thermal energy or natural gas. This way, we reduce their consumption and their purchase cost
- We modernised our buildings and production plants, mainly through their thermal insulation; we are planning to implement systems which will increase our energy efficiency by employing **cogeneration** and use of **PV panels**
- Following the modernisation of the compressor station at our production plants, we can now recover **up to 80% of waste energy**. This energy is currently used for heating hot service water, office rooms and part of production halls
- At the Kraków-Wielicka plant **we use recovered heat to heat up water** intended for the production of process steam
- We modernised the lighting of production halls, replacing energy-consuming covers with energy-saving ones. As a result, we obtained over **500 white certificates**

TFKABLE GROUP IN THE OFFSHORE SECTOR. TOWARDS RENEWABLE ENERGY SOURCES

We are an example of a 100% Polish company that has existed in the offshore business for many years. Over 30% of wind turbine connections in the world were made by using Polish cables, including 70% in our production plants, in less than two years.

Wojtek Skoczylas,
UK Region, Copper Cable Company Ltd. TFKable Group

In the area of offshore activities, the TFKable Group has achieved the following:

- **We have delivered 7,000+ km** of sealed cables to offshore wind farms.
- **We have cooperated in 60 different projects** in the oil and gas and renewable energy sectors (offshore wind farms).
- In the last five years, **we delivered 98% of our products on time** for the offshore sector.
- **We did not receive a single complaint** regarding our sealed cables installed on sea structures.
- Thanks to long-standing cooperation with JDR Cable Systems, followed its acquisition by the Group, **we are the largest global manufacturer of cables for onshore and offshore sectors.**
- We have implemented one of the **best core sealing systems** in the world.
- We manufacture specialist cables compliant with international safety standards and with quality certificates for **voltage ranges up to 72 kV.**
- **We have supplied sealed cables** to the world's leading offshore wind farm projects including: Lindon Array and Greater Gabbard, as well as Aberdeen Offshore Wind Farm and Nordsee One.
- **We executing orders** for cables that will connect the turbines of the largest offshore farm – Hornsea One. **The total output of the farm will equate to 1.2 GW.**

Because of our operations regarding the production and distribution of solutions for the offshore energy sector, we cooperate with the Foundation for Sustainable Energy.

The Foundation for Sustainable Energy is an independent think tank and substantive partner for the government in legislative processes which constitute the legal framework for the energy industry in Poland. Its aim is to promote and implement sustainable development in the power industry.

Following the acquisition of JDR Cable Systems, we have also become a leading manufacturer of undersea, high-performance umbilicals and power cables for the renewable energy sector. Analysts point out that this sector will face dynamic growth in the upcoming years. It will be the result of, among others, an increase in the capacity and effectiveness of offshore wind technologies, which will be supported by the modernisation of offshore wind platform installations by replacing older structures with higher capacity wind turbines. That is why the development of offshore wind farms – energy-efficient, equipped with technologically advanced structures and environmentally friendly – both in the Polish part of the Baltic Sea and abroad, is a strategic development area for us.

Thanks to cooperation with organisations that advocate the launch of offshore wind farms in the country, we are also working towards a greater goal, i.e. meeting the **European Climate Policy's goal** of reducing greenhouse gas emissions by 40% by 2030 (compared to the level from 1990) and ensuring at least a 27% share of renewable energy in the EU.

Experts predict that offshore wind farms will serve as an important stimulus for economic development. It is estimated that their **launch in Poland would contribute to GDP growth by PLN 60 billion***.

Offshore wind energy is an excellent example of sustainable economic development. It increases the energy security of a country by using a domestic and renewable energy source, i.e. wind (which produces twice as much energy at sea as windmills located on land). **It also contributes to economic growth linked to the use of domestic products and services.** It does not generate social conflicts due to its location at sea which is precisely defined by regulations, far from the routes of other users (fishermen, sailors, tourists), at least 22 km from the shore. Before granting permission to build a wind farm, the impact on the marine environment, including fish, seals, sea birds and porpoises, is examined in detail. Offshore wind energy **provides access to affordable energy without causing environmental pollution.**

* Development of offshore wind energy in Poland – prospects and assessment of impact on the local economy, McKinsey & Company, 2016

LIMITING ENERGY CONSUMPTION. MODERNISATION OF COMPRESSOR ROOM [302-4]

In 2017, we executed one energy efficiency project. It involved the **modernisation of the compressor room**, including the replacement of a cold regeneration air dryer with a hot regeneration one, together with replacing one of the compressors with a power of 250 kW with a 160 kW compressor.

WASTE CABLE RECYCLING FACILITY IN BUKOWNO. HOW DO WE IMPLEMENT A CIRCULAR ECONOMY?

The launch of the waste treatment facility in Bukowno was a major environmental project by the TFKable Group. The company's innovative culture stems from the fact that it was created based on the assumptions of **circular economy**. The waste we produce during our products' life cycle is then used as secondary material. All other activities that precede the creation of waste at the earlier stages of the product's life, starting from the design phase, are focused on this. This way, we decrease the mass of waste produced, of which 90% is recovered and recycled.

The circular economy is the response to challenges posed by limited access to raw materials. In this economic approach, the value of products and raw materials is maintained as long as possible, while minimising the amount of waste produced.

Plastic and rubber regranulates created in Bukowno are submitted to other companies for further processing and use in the manufacturing of non-cable products, e.g. pots or mats.

As a result of the modernisation, the demand for energy decreased by

113.6 kW

In 2017 this resulting in saving

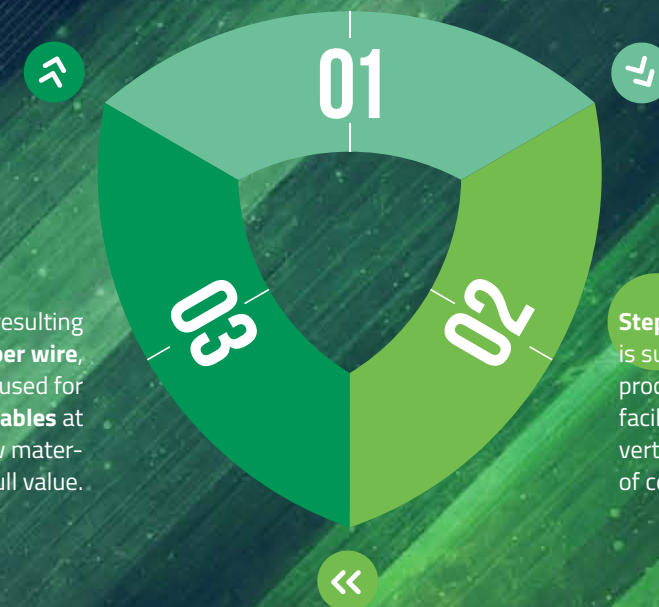
215.4 MWh

of energy.

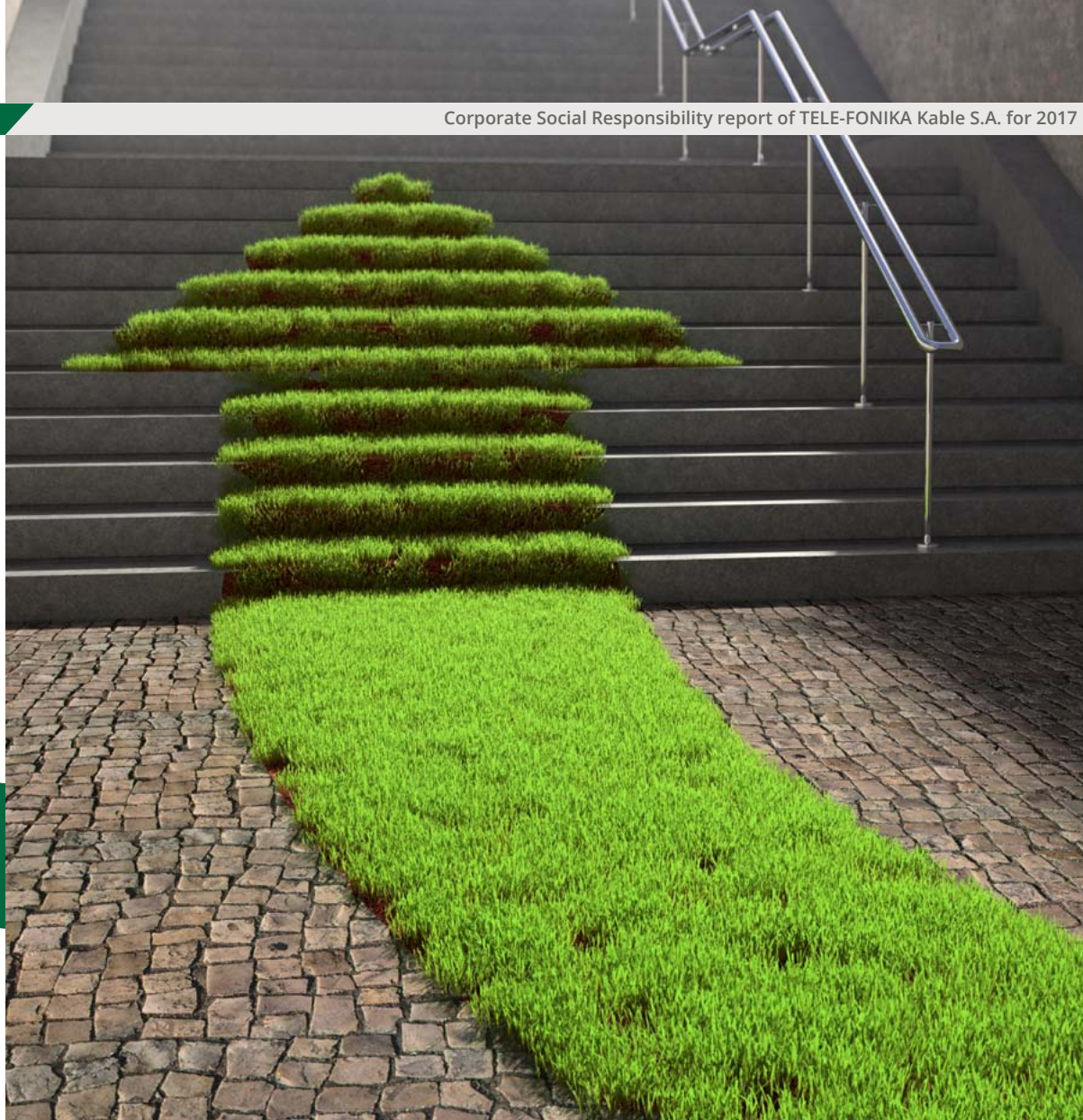
How does the closed circuit work at the Bukowno facility?

Step 1. The installations at the Bukowno facility allow for handling **process waste** (waste from cable manufacturing) created in our plants, as well as **decommissioned cables** that come from the dismantling performed during refurbishment and construction works of company structures. Both waste groups are subjected to **mechanical recovery processes**. The result of this process is the creation of **non-ferrous metal granulates** and **plastic and rubber regranulates**.

Step 3. The resulting product is a **copper wire**, which is then used for **manufacturing cables** at our plants as a raw material of full value.



Step 2. **Copper granulate** is subjected to further processing at the Bukowno facility, using a furnace for vertical continuous casting of copper wire.



6.2. OUR ENVIRONMENTAL RESULTS

In accordance with the long-term environmental policy of TFKable Group, we strive to minimise our impact on the natural environment among others, we limit the use of natural resources by recycling waste or recovering heat. Our environmental performance confirms that we are effective in this.

Robert Słapak,

Director of the Quality Assurance Department, TELE-FONIKA Kable S.A.

Throughout our entire business, especially in the production process, we use our resources in a rational and economical manner, **while limiting the emission of hazardous pollutants into the atmosphere.**

WATER

- TELE-FONIKA Kable S.A. takes water necessary for its operations from three sources:
 - the municipal grid
 - its own groundwater intakes
 - directly from surface waters, i.e. rivers
- The most important water intake source is the **municipal grid**. In 2017 the company collected 290,168 m³ of water this way
- The total volume of water collected from all three sources in 2017 equalled 322,332 m³

Total water intake per source [303-1]

Total volume of water collected by the company per source (w m ³)	Total volume [m ³] 2017
water from rivers	2,038
water from lakes	0
sea water	0
water from wetlands	0
groundwater	30,126
rainwater collected directly and stored by the organisation	0
supply of municipal water	290,168
stormwater from another organisation	0
TOTAL	322,332

The percentage and total water volume subjected to recycling and reuse [303-3]

Thanks to closed water circuits applied in the manufacturing process, the share of water collected by the organisation, for further reuse, equalled **7.487%** in 2017.

	Volume [m ³] 2017
total volume of water collected by the organisation	322,332
volume of reused or recycled water	24,132.000
volume of water reused as a percentage of water collected by the organisation	7.487%

RAW MATERIALS

Raw materials / materials used per weight and volume in 2017 [301-1]

Raw materials/materials used by weight (t, m ³)	Total consumption (weight/volume) 2017
natural gas (m ³)	4,349,100.0
fuel oil (m ³)	123.7
diesel oil (m ³)	637.8
other (t):	194,953.9

ENERGY

- In 2017, TELE-FONIKA Kable S.A. used energy from non-renewable sources such as: **natural gas, diesel oil and fuel oil**
- The biggest share among non-renewable energy sources included **natural gas – 43,491 MWh**
- Consumption of own or purchased energy equalled **474,384.6 GJ**, including thermal energy (steam, cooling energy) – 70,893.0 GJ, and electrical energy – 403,491.6 GJ
- Total energy consumption of the organisation in 2017 equals **187,870.6 MWh**

Energy consumption [302-1]

Total consumption of energy from non-renewable (own or purchased) resources in Joules or their multiple, per type of resource		Values (MWh) 2017	Values (GJ) 2017
Non-renewable	coal	0	0
	natural gas	43,491.0	156,567.6
	fuel oil	1,495.3	5,383.0
	diesel oil	7,200.0	25,920.0
	Total consumption	52,186.3	187,870.6
Total consumption of own or purchased energy, divided into: electrical, thermal, in joules or their multiple		Values (MWh) 2017	Values (GJ) 2017
	electric energy	112,081.0	403,491.6
	thermal energy (including steam consumption, cooling energy consumption)	19,692.5	70,893.0
Total	power consumption	131,773.5	474,384.6

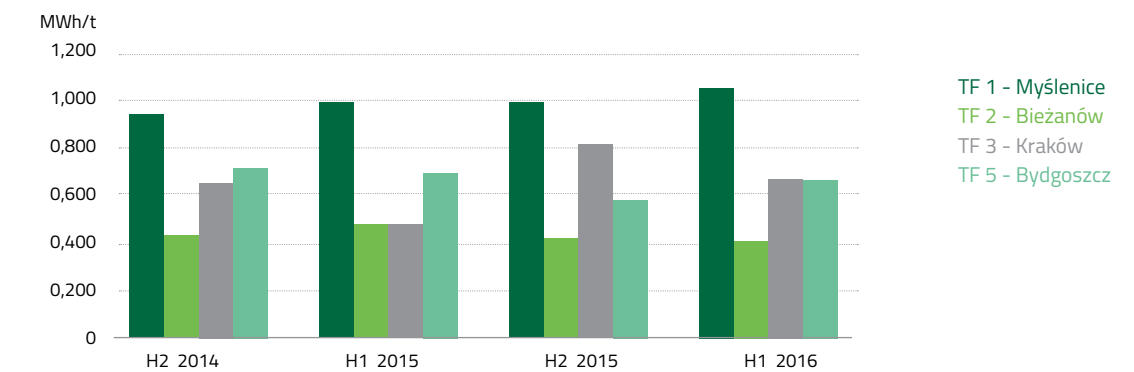


Energy intensity [302-3]

Energy intensity	Values 2017	Unit
Dividend – total energy consumption (GJ, MWh)	187,870.6	MWh
Divisor, Gross tonne of raw material processing (including waste)	179,407.0	tonnes
Energy efficiency indicator	1.0	MWh/tonne

- **The energy intensity indicator is a measure of energy efficiency. It equals 1.16 MWh/t.**
- The total energy consumption included electrical energy, natural gas, purchased grid heat, fuel oil and diesel oil.

Indicator of electrical energy consumption by individual production plants



WASTE WATER

- Waste water is carried off to groundwater and municipal companies
- In 2017, a total of **24,336 m³ of waste** was carried off to groundwater (rivers), with 51 m³ carried off to municipal companies
- We treat waste on our own. The volume of waste treated in 2017 is **24,417 m³**

Total volume of waste per quality and destination [306-1]

Water discharge destination	Volume (m ³) 2017
To groundwater	0
To surface water (including lakes and rivers)	24,366
To municipal utilities	51
Total sewage	0

Waste treatment method	Volume (m ³) 2017
By the organisation	24,417
By the waste treatment plant	0
Total treated waste	24,417

The waste is carried off by sewer systems to municipal treatment stations or treated individually, e.g. in Bydgoszcz, where the production plant is equipped with a **mechanical-biological-chemical waste treatment facility**. In addition to sanitary waste, process waste is directed there, created during the process of cable production.

Treatment of process waste occurs in two stages: in the pre-treatment installation fitted with a compressed air mixing system, followed by the plant treatment installation.

Our process **water pre-treatment technology** allows for limiting pollution to a degree which allows for their further reduction in the biological treatment process. The capacity of the waste treatment installation **equals 120 m³/day, i.e. 43,800 m³ per year.**

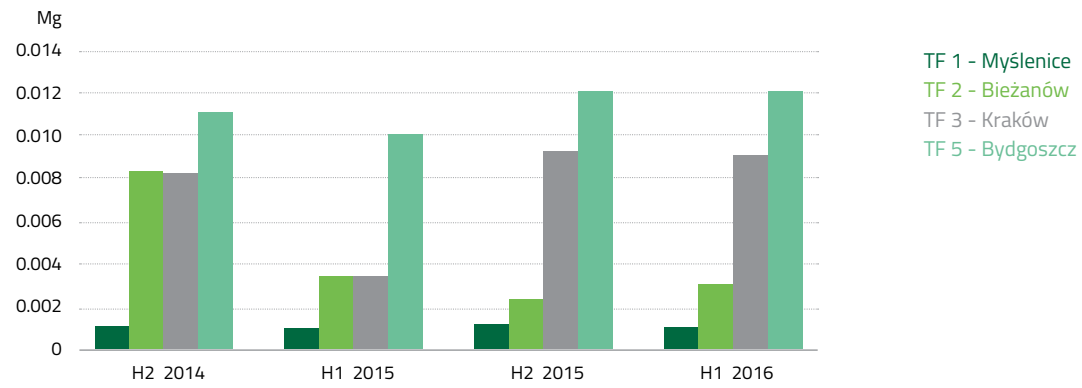
WASTE

- Production plants employ the following waste processing methods:
 - recycling
 - recovery, including energy recovery (this does not apply to hazardous waste)
 - incineration or use as fuel
 - on-site storage (only for a short time)
- Most waste in 2017 was processed using **recycling**, which was applied to **18,587.8 Mg** of waste
- The total weight of waste in 2017 equalled **20,331.9 Mg of non-hazardous waste** and **428.9 Mg of hazardous waste**

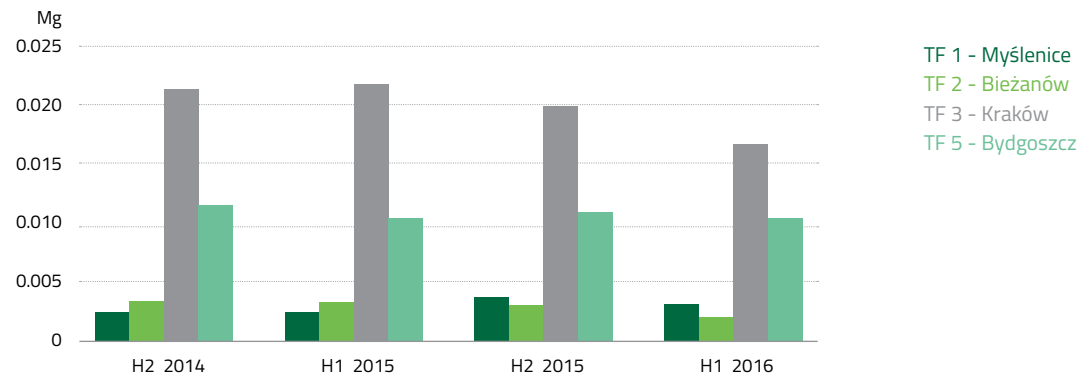
Total weight of waste per type and disposal method [306-2]

Total weight of non-hazardous and hazardous waste per disposal method	Waste weight in 2017 [Mg]	
	non-hazardous waste	hazardous waste
Reuse	0	0
Recycling	18,393.5	194.3
Composting	0	0
Recovery (including energy recovery)	795.9	0
Incineration (or use as fuel)	153.8	165.1
Deep well injection	0	0
Storage on waste dumps	0	0
On-site storage	988.7	69.4
Other	0	0
TOTAL	20,331.9	428.9

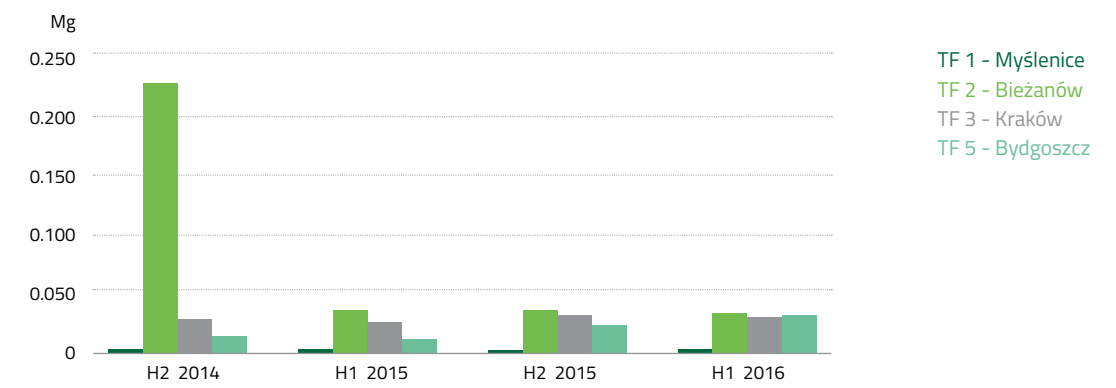
Indicator of plastic waste created by specific production plants



Indicator of non-ferrous metal waste created by specific production plants



Indicator of cable and wire waste from specific production plants



EMISSIONS OF POLLUTANTS

- Direct greenhouse gas emissions in 2017 were related to heat generation. They amount to a total of **5,529.6 tCO₂e**.

Direct greenhouse gas emissions [305-1]

Direct emissions	Greenhouse gas emission [tCO ₂ e]	Greenhouse gases included in calculations
	2017	description
Emission related to electrical energy generation	0	n/a
Emissions resulting from generation of heating	5,454.1	CO ₂
Emission from cooling processes and steam generation	0	n/a
Emission from physical and chemical processing	0	n/a
Hydrofluorocarbon (HFC) emissions	75.4	HFC 32, HFC 125, HFC 134a
Emissions resulting from transportation of materials, products, and waste	0	n/a
Total direct emissions	5,529.6	
Biogenic CO ₂ emission in metric tons of CO ₂ equivalent	0	n/a
Inne	0	
SUMA	5,529.6	

Emissions of NOx, SOx, and other significant compounds emitted to the air [305-7]

Emission of NOx, SOx, and other significant compounds emitted to the air	Weight of significant air emissions (tonnes) 2017
NOx	5.04
SOx	0.41
Persistent organic pollutant (POP)	0
Volatile organic compounds (VOC)	35.17
Hazardous Air Pollutant (HAP)	0
Particulate matters (PM)	1.41
Other standard categories of air emissions	17.83

Limiting greenhouse gas emissions [305-5]

- In order to limit the emission of greenhouse gases, **the boiler room at the Bydgoszcz production plant was modernised**. As a result, the volume of greenhouse gas emissions decreased by **245,741 tCO₂e**.

Description of initiative and actions taken to decrease GHG emissions	Indication of how much GHG emissions decreased compared to the baseline value (CO ₂ equivalent)	Gas types with limited emissions (CO ₂ , CH ₄ , N ₂ O, HFC, PFC, SF ₆ , NF ₃ or all)	Value and year against which the emission decrease was calculated
Modernisation of plant boiler room	245,741	CO ₂	2017 r.



7. ABOUT THE REPORT

REPORT CREATION PROCESS

The presented *Corporate Social Responsibility report* contains data for 2017 and it is the first such report of TELE-FONIKA Kable S.A. [102-50]

The general information presented in it pertains to the TFKable Group. GRI indicators pertain to TELE-FONIKA Kable S.A. All data come from external sources.

In order to understand the overall activity of the TFKable Group, in some places information pertaining to the entire Group was included. The text included clear indications of whether a specific piece of information pertains to TELE-FONIKA S.A. or the TFKable Group.

The report has been drawn up in compliance with the International Non-Financial Reporting Standard GRI Standard in Core version. It has not been subjected to external verification [102-54], [102-56].

[102-42], [102-43], [102-44], [102-46] When defining the substantive content of the report, we conducted a process consisting of the following stages:

1. **Identification** – selecting key issues in the area of the corporate responsibility and conducted business.
 - We analysed internal documents and materials of TELE-FONIKA Kable S. A. and TFKable Group.
 - We reviewed many external publications and press releases concerning the company and the cable industry.
 - We considered trends and guidelines of international standards regarding non-financial reporting.
 - We conducted a thorough analysis of the challenges, opportunities and risks of the cable industry and the companies operating in it.
2. **Prioritisation** – through dialogue with internal and external stakeholders, we identified the significance level of issues crucial from the point of view of the TFKable Group.
 - We surveyed the Group's employees and customers.
 - Responses were provided by 316 respondents, including 282 employees of TELE-FONIKA Kable S.A.
 - All issues suggested in the survey were considered important by stakeholders (score of more than 3.5 on a five-degree scale)
3. **Validation** – during the validation workshop, in which representatives of the management staff of TELE-FONIKA Kable S.A. took part, we confirmed the final list of priority issues, which were included in the report for 2017.

GRI aspects identified as important to TELE-FONIKA Kable S.A. [102-47], [103-1]

Customer, product and market
Market presence
Product safety and quality
Clear communication of the company's product offer
The company's procurement practices and the manner of shaping relations with suppliers (social and environmental criteria to be met by suppliers, clarity and transparency in relations)
Transparency – availability and clarity of company data relevant to customers and business partners
R&D (research and development) activity
Crisis management
Carrying out research in partnership with universities and science centres
Workplace
Safe working conditions
Training and staff development arrangements
Organisational culture based on values and ethics
Method of dialogue with employees
Knowledge management in the organisation
Wage levels and employment conditions
Providing qualified staff for both current and future needs of the company (including internships and traineeships, as well as establishing partnerships for training future staff)
Benefits and health programmes for employees
Basic information on employment in the company (including number of employees)
Natural environment
Supplier Environmental Assessment
Waste management
Management systems and certificates
Materials
Emissions
Minimisation of the organisation's negative environmental impact

Questions, remarks and suggestions related to this year's report should be sent to Magdalena Kardela, the Marketing Director at the TELE-FONIKA Kable S.A., at magdalena.kardela@tfkable.com [102-53]

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GRI 301	301-1	Materials used by weight and volume.	82
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GRI 302	302-3	Unit energy consumption (thermal and electrical)	83
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Water			
GRI 303	303-1	Total water withdrawal by source	81
GRI 303	303-3	Percentage and total volume of water recycled and reused.	81
Emissions			
GRI 305	305-1	Total direct greenhouse gas emissions by weight.	88
GRI 305	305-5	Reduction of greenhouse gas emissions.	89
GRI 305	305-7	NOx, SOx, and other significant air emissions by type and weight.	89
Effluents and Waste			
GRI 306	306-1	Total water discharge by quality and destination.	84
GRI 306	306-2	Total weight of waste by type and disposal method.	85
Compliance with environmental regulations			
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Social issues:			
Employment			
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GRI 401	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	56
Occupational health and safety			
GRI 403	403-2	Rates of injuries, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	66
Education and training			
GRI 404	404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	63

Diversity and equal opportunity			
GRI 405	405-1*	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, and other indicators of diversity	54
GRI 405	405-2*	Ratio of basic salary and remuneration of women to men by held position	55
Non-discrimination			
GRI 406	406-1	Total number of incidents of discrimination and corrective actions taken	55

* partially reported indicator

GLOSSARY OF TERMS

Waste heat – heat generated in energy conversion processes in energy equipment and released into the environment. For example, heat from cooling processes, flue gas heat from a combustion engine or furnace.

Declaration of performance – the document required for selling a construction product covered by a harmonised standard or the European Technical Assessment issued for it. The purpose of placing the declaration on a product is to provide the user with information about the function of the product and its conformity. This way, the manufacturer assumes responsibility for the product's conformity with the declared performance.

HSE – the goal of implementing HSE (*Health, Safety and Environment*) systems is to reduce the impact of the company's activities on the environment, to save natural resources and to strive to ensure that the company's business activities are conducted in a way that protects the health and ensures the safety of employees and the community.

ISO/TS 16949 – ISO Technical Specification which unifies the existing American, German, French and Italian standards for quality systems in the automotive industry. The purpose of ISO/TS 16949 is to eliminate the need for multiple certifications.

Notification/notified body – the entity responsible for verifying a product's compliance with the requirements of its use. The manufacturer, whose product has to undergo a third party conformity assessment, has to use the services of a notified body of his choice.

1 kV cables – cables designed for transmission of low voltage electricity, i.e. in AC circuits up to 1,000 volts at a frequency not exceeding 60 Hz and DC circuits up to 1,500 volts.

Cogeneration – technical process of simultaneous generation of electric energy and usable heat in the CHP plant.

Harmonised standards – standards developed by European organisations set up in consultation with the

member states by the European Commission. They are published in the Official Journal of the EU. They contain the main requirements of EU directives and regulations and are the simplest way for the manufacturer or importer of a product to demonstrate that a product complies with the relevant directive/regulation.

Notification – the process of testing/checking the conformity of a product with the requirements for use.

Continuous casting – a metallurgical method that allows casting metals in a continuous way. During the production process, liquid metal is poured into a pass-through mould – a crystalliser, where it is solidified, obtaining the shape of the mould (e.g. wire) and then it is gradually pulled out of it.

Dehumidifier – used to reduce compressed air humidity and remove moisture from the installation.

XLPE – cables with PVC / cross-linked polyethylene insulation. In the of TFKable Group, it is used for medium and high voltage cables.

CSR. Corporate Social Responsibility - this is a concept according to which companies at the stage of strategy building consider social interests, environmental protection and relations with various stakeholder groups.

Offshore industry - this is an economic activity carried out in the territorial sea of a given country or in its economic zone. Most often it refers to the extraction of oil and gas, in some cases also the extraction of fossil raw materials and the production of wind renewable energy.

Onshore industry - this is an economic activity carried out in the land of a given countries.

HV. High Voltage - any voltage from 6 kV up to 30 kV - in accordance with the IEC standard

MV. Medium Voltage - any voltage above 30 kV up to 150 kV - in accordance with the IEC standard

EHV. Extra High Voltage – any voltage above 150 kV - in accordance with the IEC standard

Lockout-tagout (LOTO) or lock and tag – is a safety procedure which is used in industry and research settings, to ensure that dangerous machines are properly shut off and not able to be started up again prior to the completion of maintenance or repair work.

KAIZEN – a systematic approach and problem-solving tool adopted from the Toyota Production System (TPS), is aimed at quickly implementing low-cost improvements that result in measurable impact. It can be used to enhance your safety program effectiveness exponentially. While Kaizen traditionally and primarily focuses on production and efficiency numbers, it can effectively be shifted to improving safety and ergonomics.

EUROPACABLE INDUSRTY CHARTER – is a commitment of the signatories, i.e. manufacturers of cables and wires associated in the Europacable Association, to follow common rules and strive to achieve set ethical goals, take actions around continuous development and improve the production of high-quality cables.

CPR. Construction Products Regulation – Regulation No. 305/2011 (Construction Products Regulation, or CPR) of the European Parliament and of the Council is a regulation of 9 March 2011 that lays down harmonized conditions for the marketing of construction products and replaces Construction Products Directive (89/106/EEC). The EU regulation is designed to simplify and clarify the existing framework for the placing on the market of construction products. TFKable Group, as a producer of cables and conduits used, for example, in the construction industry, focuses its activities in the field of cable and conduit fire safety in accordance with CPR Directive.

CRM. Customer Relation Management – an IT system supporting customer relationship management procedures

Enterprise Resource Planning (ERP) – is the integrated management of core business processes, often in

real-time and mediated by software and technology. ERP is usually referred to as a category of business-management software. Typically, a suite of integrated applications that an organization can use to collect, store, manage and interpret data from many business activities.

ISO. International Organization for Standardization – ISO is an independent, non-governmental international organization with a membership of 161 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

OHSAS 18001 - Occupational Health and Safety Assessment Series, (officially BS OHSAS 18001) is an internationally applied British Standard for occupational health and safety management systems. The most common international equivalent of the Polish standard PN 18001 (Health and Safety Management System). It exists to help all kinds of organizations put in place demonstrably sound occupational health and safety performance. It is a widely recognized and popular occupational health and safety management system.

The logo for TF Kable, featuring a stylized 'TF' in a bold, italicized font followed by the word 'Kable' in a similar style.

TF Kable

Connecting globally

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