

# Report of Cyfrowy Polsat S.A. Capital Group and Cyfrowy Polsat S.A. on non-financial information for the years 2016-2017

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We have a pleasure of presenting to you the first Non-Financial Report of Cyfrowy Polsat Capital Group, describing our activities in the years 2016-2017. This publication has been developed according to the Global Reporting Initiative Standards (Core option) and the amended Polish Accounting Act. Our Report covers Cyfrowy Polsat Capital Group, and in particular the data related to the following companies:

- Cyfrowy Polsat S.A.
- Polkomtel Sp. z o.o.
- Telewizja Polsat Sp. z o.o.



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## INTERVIEW WITH THE PRESIDENT OF THE MANAGEMENT BOARD

[GRI 102-14, GRI 102-15]

### What distinguishes Polsat Group from others?

Polsat Group is a big, thriving organization constantly undertaking new challenges, within which we provide pay TV and telecommunications services as well as deliver a number of additional services – electricity, gas, house monitoring, banking or insurance services and offer a possibility of purchasing telecommunications devices, home electronics and household appliances. We successfully combine these activities, as the access to attractive TV content is extremely important to all our customers, with broadcasting nearly 30 television channels and active presence on the television advertising and sponsoring market. We believe in integration of services which we have incorporated into our development strategy, whereas the scope of our business activities and the nature of our offer make us definitely stand out among the competitors on the market. The smartDOM program offered to our customers communicates in a very comprehensible way that buying services in bundles is not only much simpler, but above all cheaper. Such a structure of the offer is a great opportunity for us, as a Group, to make better use of our resources, capabilities, expertise, sales channels and potential of the team and to acquire new customers whose satisfaction and loyalty are extremely important to us.

High quality and universal availability of services, enjoyed on a daily basis by Polish families and companies, is of key importance to us. We have pursued this goal for many years, as a part of television as well as telecommunications activities, and we prove that an equally attractive offer may be used by all Poles, irrespective of their place of residence, social status, profession or interests.

### How would you define the Corporate Social Responsibility of Polsat Group?

Corporate Social Responsibility is inherently connected with our operations on the market, the achievement of our business goals and building of the Group's value. We do not start from the scratch. As one of the biggest media and telecommunications groups in Central and Eastern Europe, employing nearly 5 thousand people, we are fully aware of the impact we have on our social and economic environment. Our socially responsible activities focus on three main areas – taking care of the needs of our customers and viewers, ensuring opportunities for professional development of our employees and a social mission which we carry out in the area of safety, aid for children and promotion of sports. What pleases me most personally, as the President of the Management Board, is the fact that all the undertaken initiatives are reflected in actual beliefs and needs of our employees, and many of these initiatives were developed because our team followed their hearts. I am proud of what we have achieved so far.

There are many examples of our activities. We are very proud of our long-term involvement in ensuring safety to people who relax by the water and in the mountains. Rescue (*Ratunek*) application, co-created by people from Polkomtel as well as an emergency number in the mountains and at the seaside and the lakes, were developed by a group of people who - knowing the capabilities of the network and the needs of the society – decided to combine these two elements. The final product is something extraordinary on a global level.

For more than 21 years, POLSAT Foundation – the first television foundation in Poland, has been saving lives and health of children and youth and this is absolutely amazing. The Foundation's team is a group of extraordinary, wonderful people who are involved in providing help wholeheartedly every day. They help in individual cases, but also change entire healthcare institutions or areas, which is proven for instance by activities undertaken in the Children's Health Center in Warsaw.

When looking for examples of "Sports CSR", it is worth focusing on what Polsat Sport and also Plus network are doing apart from the broadcasts of the biggest and most important sports events in Poland. We have an ample evidence that the promotion of physical activity simply works. Our viewers are successfully encouraged to personally participate in running or skiing events, and additionally we help in organizing and financing children's hockey, football and tennis tournaments. For me an example of responsible activities in sports is also the model of supporting one's own team in Polish volleyball, to whose development we have greatly contributed. The developed style, in which entire families can support sportsmen in safe and friendly way, is an example for all disciplines. What is more, a cheerful style of support from our halls and stadiums, appreciated by our volleyball players and fans across the world, has been already transposed to stadiums in Italy or South America. Invaluable is also the support which Plus has been providing to Polish volleyball for 20 years by sponsoring, among others, women's and men's national teams.

### What can Group's customers expect in the future? In which direction is the company heading?

Most analyses indicate that the services offered by us will continue to develop. Starting from the Internet access at home, through the demand for mobile data transmission and video streaming, to quality and capabilities of a growing number of new devices. On the television market we observe growing importance of thematic channels and high quality television

content, produced with the expectations and needs of viewers in mind. If we add to this excellent prospects for the multi-play services or online television (IPTV) market, then it is clear that new business opportunities are constantly emerging for Polsat Group.

#### **Why did the Group decide to publish the CSR Report?**

For years, we have regularly published financial statements, reports on the Management Board's activities and annual reports, and these documents also included some information which is part of the non-financial reporting. We have been a listed company since 2008 and the transparency of all areas of activities is of fundamental importance to us. The obligation of non-financial reporting – which came into force in 2018 – requires us to make certain data more coherent. We decided to choose the Global Reporting Initiative standard – which is the best one in my opinion – and which is appreciated by the market players both in Poland and across the world.

The Non-Financial Report, which presents our activities in the years 2016-2017, is a kind of point of reference for us. We fairly present our achievements in this area together with our plans. The process of preparation of the organization to reporting was a valuable lesson in itself. Different nature of companies, not always consistent indicators or even lack of certain data made the preparation of the document an enormous effort for many people involved – and I would like to extend my thanks to all of them. Due to the fact that at the stage of defining the report's contents we organized a dialog session, the publication of the report was another opportunity to consult our stakeholders. Although we meet and communicate with them frequently, we do not always have time and opportunity to discuss their expectations and views regarding our business activities in the area of CSR.

#### **What would you like the readers to remember after studying the report?**

I believe that each Reader will find interesting information in the report, given in particular that it has been prepared for our key stakeholders based on their expectations towards our organization which were analyzed, among others, during a dialog session held in accordance with AA1000SES international stakeholder engagement standard. As a result, each chapter is devoted to different subject matter, addressed to another readers group. I hope that just as we had a lot of satisfaction preparing the report, it will provide a lot of valuable information and pleasure from its study to our Readers. Although the constant growth of the value of Polsat Group for its shareholders is the primary objective of our business strategy, we show that we want and can achieve this objective in a sustainable, responsible way, while ensuring the best quality of services to our customers and the satisfaction with work for the Group's employees.

# CHAPTER 1

## OUR BUSINESS



## 1. OUR BUSINESS

### 1.1. Key figures

#### Key figures 2017

[GRI 102-7, GRI 201-1], [Accounting Act – Key Performance Indicators]

**No 1** – the biggest media and telecommunications group listed on the Warsaw Stock Exchange, with the market capitalization of **PLN 15.9 billion**

Customers and services		Financial results	
<b>5.8 million</b> contract customers	<b>16.5 million</b> RGUs provided	<b>PLN 9,829 million</b> revenues of Cyfrowy Polsat Group (up by 1 YoY)	
<b>4.5 million</b> multi-play services	<b>3.6 million</b> average monthly number of users of IPLA online television	<b>PLN 9,002 million</b> economic value distributed	<b>PLN 866 million<sup>1</sup></b> economic value retained
<b>PLN 89.0</b> Average revenue per one contract customer	<b>99%</b> Poles within the LTE Plus Internet coverage	<b>PLN 594 million</b> payments to investors	<b>PLN 718 million</b> payments to the state
Television market		<b>PLN 27 million</b> community investments	
<b>24.5%</b> Polsat TV audience share in the commercial group	<b>27.2%</b> Advertising market share		
Employees		Environment	
nearly <b>5 thousand</b> employees		<b>617 tons</b> Waste sent by Cyfrowy Polsat for recycling	

### 1.2. Sector context and business model of the CP Capital Group | Television, telephony, Internet – fast, everywhere and state-of-the-art

[Accounting Act – business model]

#### Who we are?

[GRI 102-2]

Cyfrowy Polsat is the leading pay TV provider and one of the leading telecommunications operators on the domestic market. We are also one of Poland's leading private broadcasters in terms of both, audience and advertising market shares. We offer multi-play multimedia services, among others as a part of our smartDOM Program for entire families. We also offer a wide array of wholesale services on the telecommunications, pay TV and advertising markets.

<sup>1</sup> The retained value presented above represents the amount remaining after the distribution of generated economic value between the stakeholders of the company. This amount is not matching net profit presented in the Income Statements as it also includes, among others, dividends paid (as the distributed economic value).

We operate in two business segments: the segment of services provided to residential and business customers (digital TV, broadband Internet access, mobile telephony and on-line entertainment services) and the TV broadcasting and production segment (POLSAT main channel and thematic channels).

Our mission is to create and deliver the most attractive TV content, telecommunications products and other services for the home, as well as residential and business customers, using state-of-the-art technologies to provide top quality multi-play services that match the changing needs of the market, while maintaining the highest possible level of customer satisfaction.

### Good organization

[GRI 102-1, GRI 102-3, GRI-102-4, GRI-102-5, GRI 102-6, GRI 102-18]

**Cyfrowy Polsat S.A.** Capital Group operates in Poland and has its registered office in Warsaw. Since May 2008, our shares are listed on the Warsaw Stock Exchange. In terms of capitalization, which amounted to PLN 15.9bn at the end of 2017, Cyfrowy Polsat is **the biggest media and telecommunications company listed on the Warsaw Stock Exchange and one of the biggest companies in Central and Eastern Europe.**

The status of public company obliges us to meet the highest management standards. Therefore, our goal is to manage the company in a transparent, predictable and value-oriented way. This helps to build the trust among our domestic and foreign investors, financial markets, our customers and business partners, as well as employees of the Group.

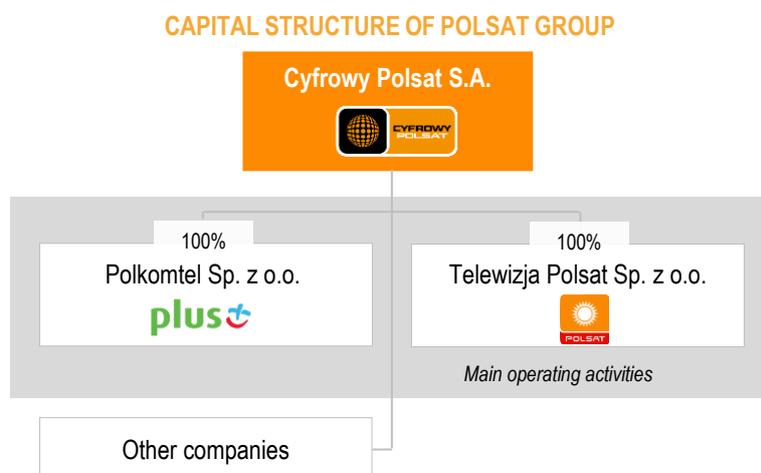
The Company's Management Board consists of seven Members [GRI 405-1].

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Tobias Solorz	President of the Management Board	2014	2016	2019
Dariusz Działkowski	Member of the Management Board	2007	2016	2019
Tomasz Gillner-Gorywoda	Member of the Management Board	2014	2016	2019
Aneta Jaskólska	Member of the Management Board	2010	2016	2019
Agnieszka Odorowicz	Member of the Management Board	2016	2016	2019
Katarzyna Ostap-Tomann	Member of the Management Board	2016	2016	2019
Maciej Stec	Member of the Management Board	2014	2016	2019

Biographical notes of the Management Board Members are available on [Cyfrowy Polsat Group corporate website](#).

### 1.3. What we offer to our customers

[GRI 102-2]



## Key areas of activities

### PAY TV



Cyfrowy Polsat is the biggest pay TV provider in Poland and the leading DTH platform in Europe in terms of customer base size.

- It ensures access to over 180 channels, including 80 HD channels.
- Thanks to Cyfrowy Polsat GO service, customers have access to thousands of shows available on demand and over 100 linear channels consistent with the satellite TV package selected by the customer. Thanks to On the Go option it can be also used on three devices simultaneously: a PC, tablet and smartphone.
- Cyfrowy Polsat's Multiroom HD service enables use of the same TV package on as many as 4 TV sets.
- The platform has own broadcasting center which enables us to transmit TV channels to the transponders on the Hot Bird satellites.
- Cyfrowy Polsat is the only operator offering its own set-top boxes. This way we can control the production process, effectively manage costs and offer high quality equipment which meets our customer needs.

### Online video



IPLA is the leader of online video market in Poland, with the biggest legal base of TV content.

- It offers over 90 channels and several dozen thousands of VOD<sup>2</sup> materials, including several hundred TV series, documentaries and kids programs.
- It offers around 200 hours monthly of live coverage from major sports events in Poland and abroad, a rich and constantly expanding library of movies, series and TV programs delivered by Polish and international licensors
- IPLA materials can be viewed on PCs, tablets, laptops, smartphones, smart TVs, as well as via set-top boxes and game consoles.

## TELECOMMUNICATIONS

### Mobile telephony



Polkomtel Sp. z o.o. is the leading telecommunications operator in Poland who provides its services under the Plus brand. The company is the leader of LTE technology and relies on the most advanced telecommunications solutions while developing services for its customers:

- The residential contract offer includes a variety of contract plans. Currently, it is available in the contract and prepaid model as well as in the mix offer (a combination of a prepaid and contract offer).
- Business customers are mainly offered contract solutions, often on the basis of tenders which are invited by customers. We also offer fixed telephony services, LAN (local area network)/WAN (wide area network) solutions, mobile broadband Internet access, SMS Center services and other dedicated solutions.
- Mobile voice services for SOHO (Small Office/Home Office) customers comprise several monthly subscription fee options, taking into account the specific preferences of this segment.

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<sup>2</sup> VOD (Video on Demand) – the service which allows for watching film materials or listening to an audio recording on demand

- Plus provides international roaming services to our residential customers, who can use telecommunications services while being abroad and logged on to foreign networks. On the territory of the European Union and in the European Economic Area (EEA) countries the maximum retail roaming rates for voice calls, SMS's and data transmission applicable to international roaming are subject to regulations and starting from 15 June 2017, they were equalized with domestic prices (*Roam Like at Home* regulation). Our customers may use roaming services such as voice calls, SMSs and MMSs as well as data transmission on the territory of the European Union and in the EEA countries at the level of domestic prices, without incurring any additional costs. Furthermore, we offer to our customers a possibility of purchasing promotional roaming data packs, covering both European countries and other, popular travel destinations, thanks to which customers can choose the roaming offers which meet their particular needs.
- Plus offers a wide array of state-of-the-art handsets and smartphones from such leading manufacturers as: Samsung, Huawei, Apple, Sony, LG but our offer also includes low and mid-end handsets of smaller manufacturers. Handsets are sold mainly in the installment plan model (with or without an initial fee).

### Broadband Internet access



Polsat Group provides a comprehensive mobile broadband Internet access and data transmission services to both residential and business customers under two main brands: Plus and Cyfrowy Polsat, using LTE Plus technology since 2011 and currently also offering LTE Plus Advanced option.

- In return for a single monthly fee our offer includes broadband Internet access relying on all supported data technologies. Thanks to this, nearly 100% of Poles live within the coverage area of our LTE Plus Internet service, while 54% of Poles are within the coverage footprint of our LTE Plus Advanced Internet service with the maximum technological data transmission speed of 498 Mbps.
- The offer includes several data packs with different allowances and price tiers, tailored to customers' individual needs.
- Customers deciding to use our mobile broadband Internet access services may choose between dedicated contract plans, prepaid plans and promotions, as well as data packs offered as an addition to voice tariffs.
- Contract price plans offer basic mobile broadband Internet access. In return for a monthly fee they offer either a limited data allowance or data transmission in LTE Plus network without limits under an additional service. While using this offer, customers may purchase or lease, among others, dongles, fixed and mobile routers. In addition, the offer also includes laptops, tablets and other devices, as well as offers without equipment - *SIM only*.
- As regards the services provided in the prepaid model, upon topping up the prepaid account the customer is offered a specific data pack whose size and validity depend on the top-up amount.
- The Group has also introduced the LTE Home Internet set, a unique solution developed in-house, as an alternative to fixed-line Internet access, which can considerably enhance the coverage area and signal strength of the LTE Internet. The latest 300 LTE Home Internet set supports the LTE Plus Advanced technology and enables data transmission with maximum download speed of even up to 300 Mbps.

## MULTI-PLAY SERVICES

We believe that combining of state-of-the-art services of Cyfrowy Polsat Group may produce measurable benefits for our customers. Our companies – Cyfrowy Polsat and Polkomtel – offer multi-play services, including a joint smartDOM program which allows for flexible combining of as many as nine products and services.

smartDOM is a unique savings program for homes which offers a wide array of products and services, thus enabling our customers to create a comfortable, safe and modern home. The program is based on a simple and flexible mechanism – a customer subscribed to one service with a specified value who purchases additional products of our Group, obtains attractive discounts throughout the entire term of the contract. This way every customer has the possibility to create a unique set of services for the family.

Apart from our basic, core products and services, i.e. Plus mobile telephony, LTE Plus and Plus Advanced LTE Internet and satellite TV from Cyfrowy Polsat, smartDOM customers can also use services of digital terrestrial television with 12 scrambled TV channels and 11 radio channels, fixed-line telephony, the electricity supply under the Electricity from Plus offer and also supply of natural gas, banking services offered by PlusBank, comprehensive insurance services offered in cooperation with ERGO Hestia and home security services, such as monitoring. Moreover, the offer also comprises telecommunications devices, home electronics and household appliances.

All of the offered products and services are important for households. Thanks to the unique formula of the smartDOM program, the customer can purchase all the products and services that households need from one place and generate savings on each additional service bought.

Our smartFIRMA loyalty program, addressed to business customers of SOHO segment, operates on similar rules as smartDOM.

## TELEVISION (BROADCASTING AND PRODUCTION)

### Polsat TV



Polsat Group's portfolio comprises 29 channels, including 19 HD channels. The channels we broadcast include entertainment, sports, news, music, lifestyle, movie and children's channels. Our channels are available via cable and satellite. Six channels we offer – POLSAT, Super Polsat, TV4 and TV6, Polo TV, Eska TV – are part of the digital terrestrial television (DTT) on multiplexes MUX-1 and MUX-2<sup>3</sup>.

POLSAT, the main channel of our Group, is one of the leading television channels in terms of audience share in the group of viewers which is most valuable to advertisers (the so-called commercial group, viewers aged 16-49) – in 2017 it achieved 12.3% share in the commercial group. POLSAT's fine result in 2017 is the effect of its attractive and consistent programming offer, including successful spring and autumn schedule of the TV station which offers entertainment, films and TV series, one of the leading news programs, *Wydarzenia (The News)*, as well as thrilling sports coverage.

2017 ended successfully also for the whole Polsat Group with the audience share of 24.5% in the commercial group.

The content offered by the Group is attractive and diversified thanks to the following factors:

- Polish productions make up around 60% of all broadcast content<sup>4</sup>. Polsat strives to diversify the sources of its programs, which is intended to guarantee effective production cost management. Thanks to this, while having access to a broad portfolio of programs and in order to guarantee successful programming, Polsat is able to choose the offers which are both attractive and cost effective.

<sup>3</sup> MUX, i.e. a package of television, radio channels and additional services broadcast simultaneously in digital form to the recipient in one frequency channel.

<sup>4</sup> Data for channels: POLSAT, Polsat2, Polsat Play, Polsat Cafe, Polsat Film, Polsat News, Polsat Sport, Polsat Sport Extra, Polsat Sport News, Polsat News 2, TV4, TV6, Polsat Romans, Disco Polo Music, Polsat Music, Super Polsat.

- Foreign productions. Licenses for foreign programs are to a great extent related to purchasing the rights for airing movies, TV series and sports events. Major film studios are the Group's key partners in acquisition of films and TV series. These partners include Sony Pictures TV International, 20th Century Fox TV, The Walt Disney Company, Warner Bros International TV Distribution, CBS Studios. Monolith Films is also a party offering foreign productions.
- Licenses for sports events. We offer a broad range of sport broadcasts, including among others qualifying matches for the 2020 UEFA European Championship and 2022 FIFA World Cup, two editions of the UEFA Nations League 2018/19 and 2020/21, great tournaments and attractive volleyball matches – Volleyball Women's and Men's World Championships 2018 and 2022, new very attractive matches of the Volleyball Nations League (2018-2024), FIVB World Grand Prix 2019 and 2023 and qualifying tournaments for the Olympic Games in Tokyo (2020) and Paris (2024), Plus Liga and Orlen Liga volleyball matches, boxing and martial arts (KSW, FEN and UFC) galas, Wimbledon and ATP 1000 and 500 tennis tournaments and many other disciplines. In 2017 we also acquired the rights to the most popular football matches in the world – UEFA Champions League and UEFA Europa League (for years 2018-2021).

#### 1.4. We operate strategically

##### [GRI 102-16]

The superior goal of our strategy is the permanent growth of the value of Cyfrowy Polsat for its Shareholders. We intend to achieve this goal by implementing the major elements of our operational strategy which include:

***Growth of revenue from services provided to residential and business customers through consistent building of the customer base value by maximizing the number of users of our services as well as the number of services offered to each customer, while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction***

Our goal is to effectively build revenue from the sale of products and services to our customers. Bearing in mind the occurring market changes, we will continue to create products that will satisfy the changing preferences of our customers.

The factor that will have a positive impact on revenue is the possibility of cross-selling of our existing and future products and services to the combined customer base of Cyfrowy Polsat and Polkomtel. Within our Group we create a unique portfolio of products and services which is simultaneously targeted at customers of both Cyfrowy Polsat and Polkomtel. When properly addressed, both through sale of additional individual products or a multi-play offer, this potential may significantly increase the number of services per individual user, thus increasing the average revenue per customer (ARPU).

The integrated services market is poorly developed in Poland, especially outside big cities and thus it has substantial growth potential. We intend to continue expanding our portfolio of products and services, relying both on own projects, as well as on strategic alliances or acquisitions. We trust that a comprehensive and unique offer of combined services and the possibility of up-selling additional services, e.g. financial and banking products, or sales of electricity, when provided via diversified distribution platforms, will be decisive from the point of view of our competitive edge. It will also enable us to retain our existing customer base and offer an opportunity to acquire new customers, both on the pay TV and telecommunication markets as well as in the area of other services for the home and for residential customers.

We will build our position on the bundled services market by acquiring as many customers as possible for our broadband Internet access services. These services are the product which is most readily up-sold to our existing customer base as part of our combined services offer. Moreover, based on independent experts' estimates, broadband mobile Internet is the fastest growing Internet access technology in Poland. We trust that mobile technology (LTE in particular) will enable us to offer high quality services in areas inhabited by a majority of our customers, which, combined with the benefits offered by integrated services, should contribute to further improvement of customer satisfaction and growth of ARPU. We seek to attract as many viewers as possible by offering the best-value-for-money TV packages on the Polish market. We also intend to leverage the changes taking place on the Polish pay TV market and take advantage of the opportunities presented by the evolving needs and expectations of Polish consumers (such as increased interest in over-the-top services and growing use of media content on mobile devices), by offering our customers an extensive range of additional services – Cyfrowy Polsat GO, VOD/PPV, catch-up TV, Internet-based video and music services, Multiroom and Mobile TV. By developing our pay TV offer and expanding it to include complementary products and services, we seek to generate higher ARPU and improve customer satisfaction and loyalty.

An effective combination of telecommunication and media services provides new opportunities for distribution of TV content. Thanks to this combination, the attractive content and the wide range of our services will be delivered through a variety of reliable distribution channels – via satellite (DTH), within digital terrestrial television (DVB-T), through mobile technologies: LTE and LTE-Advanced – to all consumer devices, from TV sets to PCs to tablets and smartphones.

### ***Growth of revenue from produced and purchased content by expanding its distribution, maintaining the audience shares of our channels and improving our viewer profile***

The channels we produce and broadcast enjoy strong, well-established positions on the Polish TV market as well as high ratings in their target groups. We currently broadcast 29 channels (including 19 HD channels), programmed to appeal to most target groups within the Polish audience. Our goal is to maintain our audience share at a stable level and consistently improve our viewer profile. We believe that by making sensible investments in programming, and wider distribution of our own content, we will be able to gradually improve our viewer profile. This in turn will have a positive effect on the advertising airtime pricing.

Another crucial step in building the segment's value will be to maximize our distribution of produced and purchased TV content, both in terms of the customer groups it reaches (FTA and pay TV) and the technologies they use (terrestrial, satellite, Internet). These efforts, in our opinion, will not only allow us to reap the benefits of wide-scale distribution of our content, but will also ensure a higher level of satisfaction among our customers and viewers, who will have more freedom to decide what, where and when to watch.

### ***Effective management of the cost base of our integrated media and telecoms group by exploiting its inherent synergies***

We are convinced that building a closely integrated media and telecoms group offers an opportunity for tangible synergies and for securing significant competitive advantages. We are implementing numerous projects aimed at simplifying the Group's structure by integrating relevant teams and harmonizing business processes and IT systems in the entire Group, which enables us to achieve potential, tangible cost synergies. On a continuous basis we pursue optimization efforts aimed at adapting our cost base to current market conditions and our Group's situation.

### ***Effective management of the Group's finances, including its capital resources***

The capital resources management policy adopted by us defines the method of using the funds generated from our operations. To guarantee the continuity and stability of the Group's operations, the generated free cash is used in the first place for financing current operations and for investments indispensable for the development of the Group. Effective debt management and its successive reduction is another of our priorities. The Management Board has set the desirable level of consolidated debt, measured by the net debt/EBITDA ratio, which should be reduced below the level of 1.75x.

Predictable dividend payouts to Shareholders constitute one of the main goals underlying our capital resources management policy. The dividend policy adopted by us assumes an increase of dividend payouts dependent on the reduction of the Group's total indebtedness. We consistently aim to reduce our debt, which will assure attractive profitability levels for the capital employed by our Shareholders.

## **1.5. Opportunities and threats**

[GRI 102-15, 102-11] [Accounting Act –Opportunities and threats]

### **We take advantage of our business opportunities**

We are convinced that Poland is a very attractive market for the products and services that the Group currently provides or the ones it plans to provide in the future. The most important business opportunities are presented below:

- Low penetration of multi-play services, in particular in non-urbanized areas;
- Low penetration with fixed-line broadband Internet access services in Poland, makes mobile data transmission the fastest growing telecommunications market segment at present;
- Development of the market of new technologies and devices, combined with a growth of access to audio and video content and consumption of such content;
- Growing popularity of smartphones;
- Development of advertising market in Poland;
- Growing importance of thematic channels;

### **We analyze risks in detail**

We understand business risks accompanying our operations. We also analyze risks in the area of ESG (Environmental, Social, Governance) related to social, employee, environmental issues, respect for human rights and preventing corruption.

The most important risks identified by us are as follows:

### KEY RISK FACTORS ESG (selected examples)

Risk area	Key risk factors	Polsat Group	Cyfrowy Polsat	Risk management method
Operating activities	<b>Products and services:</b>			
	<b>Losing the reputation of brands</b>	✓	✓	We regularly monitor the satisfaction level of our customers. While taking care of the image and reputation, we systematically analyze the main parameters of our brands' condition (e.g. spontaneous and prompted brand awareness, Net Promotor Score) and their perception in relation to our main industry counterparts. We also cooperate with industry media and general media in order to build a positive image of our brands as well as consciously manage the relationships with our customers and partners. We regularly monitor discussion forums and social media in order to recognize possible negative phenomena and eliminate false information regarding our main brands. Moreover, we actively use our media (i.e., Polsat TV) to positively expose our brands.
	<b>Lack of possibility to effectively maintain and upgrade the telecommunication network and offer our customers attractive products and services in the areas threatened by digital exclusion</b>	✓		Inhabitants of small towns and rural areas have limited access to entertainment and education. We meet the expectations of these regions by presenting them with an attractive offer at affordable price. We also know that the universal Internet access is one of the biggest challenges of the information society of Poland and Europe at the moment. It is an extremely important element stimulating economic growth, culture and improvement of life of all citizens. Thanks to the investments into frequency, infrastructure and dedicated equipment, we have created a possibility of access to the fast speed Internet even in the areas in which there is no network coverage of other operators as well as to entertainment and education thanks to the television.  In order to be able to maintain and continuously develop our offer, we invest into knowledge of our technical and marketing teams which are responsible for preparation of state-of-the-art technology and services for our customers. We remain in an active dialog with industry advisors, standardization bodies and manufacturers of state-of-the-art telecommunication equipment which supports advanced technologies in order to identify future market trends and future needs of our customers as early as possible. We monitor the demand of customers for new services offered by competing entities in order to identify a possible and right moment to offer equivalents of such services.
	<b>Failing to maintain, extend or modify the distribution and sales network</b>	✓	✓	We strive to build a diverse distribution network (stationary sales, tele-sales, online sales, door-to-door channels) in order to diversify our sales channels. In each sales channel we cooperate with many partners, avoiding monopolizing of any channel by one strong partner who could decide to terminate the cooperation with us in the future. We also strive to protect our distribution network by taking over lease agreements for specific locations of Points of Sale which are important from the point of view of our business. We support our partners operating the sales network in local promotional activities. We organize attractive programs of rewarding the best sales representatives working in our sales channels.
	<b>Insufficient protection of intellectual property rights</b>	✓	✓	Within the concluded agreements we regulate the issue of obtaining the rights, we regularly monitor the time for which the licenses have been granted, we verify a need of obtaining intellectual property rights in each project, we contractually regulate the liability of entities granting rights for their possible legal defects.
	<b>A risk of fraudulent activities by our customers, in particular in relation to telecommunications and pay TV services</b>	✓	✓	We constantly monitor the usage generated by SIM cards registered in our systems, looking for any unusual traffic, voice, SMS or MMS patterns, which might signal a risk of fraud. If such a case is identified, we immediately take steps to prevent further stream of suspected illicit traffic. These activities include, among others, blocking of accounts or numbering ranges in Poland and abroad, using of anti-fraud solutions offered by the operators with whom we cooperate. In case of the international roaming services, accounts of our customers have usage limits, expressed as the maximum value of the bill, and the customer – after receiving a relevant SMS notification from us – can make an informed decision about cancelling such limits. In such a case, the customer is charged with the bill corresponding to his/her actual usage of roaming services.  We constantly monitor whether the intellectual property rights and anti-piracy measures and safeguards protect us against illegal access to our services and theft of our programming content. In case of detection of this type of fraudulent activities we take necessary legal actions. A risk of piracy is particularly severe for the operations of our television broadcasting and production segment and the paid distribution of content, and it is propelled by technological progress and conversion of multimedia content to digital formats, which makes it easier for high quality illegal copies of programs delivered in pay-per-view system through set-top boxes, unlicensed and unscrambled broadcasts in television or via the Internet to be created, distributed and rendered available on various media. Illegal use of our intellectual property may have a negative impact on our operations, harming our reputation and undermining confidence of our business partners in our capability to protect our own and licensed content.  We analyze in detail individual cases in order to implement possible precautionary measures, preventing similar situations in the future.
	<b>Alleged health risks of wireless communications devices leading</b>	✓		We undertake educational activities with the aim to dispel possible concerns. We participate in local initiatives whose purpose is to provide the current status of knowledge to inhabitants of the areas in which we may

Market and macro-economic environment	to decreased wireless communications usage or increased difficulty in obtaining sites for base stations			possibly build our base stations. We strictly control signal strength on individual transmitters in order to meet the requirements of relevant standards for electromagnetic field emissions. We are actively involved in industry discussions accompanying legislative processes regulating the electromagnetic field emission standards.
	<b>Operational continuity:</b>			
	Delays or lack of delivery of services, infrastructure or equipment and components from external suppliers			We strive to cooperate with more than one supplier of each type of equipment or elements of our infrastructure. We place orders for the delivery of selected equipment components gradually, as the demand for certain products increases, in order to eliminate the situation in which accumulation of orders within a short period of time could lead to delays in delivery of a selected component. We develop a mid- and long-term rollout plans for our infrastructure which are then communicated to our main suppliers in due advance, which enables them to prepare the components we need within the agreed deadline.
		✓	✓	We create lists of suppliers by categories and conclude Framework Agreements which allow for starting the cooperation on a very short notice.
				We prepare in advance plans for the delivery of end-user equipment and monitor delivery schedules on an on-going basis, while maintaining an optimum level of inventory turnover in the Warehouse and in the Sales Network.
				We secure ourselves against delays in the delivery of services and equipment by applying financial penalties in agreements with suppliers.
	Network and broadcasting infrastructure, including information and telecommunications technology systems, may be vulnerable to circumstances beyond our control that may disrupt service provision			We strive to have redundant resources of the broadcasting, telecommunications and information technology infrastructure, in order to prevent or limit negative consequences of any emergencies. Redundant systems are usually housed in geographically distant locations, which prevents exposure of our infrastructure to locally based failures. We continuously work with regulatory bodies, trying to solve problems related to external interferences in the used frequencies.
		✓	✓	
	<b>Human resources</b>			
	Losing managerial staff and key employees			We strive to ensure the attractiveness of the remuneration and incentive systems for our key employees and managerial staff. We regularly monitor the level of wages on the labor market, adjusting the level of remuneration offered by us to the market situation. We conclude clauses extending the notice period or non-competition clauses with selected employees. These clauses, among others, are to secure sufficient response time for us in order to prevent the loss of these employees. We support the development of key employees and managerial staff by offering them specialist trainings, MBA studies and other forms of professional trainings, while building their involvement and identification with the company.
	✓	✓		
Disputes with employees; growth of labor costs			We take care of good relations with our employees and make sure that we meet all obligations of the employer under the labor law. If a dispute arises, we always strive to start a dialog in order to work out a compromise in the dispute with the employee. We have the Anti-Mobbing Policy and an efficient Anti-Mobbing Committee in place. We take good care of partner relations with employees' representatives (2 trade unions).	
	✓	✓		
Accidents of employees and sub-contractors			We regularly train all our employees with respect to general Occupational Health and Safety regulations, as well as specific requirements for the scope of duties performed by them. We ensure appropriate level of safety at the workplace, as well as high quality of equipment and clothing guaranteeing the safety of our employees and sub-contractors.	
	✓	✓		
Reputation and financial risk in case of bribery and corruption			We regularly analyze the risk of corruption. We try to implement mechanisms which prevent or mitigate the risk of corruption. We strive to divide the responsibility related to making specific decisions, for instance through a multi-level and diverse path of approval of specific decisions. Such an approval usually goes across different areas in the structure of our company in order to minimize a risk of occurrence of corruption-generating circumstances.	
	✓	✓	Areas particularly vulnerable to the risk of corruption are subject to the detailed control with respect to appropriate application of internal regulations and guidelines.	
Exposure to the effects of the regional or global economic slowdown			We strive to diversify our business activities into several areas and conclude contract agreements with our customers, which as a rule stabilizes our revenues in the mid-term. We try to offer services with a good quality-to-price ratio, which in our opinion will mitigate possible adverse impact of any economic slowdown on our financial results.	
	✓	✓		

<p><b>A risk that the Polish Office of Competition and Consumer Protection (UOKiK) deems the practices we use as limiting competition or violating the Polish competition and consumer protection laws</b></p>	<p>✓</p> <p>✓</p>	<p>We continuously analyze changes in the law which have implications for our market activities. All regulations, price lists and advertising campaigns prepared by our marketing departments are subject to verification and approval by our lawyers. We monitor the judicial practice of the Office of Competition and Consumer Protection (UOKiK) in order to adjust our activities to the guidelines defined by the Office.</p>
<p><b>Unfavorable rulings in administrative or court proceedings:</b></p>	<p>✓</p> <p>✓</p>	<p>We invest into knowledge of our own lawyers and we cooperate with specialized law firms which ensure the highest quality of legal services under the proceedings in which we are involved. Our in-house lawyers constantly monitor the judicial practice of courts or administrative bodies. We actively monitor the status of cases and participate in all meetings and hearings related to the cases in which we are involved. If an unfavorable ruling is issued in the end, we analyze with due diligence any appeal measures or methods of ensuring compliance with the recommendations of the relevant bodies or amicable solving of the dispute in cases in which there is a risk of upholding an unfavorable ruling by instances of appeal.</p>
<p><b>A risk of violation of Polish and EU law regulating our operations on telecommunications, pay TV and television production and broadcasting markets as well as possible sanctions and fines resulting from such a violation</b></p>	<p>✓</p> <p>✓</p>	<p>We invest into knowledge of the employees of our legal departments who are responsible for the implementation of new legislation to our business activities. We cooperate with specialized external law firms and consulting companies in order to support the organization in more complex projects. We actively participate in the activities of industry organizations which are involved in discussions with legislators and market regulators, in order to determine in due advance the scope of new legal obligations which may concern our activities.</p>
<p><b>A risk of violation of personal data protection law or requirements specified by the General Inspector of Personal Data Protection as well as possible sanctions and fines resulting from such a violation</b></p>	<p>✓</p> <p>✓</p>	<p>We invest into knowledge of the employees of our department dealing with personal data protection issues. We cooperate with specialized external law firms and consulting companies in order to support the organization in more complex projects. We invest into IT systems the aim of which is to restrict access to sensitive personal data of our customers only to justified cases. We collect and register declarations of our customers who express consent to using their personal data within the specific scope of our business activities or business activities of entities cooperating with us.</p>
<p><b>A risk of violation of Polish and EU law regulating in particular information obligations of the issuers of securities as well as possible sanctions and fines resulting from such a violation</b></p>	<p>✓</p>	<p>We invest into knowledge of the employees of our department dealing with investor relations. We cooperate with specialized external law firms and consulting companies in order to support the organization in more complex projects. We regularly participate in conferences and trainings organized by institutions specializing in the field of information obligations, e.g. Polish Association of Listed Companies.</p>

More information about risks affecting our operational and financial activities can be found in the [Annual Report of Cyfrowy Polsat Group](#) which is available online.

### Main market trends

The main trends which we believe to be likely to have a material impact on the Group's development prospects, revenue and profitability before the end of the current financial year include:

- high level of market penetration with services provided by the Group as well as a high level of competitiveness of the markets in which we operate;
- bundling of media and telecommunications services, as well as services from other sectors, such as electric energy or financial and banking products;
- growing smartphone penetration among mobile network users; which entails the development of the mobile data transmission market;
- growing demand for data transmission and high-speed broadband connectivity driven by changing consumer preferences and the resulting growing complexity of data transmission-based services;
- development of state-of-the-art fixed broadband networks (NGA), optical fiber in particular;
- dynamic development of non-linear video content, distributed via VOD and OTT services, accompanied by growing online ad spending;
- entry of global VOD and OTT players to the Polish market, as well as investments of operators already present on the market in offered content on order to adjust it to the preferences of local viewers;
- increasing sales of smart-TVs - television sets with integrated Internet access;
- growing number of mobile customers and users, driven by, inter alia, gradual fixed-to-mobile substitution, and the

growing popularity of *machine-to-machine* solutions;

- pressure on revenue from traditional mobile telecommunications services caused by the intensifying competition on the mobile services market, and by traditional mobile telecommunications services being driven out by data transmission communication;
- pressure on revenue from roaming services, resulting from the regulation of roaming charges in the European Union implemented in 2017;
- change of pricelists on the TV advertising market resulting from high demand for advertising observed in 2017 and expected in 2018;
- further fragmentation of the television market (growing share of thematic channels in audience and advertising revenue); and
- consolidation of the pay TV market, in the cable TV segment;
- ownership changes in the broadcasting and television production market;
- consolidation of the telecommunications markets, manifested by acquisitions of local fixed-line operators by larger telecommunications groups; and
- Significant slowdown of the scale of migration of subscribers towards free of charge digital terrestrial television.

#### 1.6. Always acting responsibly

We believe that the dialog should be the basis for any activities. We would like not only to receive feedback about ourselves, but also actively explain decisions we make and present our position. That is why we engage stakeholders in our activities, by exchanging views on many levels.

#### How do we engage our stakeholders?

[GRI 102-40, GRI 102-42, GRI 102-43]

- customers
- employees (employees and their families)
- regulators and state institutions
- suppliers
- social organizations
- shareholders and investors, analysts, financing institutions
- competitors
- business partners

Stakeholder group	Some entities belonging to the stakeholder group	Approach and type of engagement of stakeholders group (e.g. questionnaires, satisfaction surveys, dialog sessions, etc.)	Frequency of engagement by type	Key topics and concerns raised by stakeholders
<b>Shareholders and investors, analysts, financing institutions</b>	<ul style="list-style-type: none"> <li>capital market players</li> <li>brokerage house analysts</li> <li>shareholders</li> <li>bondholders</li> <li>institutional and individual investors</li> <li>rating agencies</li> </ul>	<ul style="list-style-type: none"> <li>financial reports</li> <li>current announcements</li> <li>corporate website</li> <li>individual meetings</li> <li>conferences and video conferences</li> <li>General Shareholders' Meetings</li> <li>Examining of shareholding structure</li> <li>– perception study</li> </ul>	<p>According to requirements resulting from the Company's presence on the Warsaw Stock Exchange:</p> <ul style="list-style-type: none"> <li>financial reporting once a quarter</li> <li>on-going communication</li> <li>General Shareholders' Meeting at least once a year</li> <li>dialog and meetings, if necessary</li> </ul>	<ul style="list-style-type: none"> <li>economic situation of the Group and financial policy</li> <li>strategy and development</li> <li>competitive environment</li> <li>risks and opportunities of operations</li> <li>company's value</li> <li>transparency of activities</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>natural persons and companies</li> <li>subscribers of pay TV and telecommunications services</li> <li>viewers</li> <li>IPLA users</li> </ul>	<ul style="list-style-type: none"> <li>website (questionnaires)</li> <li>customer service points and call center (dialog, questionnaires)</li> <li>opinion and satisfaction surveys, including User Experience and NPS</li> </ul>	<p>On-going – continuous activities, opinion survey – on as-needed basis, NPS satisfaction survey – at least once a year.</p>	<p>Examined areas:</p> <ul style="list-style-type: none"> <li>general customer satisfaction with the operator, propensity to recommend brand, relations stability, propensity to select the operator again and satisfaction. Areas: <ul style="list-style-type: none"> <li>offer</li> <li>customer service points</li> <li>telemarketing</li> <li>call center</li> <li>website</li> <li>Internet service centers</li> <li>financial benefits</li> <li>invoice</li> </ul> </li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>employees and their families</li> </ul>	<ul style="list-style-type: none"> <li>employee satisfaction survey and periodic assessment</li> <li>trainings and development</li> <li>Intranet</li> <li>teambuilding events</li> <li>benefit programs</li> <li>volunteer programs</li> </ul>	<p>Ongoing and regular communication</p>	<ul style="list-style-type: none"> <li>stability and attractiveness of employment</li> <li>family friendly HR policy</li> <li>friendly place of work</li> <li>development opportunities</li> </ul>

<p><b>Regulators and state institutions</b></p>	<ul style="list-style-type: none"> <li>• KRRiT (National Broadcasting Council), UKE (Office of Electronic Communication), UOKiK (Competition and Consumer Protection Office)</li> <li>• GIODO (General Inspector of Personal Data Protection)</li> <li>• GIOŚ (Chief Inspectorate for Environmental Protection), Marshal's Offices</li> <li>• GUS (Main Statistical Office), KNF (Financial Supervision Authority), KRS (National Court Register)</li> <li>• Ministries</li> <li>• Parliament and Senate</li> <li>• European Commission and European Council</li> <li>• BEREC</li> <li>• National Media Council</li> <li>• Digitization Council</li> </ul>	<ul style="list-style-type: none"> <li>• public consultations</li> <li>• meeting of reporting obligations</li> <li>• direct meetings</li> <li>• joint initiatives and activities</li> <li>• participation in industry conferences</li> </ul>	<ul style="list-style-type: none"> <li>• ongoing communication resulting from the reporting obligations</li> <li>• on as-needed basis</li> </ul>	<ul style="list-style-type: none"> <li>• impact on the national economy</li> <li>• market development</li> <li>• service availability</li> <li>• activities in compliance with standards and law</li> </ul>
<p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• content providers, including TV stations and producers</li> <li>• suppliers of end-user equipment</li> <li>• suppliers of components for production of our own end-user equipment</li> <li>• suppliers of network and other infrastructure elements</li> <li>• service providers</li> </ul>	<ul style="list-style-type: none"> <li>• direct relations</li> <li>• contracts</li> <li>• cooperation within the industry organizations</li> <li>• integration events</li> <li>• industry conferences and workshops</li> </ul>	<p>As needed – ongoing and regular</p>	<ul style="list-style-type: none"> <li>• terms of cooperation</li> <li>• transparent rules of tenders and cooperation</li> <li>• good, long-term relations</li> <li>• cooperation under industry initiatives</li> </ul>

<p><b>Social organizations</b></p>	<ul style="list-style-type: none"> <li>• foundations</li> <li>• social and environmental organizations</li> <li>• culture institutions</li> </ul>	<ul style="list-style-type: none"> <li>• partnerships and joint initiatives</li> <li>• employee volunteering</li> <li>• sponsoring</li> <li>• direct dialog (environmental organizations)</li> <li>• scientific reports</li> <li>• debates</li> </ul>	<p>According to the needs of stakeholders and Group's capabilities</p>	<ul style="list-style-type: none"> <li>• openness to dialog</li> <li>• financial support and human involvement</li> <li>• understanding values on which the company is based</li> </ul>
<p><b>Competitors</b></p>		<ul style="list-style-type: none"> <li>• cooperation within industry organizations</li> <li>• industry conferences, debates and workshops</li> <li>• joint initiatives (e.g. market reports)</li> </ul>	<p>Ongoing communication depending on the market situation</p>	<ul style="list-style-type: none"> <li>• market development</li> <li>• appropriate market regulation standards</li> </ul>
<p><b>Business partners</b></p>	<ul style="list-style-type: none"> <li>• distributors</li> <li>• advertisers and advertising brokers</li> <li>• scientific institutions</li> <li>• industry organization and chambers of commerce</li> <li>• sport associations</li> </ul>	<ul style="list-style-type: none"> <li>• direct communication channels (e.g. website for distributors)</li> <li>• ongoing and regular meetings</li> <li>• contracts</li> <li>• Code of Good Practices and self-regulations</li> <li>• conferences and workshops</li> <li>• reports and reporting</li> <li>• holding of positions in the authorities of industry organizations and chambers</li> <li>• active involvement in joint projects and activities (e.g. within respective chambers of commerce, consultations and positions)</li> </ul>	<ul style="list-style-type: none"> <li>• communication depending on the needs of stakeholders</li> <li>• pro-active activities depending on the market situation</li> </ul>	<ul style="list-style-type: none"> <li>• Group's involvement in shaping of the market</li> <li>• solving problems of the market and promoting innovations</li> <li>• transparency of activities</li> <li>• observing standards and rules</li> <li>• openness to dialog</li> </ul>

#### [GRI 102-44]

In November 2016 we organized a joint dialog session with key external and internal stakeholders of Cyfrowy Polsat Capital Group. We were pleased to hear that they perceive our enterprise as the leader creating high standards on the market. The participants also appreciated high quality of delivered products and services, involvement in cooperation with organizations acting for the benefit of the society and the Polish capital of the Group.

Expectations regarding our CSR activities included among others:

- a strategic approach to business responsibility,
- activities related to building of responsible message,
- transparent and detailed communication regarding the social involvement of the company,
- monitoring of environmental impact.

[GRI 102-12, GRI 102-13] Apart from direct contacts with stakeholders, we shape our market environment also through membership in industry associations. We are members of, among others:

- Polish Chamber of Information Technology and Telecommunications
- Polish Chamber of Commerce for Electronics and Telecommunications
- Polish Chamber of Digital Broadcasting
- IAB Poland
- Association of TV Programs Distributors SYGNAŁ
- Polish Internet Research (Polskie Badania Internetu)
- Advertising Council
- Creative Poland Association
- Polish Association of Listed Companies

#### ***Awards as a sign of appreciation***

We are pleased that also independent experts notice our efforts. We treat them as the confirmation of the quality of our daily work, also in the area of corporate social responsibility. In the years 2016-2017 we received numerous awards, including:

#### **Transparency and investor relations**

##### ***CEE Capital Markets Awards 2016-2017***

- two awards in the third edition of the contest in the following categories: "Best listed company of the year– Poland" and "Best IR Department of listed companies – Poland",
- the award in the second edition of the contest in the category of "Best IR Department of listed companies" in Poland for its contribution to the development of capital markets in Central and Eastern Europe.

##### ***Transparent Company of the year 2016***

Cyfrowy Polsat is among the 20 companies who have been named "2016 Transparent Company of the Year" in the ranking prepared by the Institute of Accounting and Taxes and PARKIET stock exchange and investors daily ("Gazeta Giełdy i Inwestorów PARKIET"). The winners have been selected from among all the companies listed on the WSE (the Warsaw Stock Exchange) as part of the three major stock indices (WIG20, mWIG40, sWIG80).

##### ***Best Listed Company of the year 2016***

Cyfrowy Polsat was ranked second in the ranking of "Puls Biznesu" daily in the category "Investor Relations". It is already the sixth award in the history of this ranking.

##### ***Awards for investor relations***

Cyfrowy Polsat was ranked second in the third edition of the survey of investor relations for WIG30 companies, prepared in

2017 by PARKIET stock exchange and investors daily ("Gazeta Giełdy i Inwestorów PARKIET") and the Polish Chamber of Brokerage Houses.

### **Capital and prestige**

#### ***Honorary Pearl of the Polish Economy 2017***

A Honorary Pearl of the Polish Economy for Cyfrowy Polsat in the 15<sup>th</sup> edition of the prestigious ranking organized by the "Polish Market", an English-language business magazine in cooperation with the Institute of Economics of the Polish Academy of Science. An Honorary Pearl is granted to outstanding individuals and institutions whose professional achievements, experience, prestige, ethics and personal values guarantee that they may be declared ambassadors of Polish values.

#### ***Forbes's ranking 2016***

Cyfrowy Polsat ranks no. 1 in the ranking of 100 Biggest Polish Private Companies, published by Forbes monthly. The ranking of the magazine's Polish edition presents the actual values of enterprises built by Polish businessmen based solely on Polish capital.

#### ***Rzeczpospolita daily's Eagle award***

Rzeczpospolita daily's Eagle award for Cyfrowy Polsat in the category Best Service and Infrastructural Company. It is a prestigious award presented by the *Rzeczpospolita* daily to the outstanding companies from the Polish Top 500 list, which groups together the biggest Polish enterprises.

### **Quality of services and set-top boxes**

#### ***Polsat Media named the Best TV Advertising Bureau of 2017***

In the annual survey conducted by "Media and Marketing Polska" magazine, Polsat Media received the highest score among all TV Advertising Bureaus operating in Poland. On the scale in which 5 is the best, the total score of Polsat Media was 4.41 – it is our best result since 2004. In the survey conducted by Kantar MillwardBrown, the respondents emphasized that Polsat Media quickly and fully responded to briefs, and most of all maintained trust and confidence. It is perceived as a solid partner whose offer is perfectly tailored to customers' expectations and needs.

#### ***SAT Kurier Awards 2016***

During SAT Kurier Awards 2016 gala, which accompanied the SAT KRAK 2016 Trade Fair, the EVOBOX PVR set-top box won in the category of Best Dedicated Set-top Box, while IPLA online TV came first in the category of Best Service.

#### ***IBC 2016 Awards***

At the IBC 2016 trade fair the software developed for the EVOBOX PVR set-top box received a prestigious award in the category of Best Interactive Application or Technology. The software was recognized as the most innovative product during the IBC Best of Show Awards gala.

#### ***Gold Medal – Consumers' Choice***

Gold Medal – Consumers' Choice for EVOBOX PVR set-top box, the latest and the most advanced satellite TV device from Cyfrowy Polsat. The prize was awarded in the competition for the best product at MEDIA EXPO 2016 Poznań International Trade Fair.

### **Personalities**

#### ***Manager Award 2016***

Manager Award 2016 for Marian Kmita, the director responsible for sports at Polsat TV. The award was presented by the "Manager" magazine for setting the best example for other entrepreneurs on how to effectively manage and create one's own working environment based on the highest standards.

### ***Neptune 2016***

The prestigious Neptune 2016 award went to Agnieszka Odorowicz, Cyfrowy Polsat Management Board Member, for her contribution to Polish film and culture. The Neptune Award is designed to honor Polish and foreign artists whose artistic output leaves a lasting impression in the history and culture of Gdańsk and whose activities promote the values which are of special importance to Gdańsk.

## CHAPTER 2

### CARE FOR THE NEEDS OF OUR CUSTOMERS AND VIEWERS



## 2. CARE FOR THE NEEDS OF OUR CUSTOMERS AND VIEWERS

*“Polsat is not looking at other foreign entities, but very effectively and skillfully follows its own way. And I am very pleased, because this helps the company to effectively implement its business plan. And it acts in the interest of the protection of Polish market.”*

*“Investments into educational aspect of the company’s operations will also pay off with consumer loyalty and will have a positive impact on the entire environment. We are aware that the media have a particular responsibility in this area, because they change attitudes and awareness of recipients.”*

*Participant of the dialog session*

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### 2.1. Exceptional customers

An average customer of services provided by Cyfrowy Polsat Group does not exist. For us each customer is unique – we make all efforts each day to prove this. We are proud to provide services practically to the entire demographic profile of the Polish society. Among the six million of our contract customers there are representatives of every social group, most probably of every profession and of vast majority of cities, towns and villages in Poland. Polsat TV, Plus and Cyfrowy Polsat have become a permanent feature in the life of nearly half of Polish households – we treat this trust as a commitment to provision of highest quality services.

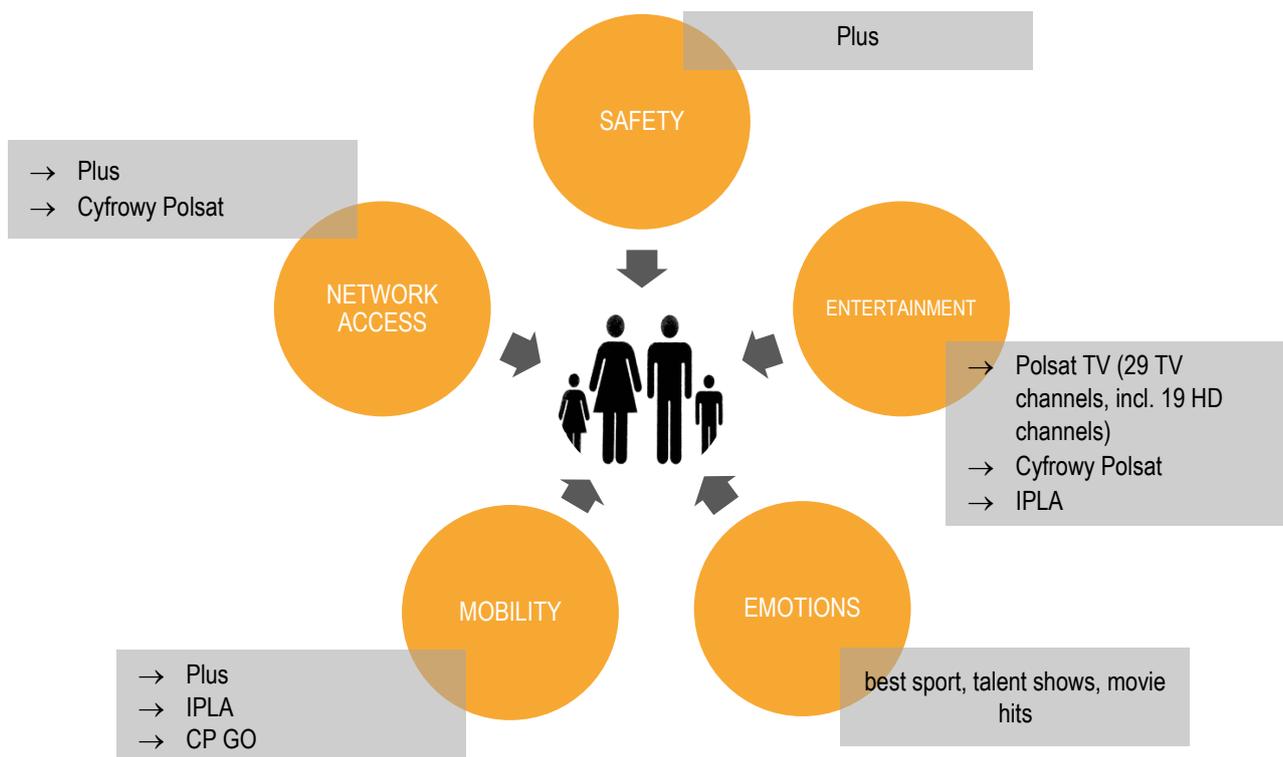
Each brand in Cyfrowy Polsat Group has its own unique identity, communication characteristics and visualization. Each of them talks to customers differently and evokes different associations. Cyfrowy Polsat is a warm, traditional and family brand providing entertainment at home and outside of it. Plus, usually associated with modernity, lack of limitations and great possibilities, is represented by a popular and witty Szymon Majewski. We build our smartDOM Program on the communication platform while relying on a married couple of popular actors, Joanna Brodzik and Paweł Wilczek, who are associated with a joyful and happy home. Plush platform, a brand addressed to the youth, is based on a brand hero – a characteristic, expressive and uncompromising teddy bear called Plush. IPLA is communicated through the abundance of content and freedom and ease of access to it – at any place on any device.

Our services are available throughout Poland – statistically, each Pole owns either Cyfrowy Polsat subscription, or phone or Internet service from Plus, or knows someone who uses our services. According to the surveys conducted by GfK Polonia, the prompted awareness of Cyfrowy Polsat brand at the level of 95% is the highest among pay TV operators in Poland. The prompted awareness of Plus brand, as the operator of voice calls, amounts to 98%; 86% of respondents associates our brand also with Mobile Internet services<sup>5</sup>. However, irrespective of the fact whether we deal with telecommunications services, access to satellite channels or viewers of Polsat TV, we would like to gain the best knowledge of our customer. Therefore, we regularly conduct comprehensive surveys trying to identify them and their opinions about our company. We believe that this is the only way to improve the quality of our cooperation.

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<sup>5</sup> “Image survey of CP and Plus brands vs. competitors” in the period November – December 2017 conducted by GfK Polonia Sp. z o.o.

*Experience offered to customers through selected services provided by Cyfrowy Polsat Group*



**2.2. Key figures 2017**

[Accounting Act – Key Performance Indicators]

**16.5 million**

RGUs

**5.8 million**

contract customers

**64%**

of Cyfrowy Polsat customers live in small towns or in rural areas

**95%**

prompted awareness of Cyfrowy Polsat brand (as the Pay TV provider)

**24.5%**

audience share of Polsat TV channels in a commercial group

**2 million**

Internet RGUs

**98%**

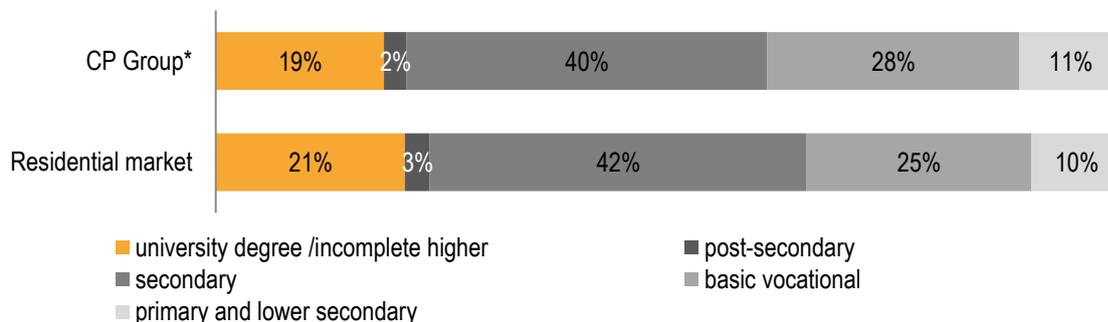
prompted awareness of Plus brand (as the operator of voice calls)

**3.6 million**

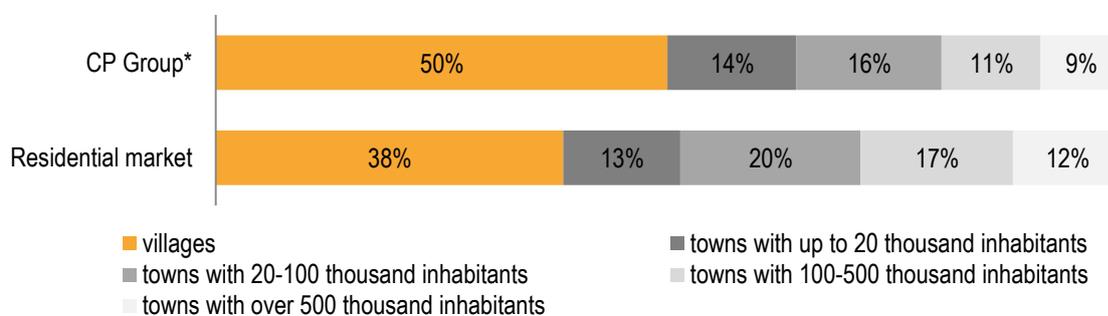
users of IPLA service on average per month

**Who are customers of CP Group?**

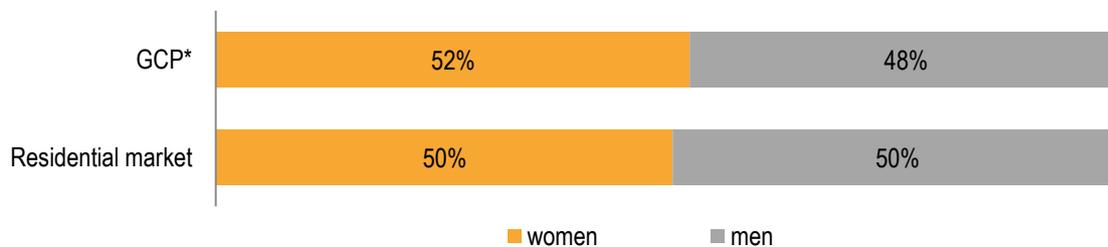
**Education**



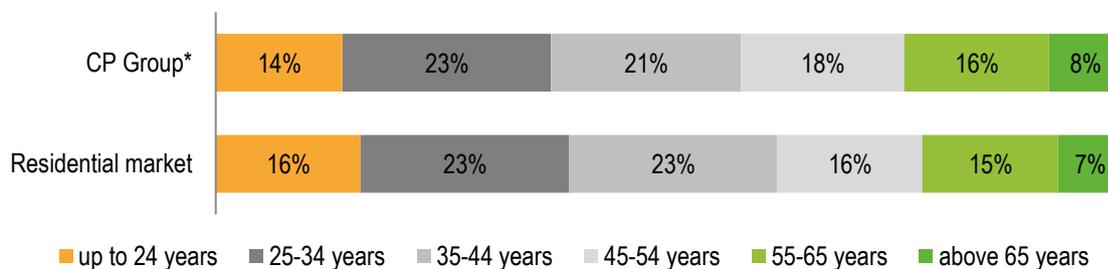
**Size of place of residence**



**Gender**



**Age**



\* people who have at least one service in CP or Polkomtel/residential market  
Source: Market Situation Survey conducted in Q2/Q3 2017 by PBS Sp. z .o.o., market n=6 000, CP Group n=2 341

### 2.3. Availability – Television and Internet for everyone

*“It is worth boasting about your leadership in the area of LTE. (...) Because there is no other European country with such a fierce competition in this respect.”*

*Participant of the dialog session*

Purchase of the set-top box and a satellite dish in the 1990's was still quite expensive, and individual satellite equipment was very often perceived as an accessory of prestige. The offer of analog terrestrial television, with very few channels, dominated the landscape in rural areas and small towns.

The situation started changing at the turn of century. The offer of Cyfrowy Polsat – although the company started as the third player on the DTH market – debunked the myth of expensive and elite satellite TV reserved for well-to-do inhabitants. Satellite dishes bearing our logo appeared in thousands, and later millions of homes. Good and constantly expanding programming offer at the attractive price ensured a consistent growth of the customer base, in particular in smaller towns. Nowadays, watching satellite TV has become a standard which practically every Pole can afford. Each day, millions of Cyfrowy Polsat's subscribers may watch one of over 180 Polish-speaking satellite TV channels and use additional content available on demand – under Home Movie Rental and online VOD Rental Service available on set-top boxes with Internet access.

#### TV POLSAT

- In 2017, Polsat TV celebrated its 25<sup>th</sup> anniversary.
- The first logo was designed by Jacek Blach, and music was composed by Grzegorz Ciechowski.
- In the beginning, the programming schedule in Polsat TV was limited to four hours per day: it consisted of a movie and a kid cartoon, and action movie was broadcast in the evening.
- First talk show in Poland was aired in Polsat – “Na każdy temat” (*On every subject*) appeared in 1993.
- In the summer of 1993, Polsat TV aired first commercials. Most of them were acquired under bartering arrangements with Polish companies.
- In September 1996, Polsat launched the most spectacular promotional action for viewers in the history of Polish television – the so-called “Polsat Club”. “Polsat Club” Passports turned out to be the biggest loyalty program at that time, reaching 13 million Polish households.
- Polsat TV was the first terrestrial television to acquire rights to the Hollywood blockbuster “Titanic”, shortly after its theatrical release.
- Polsat TV was the first commercial TV station in Poland to broadcast the largest football events – starting from the 2002 FIFA World Cup Korea/Japan, through the 2006 FIFA World Cup Germany, the 2008 UEFA European Championships Austria/Switzerland, the 2016 UEFA European Championships France.
- The intervention and journalistic programs are one of the most effective ones in Poland, e.g. thanks to “Państwo w Państwie” (*State within a state*) program ministries intervened in 110 presented cases, 25 cases were submitted for re-examination and based on our calculations, protagonists of the program unjustly spent over 74 years in detention centers and prisons.
- Sports editors offer over 500 broadcasts from various sport venues and disciplines per year.
- Polsat News is one of the leading news channels in Poland, in possession of a modern studio, a network of domestic and foreign correspondents and high performance technological equipment, including a helicopter.
- Today's Polsat TV has nearly 30 television channels, most of them broadcast in HD quality.

## CYFROWY POLSAT

- Cyfrowy Polsat has state-of-the-art Satellite Center located in Targówek in Warsaw. It consists of many integrated video, audio and IT systems. Thanks to this, the operator can constantly extend its offer with new channels and services, efficiently and seamlessly. The Satellite Center of Cyfrowy Polsat guarantees high quality of video and audio.
- The satellite signal has to travel over 100 thousand kilometers before reaching the viewer.
- In September 2017, Cyfrowy Polsat Group signed another long-term agreement with Eutelsat Communications for the lease of satellite transponders. Transponder is a part of the satellite responsible for receiving, transmitting and re-transmitting signal from the Earth and back. The new agreement extends the to-date lease and increases the capacity on HOTBIRD position by 33%, to be used by Cyfrowy Polsat and Polsat TV.
- The platform has its own set-top box production plant located in Mielec. The total production capacity of this plant is 2.5 million set-top boxes per year.
- The operator also has its own professional technical service of set-top boxes. Set-top boxes are devices consisting of a few hundred electronic elements. Top-class electronics specialists handle this equipment in Cyfrowy Polsat.
- Cyfrowy Polsat was the first DTH operator to offer a set-top box equipped with a hard drive. The latest set-top box offered by the DTH platform – EVOBOX PVR – allows for recording up to 3 programs simultaneously.

## PLUS

- In 2016 Plus celebrated its 20<sup>th</sup> anniversary. Throughout this time, the duration of the voice calls made by customers was nearly 211 billion minutes, which means that the total duration of outgoing calls was 400 286 years.
- SMS service introduced by Plus on 3 March 1997 was an absolute novelty, and a popular phone model at that time – Nokia 1610, did not even support text messaging. During the first nearly 20 years of Plus operations, the customers sent 185 billion SMS messages – it is as if they sent the entire 30-volume PWN Great Encyclopedia in .... 219 099 copies.
- From 2002 to 2016, Plus customers sent one billion MMS messages. If we compared it to delivering of traditional postcards, every postman in Poland would have to deliver 42 229 items more.
- In 2000, we were the pioneers of Mobile Internet access and the first network in Poland and one of the first networks in Europe to offer online services based on WAP technology. Nowadays, we provide LTE-Plus Advanced services with the data transfer rate reaching nearly 500 Mbps. Throughout 16 years, Plus customers transferred 452.7 PB of data. If we saved the transmitted data on CDs and made a tower out of them, its height would reach 833 km!
- The highest BTS<sup>6</sup> of Plus is located at Kasprowy Wierch (1 987 meters above sea level). The lowest BTS is installed in a salt mine in Wieliczka (130 meters below the ground).

<sup>6</sup> BTS - Base transceiver station

## IPLA

- IPLA was created in 2008 to support broadcasts from UEFA EURO 2008 Championship, the rights to which were acquired by Polsat TV. A small IT / editorial team was established at that time for execution of the project of broadcasting this sport event online. A simple Windows application, which broadcast live signal, and an official Euro 2008 Internet portal were the first products of the project. This year IPLA will celebrate its 10<sup>th</sup> anniversary.
- Broadcast of the boxing fight of the century Adamek vs. Golota in October 2009 was the first major success of IPLA. Live streaming of this fight had the record-breaking viewership in the Polish Internet at that time – 30 thousand Internet users watched the decisive moments of this fight in IPLA.
- In order to accommodate the needs of people suffering from hearing loss or impairment, IPLA has developed subtitle accessibility and expanded its library of content with subtitles by adding new positions from the offer of Polsat TV, which are available on [www.ipla.tv](http://www.ipla.tv) website. Currently, IPLA offers over 1000 items with subtitles, all marked with a special icon facilitating their identification, and this number will continue grow in the future.
- Currently IPLA is one of the most frequently downloaded VOD applications for mobile devices. The total number of application installations on Android, iOS and Windows Phone platforms has exceeded 10 million.
- According to Nielsen Audience Measurement survey conducted in December 2017, Polish Internet users ranked IPLA as the third most popular source of video content.

## POLSAT FOUNDATION

- Polsat Foundation was created in 1996 as the first media foundation after year 1989.
- From October 26 to December 28, 1997, a great contest organized by Polsat TV and Polsat Foundation took place, with the use of “Polsat Club” Passports which were accompanied by a postal order form for PLN 15. Individuals who paid the postal order and mailed its stub to the office’s address participated in draw of prizes funded by Polsat TV: Seat Cordoba and Mercedes C180 cars and the main prize was PLN 3 million! The amount of PLN 7 million collected from the postal orders was dedicated to the construction of a four floor building in the Children’s Health Center and bringing to Poland the family donor liver transplant program as well as to the purchase of medical equipment for four bone marrow transplant stations in the then newly established (in 1998) Division of Bone Marrow Transplantation in the Clinic of Hematology and Oncology in Lublin. The contest remains one of the largest ones in the history of media in Poland.

In 2011, three letters – LTE – have forever changed the way the Poles think about Internet access. That year Plus and Cyfrowy Polsat, as the first operators in Europe, offered fast, mobile and reliable access to LTE Internet on 1800 MHz frequency, ideal not only for big cities, but most of all for small towns and villages. The offer of Plus and Cyfrowy Polsat, ensuring network access and preventing digital divide, meant a revolution for a large section of society which so far had no chance to get fast Internet connection. Within the next few years the technology had been verified by the market, and LTE 1800, which was a novelty at that time, has become a standard for other operators. Plus has consistently developed this technology, to finally bring nearly 100% of Poles into its coverage, whereas as many as 54% of inhabitants in Poland can use the new LTE-Plus Advanced solution. Mobile data transmission with data transfer up to 498 Mbps means practically unlimited possibilities of using multimedia Internet resources.

Our goal is to ensure the maximum availability of our services, therefore we are there to help even in situations in which ordinary solutions do not work. LTE Plus Home Internet set, a unique market solution developed in-house, can considerably enhance the coverage area and signal power of the LTE Internet. The set consists of an outdoor LTE modem and an indoor WI-FI router. The modem can be easily mounted outside on the building (e.g. on the roof or balcony) and connected to the existing TV antenna installation (satellite or terrestrial one). The latest 300 LTE Home Internet set supports the LTE Plus Advanced technology and enables data transmission with maximum speed of even up to 300 Mbps during download.

Thanks to the unique combination of expertise of companies belonging to our Group we may develop and deliver to our customers programming content they expect, through diverse distribution channels using various technologies, so that they can use our services on any device, according to ever changing trends and needs.

Furthermore, our subsidiary Aero2 provides free Internet access with limited functional parameters (BDI offer<sup>7</sup>). BDI customers are also offered a possibility of purchasing additional data packs which give access to higher speed Internet access, without constraints regarding the Internet session duration. BDI packages are sold in prepaid model.

## 2.4. Safety – DNA of our operations

*“Cyfrowy Polsat knows a lot about us. It knows not only our favorite TV channels, but also whom we are calling, where we are at the moment and what content we view in the Internet. It is worth writing a few words about the way these data are protected, what policies in this respect the company has.”*

*Participant of a dialog session*

Due to the nature of services provided by us we acquire a lot of sensitive data every day. To fully protect the data of each customer, the companies from Cyfrowy Polsat Group implemented the ICT Security Policy and ICT Security System Development Plan. The Policy defines fundamental rules of ICT security management, whereas the Plan shows the way to mitigate the anticipated risk. At the same time, we are aware that even state-of-the-art solutions will not be sufficient to ensure the appropriate level of ICT security. It is also an enormous responsibility of our employees every day and therefore we train them in this respect, while reminding them of the fundamental importance of issues related to safety.

### We respect legal regulations

**[GRI 416-2]** We are proud to mention that we did not record any cases of non-compliance with regulations either in 2016 or in 2017.

**[GRI 418-1]** in 2016, Polkomtel received 6 complaints from regulatory authorities regarding irregularities in the personal data processing of our customers. In 2017, Polkomtel received only 2 complaints from regulatory authorities regarding irregularities in this process, whereas Cyfrowy Polsat received 4 such complaints. Following administrative proceedings conducted by the General Inspector of Personal Data Protection and provided explanations, the above mentioned customer complaints were dismissed.

As regards the leakage, theft or loss of customer data, in 2016: 22 cases were identified in Cyfrowy Polsat and 11 in Polkomtel, in 2017: 12 and 29 cases were identified, respectively.

Each new service introduced to the market is analyzed from the point of view of security still at the design stage. Key requirements are defined, and all components are verified before the commercial launch.

Obtaining of information about current cyber threats as soon as possible is extremely important for data security of our customers and employees. Therefore, our representatives cooperate with various groups dealing with security, including a security focus group at the International GSM Association – Abuse Forum Polska – an informal group associating the biggest Polish telecommunications operators and Internet Service Providers, and other entities including public ones, as well as with the National Cyber Security Center at NASK, which has been established by the Ministry of Digitization.

Cyfrowy Polsat Group is aware that services offered by it have an impact on the daily sense of security of millions of Poles. Apart from the cooperation with water and mountain rescue teams, a good example of this is the service called **“Gdzie Jest Bliski” (Where is my relative)** which allows for locating a member of the family. An SMS or a click in the application is enough for the system to send information with data about location of the person searched for and display his/her position on digital maps.

Just a mobile phone with active SIM card is required to start locating relatives. There is no need to install any additional software or enter complicated settings to the phone. A person searching for location – e.g. a parent – activates the service and adds a phone number of his/her relative who only needs to grant consent to sending his/her location. In case of the youngest relatives, a water-resistant watch, which performs the function of a phone and a location device, is an ideal solution. A child does not need to worry about the phone getting lost, damaged, wet or destroyed during play, whereas the

<sup>7</sup> BDI means Free Internet Access

parent not only has contact by phone with the child and knows his/her location, but is certain that in any emergency the child will send an SOS message along with his/her location on the map.



## Gdzie Jest Bliski

lokalizator bliskich



## FIGHT AGAINST PIRACY

In Poland the level of piracy is much higher than on the developed markets of Western Europe or in the world, and the costs of this phenomenon affect not only the authors, but also the State Treasury and the labor market. The services of illegal access to content are usually very well organized and provided in order to obtain financial gains. The sector of such services has grown to the size exceeding legal online services offering online video content in Poland. According to Deloitte's estimates, the Polish economy loses over PLN 3bn per year because of piracy. It is the sum which could cover approx. 30% of annual expenditures of the State Treasury on culture and media or purchase four cinema tickets for every citizen.

According to Anti-Piracy Protection, as many as 72% of illegal online services in Poland generate profits from their operations. They come mainly from advertisements or they are derived through a mixed model, combining advertisements with payments collected from users in exchange for access to content. One out of every five Poles regularly uses online services offering illegal access to video content. This constitutes nearly 30% of all Internet users and as many as 94% of people looking for video content in the Internet.

Cyfrowy Polsat Group is aware of very detrimental effects of Internet piracy on the development of Polish economy and culture. For years, we have actively collaborated with "Sygnał" Association, which brings together 21 companies from media and telecommunications sector. Effects of these activities include, among others: over 300 trainings for 20 thousand policemen and public prosecutors and several education campaigns. Representatives of the Association also participate in legislative work on regulations related to copyrights protection.

In 2017, "Sygnał" organized 24 trainings for nearly 1100 policemen of Provincial Police Headquarters, public prosecutors of District Prosecutor's Offices and future law enforcement representatives in Police Academies in Szczytno, Legionowo, Piła and Katowice. The association also co-organized several conferences for policemen of the Main Police Headquarters, Provincial Police Headquarters and Police Academies related to the fight against the theft of television signal and technical aspects of ICT crimes. In March 2017, the Anti-Piracy Coalition, including the "Sygnał" Association along with ZPAV (Polish Society of the Phonographic Industry) and BSA (Business Software Alliance), once again presented Złote Blachy (*Gold Plates*) – awards for Police Units in recognition of their achievements in combating intellectual property thefts. Cybercrime Units and Economic Crime Units from Olsztyn and Radom as well as the Cybercrime Unit from Rzeszów were rewarded. As in previous years, in 2017 members of "Sygnał" Association supported the Police in their actions, which led to arresting of the people who were charged with illegal distribution of video content and paid TV channels, as well as sharing illegal sport broadcasts

In 2017, the "Sygnał" Association also intensified the activities related to the "follow the money" strategy. It was possible thanks to regular monitoring of illegal Internet portals, having placement of advertisements in illegal services covered by the standard of online advertising analytics in Poland, i.e. Gemius AdReal tool, with a view to cut these portals off from the sources of financing, cooperation with payment agents and advertising market. In 2017, "Sygnał" strengthened its cooperation with publishers, advertising agencies and media houses, which resulted in redirecting advertising budgets to portals operating in compliance with the law. The association also intensified the cooperation with agents and integrators of SMS Premium services.

In 2017, the Association's representatives participated in nine domestic and international conferences on the condition of media market, intellectual property protection, Internet security, organized among others by PIKE (Polish Chamber for Electronic Communication), Stowarzyszenie Kreatywna Polska (Creative Poland Association), Polish Film Institute, Forum Zarządzania Internetem (Internet Management Forum).

The Association was also involved in the development of the report: "Piracy in the Internet – losses for the culture and economy. Analysis of the impact of Internet piracy on the Polish economy on selected cultural markets", prepared by Deloitte on behalf of the Creative Poland Association. The Report is available here: <http://kreatywnapolska.pl/aktualnosci-kreatywnej-polski/235-raport-piractwo-w-internecie-straty-dla-kultury-i-gospodarki>.

Teresa Wierzbowska, Advisor to the Management Board of Cyfrowy Polsat for public affairs, is the President of "Sygnał" Association.

## 2.5. High quality products and services

*“Most memorable phone call? 10 minutes before the final match of the Football World Cup a customer called claiming that his set-top box is not working. There is a party in his house, and he panics that they will not be able to watch anything. It turned out that there was nothing wrong with the set-top box – his TV set was simple set to the wrong HDMI output. When the equipment started working, he promised to marry me.”*

*Ania, customer service representative of Cyfrowy Polsat’s call center*

Servicing of nearly six million customers is an enormous challenge. Constant technological progress opens new communication channels and forces continuous changes in the organization of work of our customer service representatives. When servicing customers and making efforts to ensure their satisfaction, there is no end to improvements – we know that good can be better and better can be best.

Our customers do not call or write letters to us just to socialize – every customer’s decision about contacting Cyfrowy Polsat Group stems from a specific case which they want resolved as soon as possible. Malfunctioning set-top box, lack of Internet access in customer’s smartphone, a request to explain items on the invoice, poor signal from the satellite antenna – there are hundreds of reasons. We would like to treat all of them with utmost care. Our priority is to resolve every issue during the first contact, so that the customers had exhaustive answers to their questions immediately after finishing the conversation with a customer service representative.

A committed and trained team of over two thousand customer service representatives, experienced managerial staff and great flexibility of operations are our main advantages. Latest technical achievements support customer service. We have created an advanced customer relationship management system which integrates all communication channels – both electronic as well as by phone or mail. Thanks to the implemented solutions we may carry out and document servicing of each customer more effectively.

The core of the Group’s customer service is the customer service call center. This system comprises four separate call centers integrated through an intelligent call routing system. It guarantees reliability and an uninterrupted twenty-four hour, seven-day a week phone service. The intelligent distribution system handles calls depending on the subject matter and forwards the call to appropriate agents, which reduces customer service time. Nearly 2100 people work in our call centers – 1400 of them take phone calls from customers, the rest manages letters and e-mails. Customer service representatives are competent to handle all issues related to the services we deliver – they provide information about our services, act as agents in concluding subscriber agreements, accept possible complaints and provide information about payments. Contact numbers of our call center lines are universally available – we provide them when advertising services in the media. Received requests and complaints are classified in detail by type and source of issue. A regularly conducted analysis of reasons helps us to identify and resolve issues, as well as take preventive actions.

Every year our customers are able to resolve more and more issues without the need for contacting our employees. Aside from interactive voice response systems, online customer service systems ensure safe and free-of-charge access – both Cyfrowy Polsat and Polkomtel offer their own online platforms. Customers can purchase or modify their service packages by themselves, check the payment balance together with its history, control available units within the active service packages and make payments. Additionally, while using online systems they can modify their contact and address data, print a postal payment slip or direct debit form for a bank, check the technical specification of the owned equipment, print relevant operating manuals, renew connection with the satellite, restore factory settings of PIN in the set-top box, and contact us through the online contact form.

Since 2015 Polkomtel provides a mobile application dedicated to customer account management and accessing up-to-date information related to the account. The use of this service is free of charge and data traffic generated through this application is not subject to fees for data transmission.

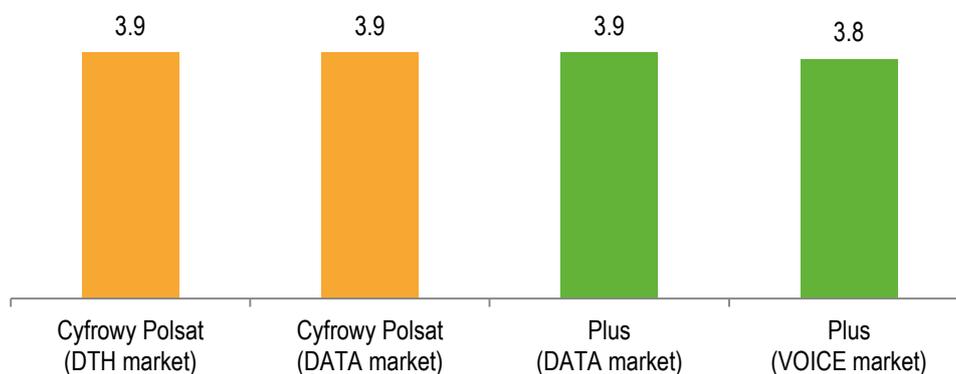
Since 2000, Polkomtel has had a consistently improved quality management system in place and since 2012 also an environmental management system. To confirm the above, Polkomtel obtained international certification ISO 9001:2008 and ISO 14001:2004.

We are very satisfied that the undertaken activities – both in terms of the quality of services and the quality of customer service – are appreciated by customers. This is proven by high scores received both by Cyfrowy Polsat and Polkomtel under surveys conducted by GfK Polonia. In the survey conducted in 2017 the customer satisfaction indicator for both companies

oscillated around the high score of 4 out of 5 possible points. We are also pleased with a very high awareness of our brands. The so-called “prompted brand awareness” of Cyfrowy Polsat equals 95%, and Plus – 98%. The surveys shows that customers appreciate above all the quality of offer, modern technology, experience and our reliability and credibility.

We were also very pleased that Plus was ranked first in the anniversary 10<sup>th</sup> edition of the Top Marka (Top Brand) survey in the category of Telecommunications. Every year, “Press” magazine and “PRESS-SERVICE Monitoring Mediów” news agency analyze and name the brands which have most frequently and most favorably mentioned in the press, the most popular brands in the Internet and in social media. Between 1 July 2016 and 30 June 2017, Plus brand was mentioned 7 091 times in the press. There were 34 597 publications in the Internet in which the brand was mentioned. Plus was clearly ahead of its competitors, receiving the highest scores in total and winning in the category of the number of publications and coverage, i.e. the degree in which it reached of potential readers.

### Synthetic Customer Satisfaction Index (CSI)<sup>8</sup>



Source: Satisfaction survey, conducted in the period from September to November 2017 by GfK Polonia sp. z o.o., CP (DTH market) n=500, CP (DATA market) n=300, Plus (DATA market) n=500, Plus (VOICE market) n=1200

Constantly changing offers on the dynamically developing telecommunications market may encourage some customers to draw a conclusion that “a new customer has better terms”. In Cyfrowy Polsat Group we understand this concern, therefore we appreciate the loyalty of our customers. Irrespective of the owned services or packages, we offer them benefits which are unavailable to new customers signing agreements. First of all, thanks to the knowledge about preferences and habits of our existing customers we may offer them customized proposals of the best “tailored” offers – both in the area of equipment selection and terms of cooperation, packages and length of agreement.

On the occasion of its 20<sup>th</sup> anniversary, Plus network prepared for each of its initial customers a set of gifts having the total value of nearly PLN 14 thousand each. Customers who have stayed with Plus since 1 October 1996, as a sign of appreciation for the 20 years spent together, received a complete set of all services and equipment available under the smartDOM Program.

<sup>8</sup>CSI - Customer Satisfaction Index is a synthetic satisfaction index which is an average of customer satisfaction scores related to a few attributes / areas / aspects evaluated during the survey

## 2.6. We set standards

### Our television channels



We have 34 broadcasting licenses, including 5 universal broadcasting licenses and 29 broadcasting licenses for specialized channels, that is thematic television channels. A universal program includes various types and forms of television programming, focusing on diverse topics. A specialized program is the program in which at least 70% of broadcasting time is devoted to specialized, particular genre of programming.

Trust and appreciation of our viewers are proven by the popularity of channels they choose to watch. In 2017, Polsat TV was one of the leading broadcasters in terms of audience share. Our main channel was unmatched in a group of all viewers with an audience share of 10.9% – it surpassed TVN (9.9%), TVP1 (9.6%) and TVP2 (7.9%). In the commercial viewers' group (aged 16-49), which is most popular among advertisers, POLSAT had 12.3% audience share, TVN – 12.7% TVP2 – 6.8%, TVP1 – 6.1%.

It is an honor to be one of the most popular TV channels in Poland, but at the same time it is an obligation to provide our viewers with high quality news, unforgettable sport experience and the best entertainment – both at the global and local level.

#### Objectivity as the basis of our journalistic activities

“**Wydarzenia**” (News) is our flagship news program, broadcast in Polsat, Polsat News and Polsat News 2. The main edition of the news program, presented by news anchors Dorota Gawryluk, Jarosław Gugala, Joanna Wrześniewska-Sieger and Bartosz Kurek, is broadcast daily at 6:50 p.m. Since the beginning of the “Wydarzenia” we have focused on reliability and independence. Objectivity is the most important rule we follow in our daily work. We also keep an equal distance from all political forces and do not give in to pressure. We uncompromisingly monitor the activities of the representatives of public authorities. We pay particular attention to the social issues. This is our specialty and goal – to be close to people. We understand our work as a mission which consists in providing viewers with true and impartial news.

We control politicians on behalf of our viewers, while simultaneously not forgetting about the great responsibility that lies with journalists. The main edition of “Wydarzenia” in Polsat News channel is always followed by a current affairs program “Gość Wydarzeń” (Guest of the News), in which the anchor interviews the people who made most important news of a given day.

The quality of our news programs is confirmed by the results of the analysis of KRRiT (The National Broadcasting Council) presented at the beginning of 2016. The analysis covered four election campaigns in 2014, preceding elections to the European Parliament, local elections as well as campaigns in 2015, preceding the 1<sup>st</sup> and 2<sup>nd</sup> round of the presidential elections and the parliamentary elections. The Council has concluded that Polsat News was one of the two channels most closely meeting the criteria of public mission – both in terms of ideological diversity of the invited guests and objectivity of reporting.

The viewer opinion survey about current affairs and news programs, conducted by CBOS in 2017, is also a source of immense satisfaction for us. Most respondents – 46% – pointed to POLSAT and Polsat News programs as the most objective source of information.

In our journalism we not only inform, but also try to help viewers, whenever we have such a possibility. “**Interwencja**” (**Interventions**) program is an example of socially responsible journalism, thanks to which the viewers learn about dramatic, human stories. Reporters of the program are not indifferent to sufferings of ordinary people – for many of them this program is the last chance for help and justice. Many people, whose stories were shown in “Interwencja”, received help from other people or institutions. Effectiveness of the editorial team results in the increased number of received letters asking for help.

“**Państwo w Państwie**” (**State within a state**), broadcast in Polsat, Polsat News and Polsat News 2, is one of the most effective intervention programs in television. It is presented by Przemysław Talkowski, Polsat News journalist, and fights the common belief that any person conducting business activities is a potential criminal. Journalists of this program reveal extremely difficult situations that entrepreneurs in Poland face every day and identify inappropriate attitudes or regulations which are unfavorable to entrepreneurs.

“**Nasz nowy dom**” (**Our new home**) program is also worth mentioning. It is a unique program, which gives joy and hope for a better future to families in various parts of Poland – from the Baltic Sea to Tatra Mountains. In each episode, under the watchful eye of cameras, specialists (an architect with a construction team), race against time and difficulties, to successfully deliver what is most prosaic necessity in everyday life – a new, warm home. Each program presents a completely different, touching story of the family – sometimes suffering financial difficulties, sickness or bereavement. The program is presented by Katarzyna Dowbor, who with passion and involvement helps fulfill the dreams of the program’s participants. So far, Polsat TV, thanks to the support of sponsors, has already thoroughly renovated over 100 houses and homes, also providing basic furnishings, including modern TV sets, home appliances, but also tablets, smartphones and Internet access.

*“Our new home” is a mission program, developed with passion and care about human beings. Tears of gratitude, smiles of people and the awareness that you change someone’s life to the better are the best appreciation of the work of the entire team involved in the execution of this program. Not everyone can say that about his/her job.”*

*Nina Terentiew, Management Board member and Program Director of Polsat TV*

### From classic movies to cabaret and cartoons for kids

Since the very beginning, entertainment was one of the most important elements of our programming. In 1993, we introduced the first Polish talk show – “**Na każdy temat**” (**On every subject**). Initially the TV show was presented by a legend of the Polish journalism - Andrzej Woyciechowski, and then by Mariusz Szczygieł. Despite airing at a late hour, the talk show attracted over 1.5m viewers, while ensuring for the channel the average 30% audience share. The record-breaking episode aired on 1 June 1997 reached 50% audience share.

In the autumn of 1997, one of the biggest hits in our history was launched in POLSAT TV – “**Idź na całość**” (**Go for it**) game show hosted by Zygmunt Chajzer. Nearly one month after its debut, the program outclassed competitors in terms of viewership. “**Życiowa szansa**” (**Chance of my life**) game show with Krzysztof Ibisz as a host also became a hit. In December 2000, systematically growing audience of the program reached 5.5 million viewers in a group of all viewers.

Also today POLSAT’s viewers may count on great entertainment – cabarets, movies, TV series and game shows enjoy unwavering popularity with millions of viewers.

“**Dancing with the Stars. Taniec z gwiazdami**” show was regularly watched by millions of Poles (based on surveys, three episodes of the fifth edition were watched by 3 million viewers on average. “**Must be the music. Tylko muzyka**” talent show, which was broadcast for 5 years by Polsat, also enjoyed extreme popularity (11<sup>th</sup> edition was watched by 2 million Poles on average).

Cabarets are also breaking popularity records. Over 3.1 million viewers watched in Polsat TV the 15<sup>th</sup> anniversary of Neo-nówka cabaret "Schody do nieba" (*Stairway to heaven*) in June 2017. 11<sup>th</sup> Plock Cabaret Night, which took place in April 2017, also attracted over 3m viewers.

POLSAT is also associated with the most thrilling sport events. Qualifying matches of the Polish National Team to the FIFA World Cup attracted record-breaking audience. The matches against Montenegro attracted 9.5 million and 7.8 million viewers, respectively, against Romania – 8.0 million, against Kazakhstan – 7.1 million, against Denmark – 6.7 million and against Armenia – 6.0 million viewers.

Our entertainment offer is also enriched by TV series ("Przyjaciółki" (*Friends*), "W rytmie serca" (*To the rhythm of the heart*), "Gliniarze" (*Cops*), "Na ratunek 112" (*112 emergency*), "Pierwsza miłość" (*First Love*), "Świat według Kiepskich" (*The world according to the Kiepski Family*)) as well as cooking programs and music shows ("Ewa gotuje" (*Ewa cooks*), "Twoja twarz brzmi znajomo" (*Your face sounds familiar*), "Top Chef").

The broadcast of "Kevin home alone", already a cult classic of our main channel, was watched by 4.4 million viewers on Christmas Eve.

Irrespective of age, interest or hobby, each viewer will find something attractive in the portfolio of channels offered by Polsat TV.

Cyfrowy Polsat Group also means great Polish movies. In 2016 we launched the **Digital Artist Zone**, a unique program in Poland under which we support domestic film productions. We offer to the filmmakers a possibility of submitting their projects which the Group could then support in the field of production, promotion and distribution. We are looking, among others, for original scripts and film projects in their initial phase. Under the Digital Artist Zone, Cyfrowy Polsat Group co-produced the feature film "Najlepszy" (*The Best*), directed by Łukasz Palkowski, which received an award at the 2017 Polish Film Festival in Gdynia. The film tells the story, inspired by real life, of Jerzy Górski who finished the "deadly race" while setting the world record in the triathlon world cup, and won the title of double Iron Man. Nearly 750 thousand people watched the movie in cinemas.

In the middle of January 2018 another feature film "Narzeczonej na niby" (*Fake Fiancé*), directed by Bartosz Prokopowicz, opened in cinemas. The film has been produced by TFP Sp. z o.o., with co-producers: Polsat TV, Polkomtel, Cyfrowy Polsat and Edipresse Polska. The film, which tells the story of Karina who is looking for love, had the highest opening in cinemas in 2018. Over 250 thousand tickets were sold during the first weekend, and a million people watched the film in less than a month after its debut.

Each year on Christmas Eve we invite viewers to sing carols together. Most beautiful Polish carols and pastorals are presented by the stars of the Polish music scene.

Our festivals, in particular Polsat SuperHit Festival, have become a permanent feature in calendars of millions of Poles. Each year, for a few days, we change Opera Leśna in Sopot into the place of unforgettable music and cabaret experience. Most popular artists and comedians perform there for our viewers. Festival surprises with the music diversity and satisfies even the most demanding fans. During these festivals, the audience may watch on the scene the most popular Polish artists who sold most records in a given year. In 2017, these were the performers whose records won the platinum award status. Well-acclaimed anniversaries of most important Polish bands and singers are a regular part of the music feast. In 2017, Muniak Staszczuk with his rock and roll band T.Love, celebrated 35 years on the top of the music market in Poland, while Eva Farna, one of the youngest and biggest music stars in Poland and the Czech Republic, celebrated her 10<sup>th</sup> anniversary of stage performances. At the end of the Polsat SuperHit Festival we always invite to the stage the top performers of the Polish cabaret scene. So far we have hosted, among others: Kabaret Ani Mru Mru, Kabaret Neo-nówka, Kabaret Młodych Panów, Marcin Daniec, Cezary Pazura and Jerzy Kryszak.

Each year, we organize one of the biggest New Year's Eve parties in Poland. During the last night of 2017, the viewers could listen to the hits of the Spanish singer Alvaro Soler. Then, the tunes of "Balkanica" by Piersi and Vengaboys' "Boom Boom Boom" and "We Are Going To Ibiza" hits flew from the stage. The audience sang "Księżniczka" together with Sylwia Grzeszczak and "A gdy już jest ciemno" together with Feel, and finally "Jesteś szalona" together with Vengaboys. Still before midnight, during the Sylwestrowa Moc Przebojów (*New Year's Eve Power of Hits*), the following performers ensured great fun with nearly 50 hit songs: Ewa Farna, Danzel, Enej, Golec uOrkiestra, Natalia Szroeder, Michał Wiśniewski, Mesajah, Sebastian Riedel & Cree, Krzysztof Respondek i Frele along with the biggest stars of dance music: Weekend, Piękni i Młodzi, Łobuzy, MIG and Long&Junior.

Cyfrowy Polsat Group wants to reach as many people as possible with its offer. Therefore, we launched Super Polsat – the first channel in Poland and Europe, in which most of the programming is adjusted to the needs of people with sight and/or hearing impairment. The offer of Super Polsat includes the best content from the Polsat TV productions – great entertainment, cooking and music programs as well as the best TV series which have acquired faithful fans. The schedule also includes well-known blockbuster movies. On Saturdays, viewers can watch classic movies of the Polish post-war cinema, and on Sundays – the best foreign movies – family films, great comedies and dramas – all content with closed captioning. The morning programming includes cartoons for the youngest viewers. Super Polsat also broadcasts sport events and concerts produced by Polsat TV.

We believe that the television may inspire and help people find new interests. Therefore, for years during the Christmas and New Year's Eve period we organize the so-called Open Windows. It is the time when our subscribers receive, free-of-charge, access to channels which they do not have in their subscription packages.

We prepare similar actions also for the youngest – we try prolonging the Child's Day in Cyfrowy Polsat for as long as possible. Thanks to this, our small viewers may enjoy the presence of their favorite heroes whom they do not watch every day in TV. We provide them with a possibility of watching cartoons on kid channels which are available in higher TV packages than the ones they have, as well as in IPLA online television.

### Strictly regulated commercial time

*“On the one hand, you sell your airtime and there is a question here to whom you sell it and what commercials you show etc. How does this affect the society, is this subject to verification. (...) On the other hand, you carry out your advertising communication and Polsat, and Plus, and Cyfrowy Polsat. The question is what do you tell people in these commercials, what is the message and what media do you use.”*

*Participant of the dialog session*

In Polsat TV channels – according to regulations – at least 33% of the quarterly programming are broadcasts initially developed in Polish, and over 50% – European broadcasts, coming mainly from the EU member states.

We also strictly follow the obligations and restrictions regarding advertising. Commercial blocks in our channels are clearly distinguishable from broadcasts and do not take more than 12 minutes within one hour. Our announcements with information about our own programming do not take more than 2 minutes within one hour. All sponsored programs are clearly marked as such. We also reveal product and service placements.

Polsat Media Advertising Office offers a portfolio of 70 television channels, combining high audience share of the national POLSAT channel and broad range of thematic channels. The total audience share of channels serviced by us in terms of advertising in 2017 exceeded 31% in the commercial viewers' group (aged 16-49). Polsat Media means also an advertising offer of IPLA – the biggest online television, Muzo.fm pan-regional radio station, Polsat Media AdTube, Polsat Media AdScreen platforms. In the years 2009, 2010, 2012, 2013, 2014 and 2017, Polsat Media was recognized as the best advertising office among national channels in the report of the *Media i Marketing Polska*. In 2012, our office received the main award in the Media Trendy contest in the category of “Integrated Campaign in Digital Media” and a distinction in the category: “Use of Internet and Interactive Media – subcategory: Engagement” for the execution of the project “Kasia Live Baking”, a first interactive “live” cooking program in Poland, broadcast in the Internet through numerous platforms.

#### [GRI 417-3]

In 2016, there were two incidents of non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, which resulted in a fine being imposed.

Our appeals against the decision of the President of the Office of Competition and Consumer Protection (UOKiK) issued in December 2016, are pending before the Court of the Competition and Consumer Protection. In the opinion of the Office – which is fundamentally questioned by us – advertisements of Cyfrowy Polsat and Plus network infringed upon the collective interests of consumers, through suggesting that the data transmission in LTE technology will be unlimited. Fines were imposed on Cyfrowy Polsat and on Polkomtel.

We are also awaiting for court rulings regarding our appeals against another decision of the President of UOKiK issued in December 2016. The Office concluded that in advertisements of the smartDOM Program we presented a promotional offer

which – in the opinion of the Office – made it impossible to use it on the presented terms. The President of UOKiK imposed fines on Cyfrowy Polsat and Polkomtel.

In 2016, Polsat TV paid a penalty for broadcasting a beer commercial before 8 p.m. in Polsat Sport channel.

There are still three appeals pending against fines imposed on Polsat TV in 2017, related to apparent interrupting of kid broadcasts with commercials. However, no other non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, resulting in imposing of a fine, were identified.

**[GRI 102-12]**

We are signatories of several voluntary industry agreements concerning ethics of program broadcasting. Most important are as follows:

- IAB Polska standards regarding online advertising formats.
- Television broadcasters agreement on the rules of distribution of advertisements and sponsor references regarding food products and beverages including ingredients which are not recommended in the daily diet in excessive quantities.
- IAB Polska Fair Advertising Initiative.
- Code of good practices concerning detailed rules of protection of minors in on-demand audiovisual media services.

**CHAPTER 3**  
**SUCCESS THANKS TO THE PEOPLE**



### 3. SUCCESS THANKS TO THE PEOPLE

*“CP Capital Group as an employer is stable. We have many loyal, long-term employees. People feel good in this place and they can develop their skills.”*

*Participant of the dialog session*

#### 3.1. Key facts and figures

##### [Accounting Act – Key Performance Indicators]

The success of Cyfrowy Polsat Group is based not only on transmitters, television studios, frequencies or licenses, but most of all on a group of over five thousand employees who, while servicing 5.8 million customers each day, take care of the quality of 16.5 million services provided by us. We owe to them our position on the market, reputation and the fact that each year more and more Poles want to use the services of the Group's companies.

We provide attractive working conditions and additional benefits, ensuring that only the best employees will choose our organization. We would like our Group to be a good and friendly place of work, therefore we consistently take care of the transfer of knowledge and flow of good practices in HR area between the companies. We are glad that we attract great employees, but we are even more pleased that they stay with us for many years.

#### Our employees

<b>4 802</b>		
Number of Cyfrowy Polsat Group's employees expressed as FTEs (Full Time Equivalents) <sup>9</sup>		
<b>4 017</b>		
Number of employees working for the three biggest Cyfrowy Polsat Group companies, out of which <sup>10</sup>		
<b>38%</b> are women	<b>62%</b> are men	over <b>60%</b> have university degrees
<b>2 518</b> number of employees of Polkomtel	<b>789</b> number of employees of Cyfrowy Polsat	<b>710</b> number of employees of Polsat TV
ca. <b>9%</b> staff turnover ratio <sup>11</sup>	<b>81</b> number of persons doing internships and on the job training (in the three biggest companies of the Group)	ca. <b>10</b> average number of years worked by Polsat TV and Polkomtel employees
ca. <b>30</b> average number of training hours in the three biggest companies of the Group	nearly <b>93%</b> full-time employment rate	

<sup>9</sup> The average number of non-production plant employees in 2017, active employees, excluding persons temporarily de-registered (child care leaves, maternity leaves, sick leaves exceeding 30 days, unpaid leaves exceeding 30 days)

<sup>10</sup> Status EOP 2017, FTE, active employees, excluding persons temporarily de-registered (child care leaves, maternity leaves, sick leaves exceeding 30 days, unpaid leaves exceeding 30 days)

<sup>11</sup> Blended staff turnover ratio for the three biggest companies of the Group in 2017

[GRI 102-8]

**Total number of employees by gender and employment contract**

	2016										2017									
	Polkomtel			Cyfrowy Polsat			TV Polsat			Total CP Group	Polkomtel			Cyfrowy Polsat			TV Polsat			Total CP Group
	Women	Men	Total	Women	Men	Total	Women	Men	Total		Women	Men	Total	Women	Men	Total	Women	Men	Total	
<b>Temporary Contract</b>	10.8% (114)	4.9% (77)	<b>191</b>	18.7% (52)	16.8% (64)	<b>116</b>	54.6% (111)	64.5% (322)	<b>434</b>	<b>741</b>	10.9% (104)	5.0% (78)	<b>182</b>	9.4% (34)	9.4% (40)	<b>75</b>	55.7% (118)	64.9% (323)	<b>441</b>	<b>698</b>
<b>Permanent Contract</b>	89.2% (941)	95.1% (1 497)	<b>2 438</b>	81.3% (226)	83.2% (316)	<b>542</b>	45.4% (93)	35.5% (178)	<b>270</b>	<b>3 250</b>	89.1% (852)	95.0% (1 484)	<b>2 336</b>	90.6% (327)	90.6% (387)	<b>714</b>	44.3% (94)	35.1% (175)	<b>269</b>	<b>3 319</b>
<b>Total</b>	<b>1 055</b>	<b>1 574</b>	<b>2 629</b>	<b>278</b>	<b>380</b>	<b>658</b>	<b>204</b>	<b>500</b>	<b>704</b>	<b>3 991</b>	<b>956</b>	<b>1 562</b>	<b>2 518</b>	<b>362</b>	<b>427</b>	<b>789</b>	<b>212</b>	<b>498</b>	<b>710</b>	<b>4 017</b>

The difference in terms of the headcount structure between respective companies are the outcome of the specific nature of the operations, thus of their respective headcount structures.

**Total number of employees by employment type**

	2016										2017									
	Polkomtel			Cyfrowy Polsat			TV Polsat			Total CP Group	Polkomtel			Cyfrowy Polsat			TV Polsat			Total CP Group
	Women	Men	Total	Women	Men	Total	Women	Men	Total		Women	Men	Total	Women	Men	Total	Women	Men	Total	
<b>Full-time</b>	92.4% (975)	95.0% (1 496)	<b>2 471</b>	79.1% (220)	80.5% (306)	<b>526</b>	97.6% (199)	99.2% (496)	<b>695</b>	<b>3 692</b>	93.2% (891)	95.5% (1 492)	<b>2 383</b>	84.5% (306)	83.8% (358)	<b>664</b>	97.3% (206)	99.2% (494)	<b>700</b>	<b>3 747</b>
<b>Part-time</b>	7.6% (80)	5.0% (78)	<b>158</b>	20.9% (58)	19.5% (74)	<b>132</b>	2.4% (5)	0.8% (4)	<b>9</b>	<b>299</b>	6.8% (65)	4.5% (70)	<b>135</b>	15.5% (56)	16.2% (69)	<b>125</b>	2.7% (6)	0.8% (4)	<b>10</b>	<b>270</b>
<b>Total</b>	<b>1 055</b>	<b>1 574</b>	<b>2 629</b>	<b>278</b>	<b>380</b>	<b>658</b>	<b>204</b>	<b>500</b>	<b>704</b>	<b>3 991</b>	<b>956</b>	<b>1 562</b>	<b>2 518</b>	<b>362</b>	<b>427</b>	<b>789</b>	<b>212</b>	<b>498</b>	<b>710</b>	<b>4 017</b>

### 3.2. Our culture of work

*“Our Mail Room quite often receives e-mails asking to provide thanks to a specific customer service representative. But one letter was particularly memorable. It was hand-written, sent by post. In the letter, our customer – aged 93 – thanked a customer service representative for helping her to record on her set-top box the football match Poland against Germany for her ... husband, aged 101! She promised to replay the match for him after he knows the score – so as to avoid stress during the live broadcast. Fortunately, it was THE MATCH in which we defeated Germany 2:0.”*

*Patryk, Mail Room of Cyfrowy Polsat*

In Cyfrowy Polsat Group, which is so strongly linked to state-of-the-art technologies, we are aware of the value of our employees' experience. Only highly qualified staff is able to ensure the highest quality of our services. Experts with unique skill types work for us, including for instance masters of fine arts in cinematography or organization of advanced television production (in case of Polsat TV), top IT professionals or experts in broadband electronic communications (in case of Polkomtel) or online video market practitioners, design aces or professional designers (in case of Cyfrowy Polsat). **Over 60% of our employees have a university degree.** Job tenure is the best confirmation of the strong identification with the company and satisfaction with work. Across the Group at the end of 2017, it amounted to **ca. 9 years on average.** Furthermore, as many as **9% of the Group's employees has worked for it for at least 20 years.** The staff turnover ratio at the Group level equals ca. 9%, Polsat TV has the lowest staff turnover.

#### Staff turnover ratio<sup>1</sup>

[GRI 401-1]

	2016			2017		
	TV Polsat	Polkomtel	Cyfrowy Polsat	TV Polsat	Polkomtel	Cyfrowy Polsat
<b>Women</b>	1.2%	5.6%	5.6%	1.0%	5.2%	5.8%
<b>Men</b>	1.2%	5.7%	10.4%	2.1%	4.7%	5.7%
<b>Total</b>	2.4%	11.3%	16.0%	3.1%	9.9%	11.5%

<sup>1</sup> without including migration of employees between the companies of the Capital Group

We do not favor any companies of the Group and ensure comparable working conditions in each of them. In 2017 we implemented the Human Resources Policy of the Cyfrowy Polsat Capital Group. This document was based on solutions which already function perfectly in Polkomtel, Cyfrowy Polsat and Polsat TV and helped standardize the rules of human resources management according to the values adopted by the Group. The main goal of the Human Resources Policy of the Cyfrowy Polsat Capital Group is to build an attractive work place for the current and future employees. We know that our success is the result of knowledge, skills and involvement of our employees who are the superior value of Cyfrowy Polsat Group.

In 2016, we implemented a common accounting and payroll system in most of the Group's companies. This helped to improve consistence of procedures, processes and data across the entire organization and additionally created a possibility to better use the competence of employees in the Group's companies. Managers also obtained better tools for planning the time of work of their teams.

Competence is what really counts in Cyfrowy Polsat Group. When assessing our employee, we never discriminate based on age or gender. We follow the Policy of diversity and respect for human rights of Cyfrowy Polsat Capital Group.

We counteract any forms of mobbing or discrimination in the workplace. We established an internal anti-mobbing committee at Polkomtel and Cyfrowy Polsat, based on relevant procedures. We also provide trainings in this respect to the employees. In Polsat TV, the proceedings in case of actions which may be classified as mobbing have been described in the Anti-mobbing Procedure which constitutes an internal document of the company. Code of Ethics also operates in three biggest companies of Polsat Group. It is a set of guidelines regulating the issue of fair competition, compliance with law and ethical activities. The publication is a guide for solving dilemmas of ethical nature which the employees may face in their daily work.

### How do we remunerate our employees?

We do not look for savings on formal aspects of employment – employment contract is the basic form of employment in the Group, however depending on the specific nature of operations of individual companies in the Group and/or expectations of our co-workers, we also use different forms of employment.

We offer fair remuneration to our employees which depends on the type of duties they perform, area of responsibility and complexity of performed tasks. Limit values of remuneration on individual levels are laid down in the Remuneration Regulations. Minimum remuneration offered by the Group is compliant with the Polish law. Salaries grow in line with the growing specialization level and the position in the organizational structure.

We offer a number of benefits to the Group's employees, apart from the basic salary. We would like them to be not only a motivation and incentive, but also an expression of our gratitude for their daily work. At the same time, some benefits support achieving the balance between the work and private life.

### Selected benefits available to the employees of Cyfrowy Polsat Group

[GRI 401-2]

#### **Healthcare subscriptions**

We take care of the health of our employees, providing them with easy access to medical care. All full-time employees of the Group are covered by free-of-charge private healthcare services. Furthermore, they also have a possibility to purchase, at preferential rates, medical care subscriptions for their family, and the employees of Polsat TV may also continue the medical care at preferential rates after termination of their employment contract with the company.

#### **Sports Program**

We offer to our employees a possibility to join a sport and recreation package which is provided by our partner and offers access sports facilities all over Poland. Each employee may purchase a monthly subscription for himself/herself and his/her relatives.

#### **Employee promotions**

Each employee of Cyfrowy Polsat Group may take advantage of a program of Employee Promotions – we offer a possibility of purchasing a special set, including DTH television, LTE Internet and mobile telephony in Plus, with special discounts. Under the offers dedicated to householders, employees may also use a promotion for the purchase of electricity at preferential rates.

#### **Insurance**

Employees of Cyfrowy Polsat and Polkomtel may use a unique offer of insurances guaranteed by one of the biggest insurance companies on the Polish market. Special discounts on houses/apartments, travel and vehicle insurance policies guarantee attractive prices of insurance.

Cyfrowy Polsat Group also offers a possibility to join a voluntary life insurance which is offered by our partners who provide insurance services.

At the same time, every employee of Cyfrowy Polsat Group has workplace accident insurance and accident insurance for business trips.

#### **Special offers of theaters**

Our employees may also take advantage of a special cultural offer. Selected theaters in Warsaw regularly invite employees to selected theater plays under a special offer (a possibility to purchase tickets at attractive prices).

Company Social Benefits Fund is one of the elements of our social policy. The funds from the Company Social Benefits Fund are intended for: i) granting loans for housing purposes (attractive interest rate – 2%); ii) providing material and financial assistance in case of events of fortuitous circumstances (illness or death, difficult family or material situation, etc.), iii) co-financing of various forms of holidays, iv) subsidizing sport and recreation activities (sport, tourist, team-building, cultural events etc.). In 2016, one of the Group's employees had a stroke. The aid that he received from the Fund enabled him to, among others, cover the costs of rehabilitation and buy the necessary drugs. As a result – despite initial not very good prospects for recovery – the employee could return to work.

Integration meetings, including the Family Picnic and other special events, are the permanent feature in the calendar of Cyfrowy Polsat Group. We try to combine integration meetings with educational activities – using the cooperation of the Group with WOPR, MOPR, GOPR and TOPR, we teach our employees safe behavior in the mountains and at the water and how to provide first aid.

*“It is amazing to see how much is put in to organize the picnic so that it is really attractive for kids. An amusement park is created practically from scratch and it is big that there is not enough time for children to try each attraction even only once. I am very glad that somebody came up with such an idea.”*

*Katarzyna, Cyfrowy Polsat, mother of 8-year-old Kuba and 10-year-old Zosia*

Traditionally, a Family Picnic is the biggest event of this type. In 2017 the event took place for a fourth time and 4.5 thousand people (Group employees with families) took part in it. Everyone found something interesting on the site – there were games and plays for kids, supporting physical agility and stimulating creativity. Attractions prepared for adults were full of adrenaline. The event was hosted by a well-known presenter Krzysztof Ibisz, and numerous stars of Polsat TV performed on stage, including Tomasz Barański, Nina Tyrka and Przemek Mistrz.

Our partners – broadcasters of thematic channels from the portfolio of Cyfrowy Polsat, including AXN, Cartoon Network, E! Entertainment, Eleven Sports, History, National Geographic, Nickelodeon, Polsat Viasat Explore, Golf Channel Polska, FOX Comedy, CBS Reality – took care of good time in selected thematic zones.

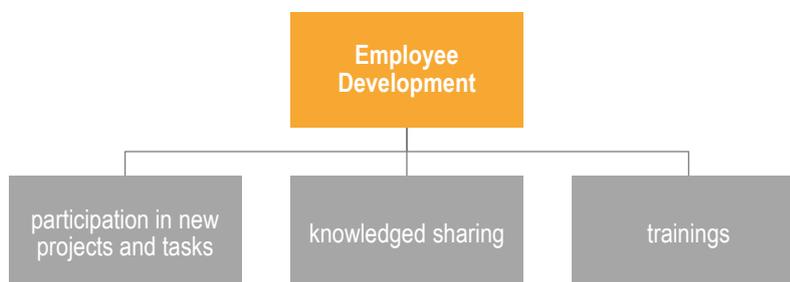
Apart from having fun together, we also support employee integration through sport. In each company of the Group there are employee sport teams – we run, play volleyball, football and ski together.

For years, Polsat News has actively supported mass national running events, both through broadcasts and by actively participating in the runs. In June 2017, the “Polsat Biega” (“Polsat Runs”) team – consisting of the employees of Polsat TV, Polkomtel and Cyfrowy Polsat – took part in the 2<sup>nd</sup> Piotr Nurowski Memorial Run in Konstancin. 16 competitors from “Polsat Biega” team faced a 10-km distance. Polsat News channel was a media patron of the event, whereas Plus has become its strategic partner.

During the event, with our partner - Samsung, we also organized a technology zone in which both adults and children could acquaint themselves with technological novelties in the field of telecommunications, participate in physical plays and games, solve puzzles and develop their artistic and manual skills, among others when building kites. Thanks to the involvement of sponsors, the number of runners increased from 800 in 2016 to nearly 1000 in 2017.

### 3.3. Motivation and development of employees

We see potential in each of the five thousand of the Group’s employees. We want to motivate them and invest into their personal development.



We invest into development of our employees. Development process is based on the **70-20-10** rule

- **70** – development through experience (tasks, involvement in projects)
- **20** – development through relations with others (knowledge sharing, feedback, coaching, mentoring)
- **10** – development through participation in trainings

### Trainings

Training needs of all employees are adjusted to the nature of the position held and scope of duties. We offer external and internal training courses which allow for gaining or improving employee qualifications. Many trainings at Polkomtel and Cyfrowy Polsat are related to specific subject-matter or tools, which helps to develop special competences and improve effectiveness of work. A rich offer of internal trainings in the area of customer service, products and services, prepares our employees to professional contact with customers, provision of high quality services, consistent with the customer needs. In Polsat TV we focus on specialist trainings related to television technologies and language trainings.

[GRI 404-1]

Average number of training hours per employee

	2016									2017								
	Polkomtel and Cyfrowy Polsat			TV Polsat			CP Group			Polkomtel and Cyfrowy Polsat			TV Polsat			CP Group		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total number of training hours by gender</b>	40 838	43 265	<b>84 103</b>	1 160	2 293	<b>3 453</b>	41 998	45 558	<b>87 556</b>	55 863	61 681	<b>117 544</b>	1 547	2 041	<b>3 588</b>	57 410	63 722	<b>121 132</b>
<b>Average number of training hours by gender</b>	30.6	22.1	<b>25.6</b>	5.7	4.6	<b>4.9</b>	27.3	18.6	<b>21.9</b>	42.4	31.0	<b>35.6</b>	7.3	4.1	<b>5.1</b>	37.5	25.6	<b>30.2</b>

Polkomtel's employees have a permanent access to e-learning platform including a comprehensive base of trainings for soft skills – office applications, offers, sales systems etc. In 2017 2 985 hours were training were carried out this way. High opinion of the employees about this solution encouraged us to start the process of implementing this platform for all the companies in Cyfrowy Polsat Group at the end of 2016. Pursuant to the adopted schedule, the platform's implementation should be finalized by the end of 2018.

## Studies

Employees who work for us at least one year may apply for subsidizing their studies – both on Polish as well as foreign universities. There is one condition, the field of study must be related to the work performed for the Group. In 2017 42 employees took advantage of this possibility<sup>12</sup>.

## English learning

If the knowledge of English is required on a given position, we invite employees to individual or group language lessons which take place in the offices of our companies.

**[GRI 404-2]** We have prepared a unique offer of **Manager Academy** for people employed on managerial positions in Cyfrowy Polsat Group. Its goal is to promote the standard of managerial work and provide support in dealing with professional challenges. In the two years since the launch of the Manager Academy, 112 managers learnt the best practices of managerial work and gained knowledge necessary for efficient performance of tasks, through a series of e-learning trainings and direct meetings with experienced business trainers. Examples of topics of these trainings: Managerial Role, Managerial Process, Delegation of Tasks, Feedback or Authority Building.

## We review the performance of managers

The work of managers in Cyfrowy Polsat and Polkomtel is based on the **360@Feedback** culture. Through the online Feedback Forum, evaluation is performed by subordinates, superiors and co-employees. The goal of the review is to strengthen the good practices through positive feedback, identification of areas for change, including assessment of development needs and support in the diagnosis of situation and decisions regarding local managerial challenges. In 2017, the managerial staff of Polsat TV was also covered by the program. They participated in the project which was concluded with the training workshop.

**[GRI 404-3]**

## Percentage of employees receiving regular assessments, performance and career development review, by gender and employee category.

2016				2017			
Cyfrowy Polsat		Polkomtel		Cyfrowy Polsat		Polkomtel	
Women	Men	Women	Men	Women	Men	Women	Men
11%	7%	46%	25%	11%	12%	51%	25%

In Polsat TV there is no comprehensive, systemic solution of assessment of employees, but their performance related to tasks performed by them is subject to ongoing assessment by their superiors.

Polkomtel's employees have a permanent access to e-learning platform including a comprehensive base of trainings for soft skills – office applications, offers, sales systems etc. In 2017 2 985 hours were training were carried out this way. High opinion of the employees about this solution encouraged us to start the process of implementing this platform for all the companies in Cyfrowy Polsat Group at the end of 2016. Pursuant to the adopted schedule, the platform's implementation should be finalized by the end of 2018.

<sup>12</sup> Data for the three biggest companies of the Group

## We are open to young people

For years, we have invited young people to internships and apprenticeships to the companies of Cyfrowy Polsat Group. This is the best way to get a job in our enterprise later.

*I was a bit worried that internship would turn out to be the time of coffee making and not disturbing others at work. To be honest, I applied because I wanted to earn some money. Already at the place of work at Polkomtel, it turned out that people not only have time to take care of me but I also received really interesting tasks to perform. I have felt as a part of the team from the first week, and not some bothersome nuisance.*

*Łukasz, intern of 2015*

Internship Program is an offer both for students and young graduates. Six month, paid internship, is an ideal way to acquire practical knowledge and skills. Each intern is entrusted with one project or specific technical task for the execution of which he/she is fully responsible. A host is also assigned to the intern who monitors his/her progress in work on an on-going basis as well as helps in execution of individual tasks. In 2017 we offered internships in the area of finances, IT and HR.

We also prepared a Summer Apprenticeship Program for students who take their first steps on the labor market. Apprenticeship is a unique opportunity to actively spend the summer – students have a possibility to work among the best professional in the technological sector. Apprenticeship is paid and takes place during the two summer months. Each apprentice cooperates with a team within one business area. A host is assigned to apprentices during the entire period of apprenticeship, providing help and professional support.

In 2017, the Apprenticeship Program was organized for the 22<sup>nd</sup> time. In Cyfrowy Polsat there were 9 editions of the Program.

Polsat News also offers a possibility of unpaid apprenticeship for graduates under the care of experienced journalists. Apprenticeship gives a possibility of acquainting oneself with the specific nature and organization of work in the news television on various positions. Apprentices may gain knowledge and skills and performs journalistic and production tasks assigned to them. After completion of the program, the apprentices receive a certificate about taking part in the apprenticeship, specifying the scope of apprenticeship, gained skills and opinion about his/her performance. Apprentices with highest scores may apply for work in Polsat TV.

### 3.4. Constantly improving occupational health and safety

We would like to make all our employees feel safe at work as much as possible. Occupational health and safety units operate in each company. Their goal is to identify and evaluate the status of safety and all elements in the work environment which affect this status of safety. We provide periodical occupational health and safety, fire protection and first-aid trainings to our employees.

#### GRI 403-3

Both in 2016 and 2017, we did not find any cases of our employees working in the conditions identified as harmful. In order to build a safe culture of work, we train the technical employees of Polsat TV to follow the rules of safety when working in the electromagnetic field. Regular measurements of the field do not indicate exceeding of standards in this respect. Employees of Polkomtel and Cyfrowy Polsat, whose scope of duties requires working at height, including on masts and towers, have valid certificates of specialized trainings for work at height. People operating electrical equipment have valid qualification certificates for supervision and/or operation of devices with voltages of up to 1kV. The above mentioned tasks may be performed only by employees who passed medical examination to determine that there are no counter indications for them to perform this type of work.

The above mentioned risks present in Polsat TV, Polkomtel and Cyfrowy Polsat are within the acceptable workplace exposure limits defined by law.

[GRI 403-2]

**Injury rate, occupational disease rate, lost day rate, absentee rate and number of work-related fatalities**

	2016							2017						
	Polkomtel		Cyfrowy Polsat		TV Polsat		CP Group	Polkomtel		Cyfrowy Polsat		TV Polsat		CP Group
	Women	Men	Women	Men	Women	Men		Women	Men	Women	Men	Women	Men	
Total number of accidents at work	1	5	0	0	1	3	10	3	5	1	2	1	1	13
Work-related fatalities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Number of severe accidents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Number of minor accidents	1	5	0	0	0	0	6	3	5	0	0	0	0	8
Total number of injured people	6		0		4		10	8		3		2		13
Injury Rate (IR) <sup>13</sup>	0.3	1.7	0	0	1.4	4.1	-	1.1	1.8	0.1	0.2	4.3	2.0	-
Total Lost Day Rate (LDR) <sup>14</sup>	14	37	0	0	5	181	237	13	35	55	52	6	32	193
Accident severity rate <sup>15</sup>	14	7	0	0	5	60	-	4	7	55	26	6	32	-
Occupational Disease Rate (ODR) <sup>16</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Absentee Rate (AR) <sup>17</sup>	4.9%		5.8%		2.6%		-	5.8%		5.3%		2.5%		-

<sup>13</sup> Injury Rate (IR), calculated as the total number of injured people in accidents / headcount x 1000.

<sup>14</sup> Lost Day Rate (LDR), calculated as the rate of the total number of lost days to the number of planned hours of work of employees during the reporting period \*200000.

<sup>15</sup> Accident severity rate, calculated as the number of lost days due to the accident / number of accidents.

<sup>16</sup> Occupational Disease Rate (ODR), calculated as <number of cases of occupational disease / total number of hours worked by all employees in a given period >\* 200.000.

<sup>17</sup> Absentee Rate (AR), calculated as the total number of days absent at work / number of days worked during a year \*200000.

[GRI 102-41] [GRI 403-1, 403-4]

Although there are no collective bargaining agreements in Cyfrowy Polsat Group, each company has an Occupational Health and Safety Committees in which all employees have their representation. Regular meetings are used not only to report current issues, but most of all to jointly make decisions improving safety of all employees. Employee representatives have equal right to actively participate in inspections and audits concerning the Occupational Health and Safety and investigations of accidents.

Each employee has also a right to refuse performing a hazardous work – there have never been and there will never be any negative consequences for such an employee. Equipping of employees who require this with personal protective equipment is a standard in our enterprise.

## CHAPTER 4

### DIGITAL RESPONSIBILITY



## 4. DIGITAL RESPONSIBILITY

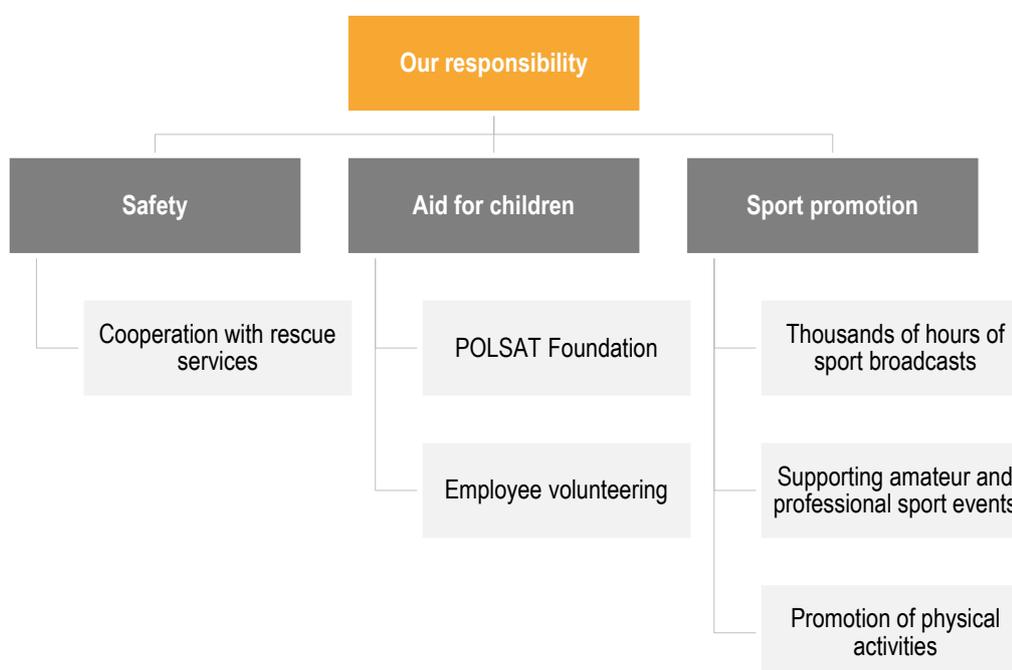
### 4.1. Technological opportunity

*"I believe that the company is doing a lot in the area of security and promotion of security."*

*Participant of the dialog session*

The 21<sup>st</sup> century is the age of technological revolution. It is even difficult to point to the area which has a bigger impact on daily lives of millions of people. Technology accompanies us in the professional and private life, affecting the quality of life all day long. For technological companies, such a big impact means not only business opportunities but also a particular type of responsibility towards customers. Digital services of our companies are available throughout the country and practically every Pole may use them. Such a big coverage enables us to undertake nonstandard activities, which change many aspects of life of every Pole in a systematic way. We know how to wisely and carefully take advantage of this opportunity – we are proving this every day for many years already.

#### How do we understand our responsibility?



For many years we have supported the **Copernicus Science Center, one of the most modern European institutions combining promotion of science and culture**. Thanks to Polkomtel, since autumn 2017 the guests of the Center may use free Wi-Fi in the Center's building as well as in the adjacent Park Odkrywców (*Discovery Park*). We are now an exclusive partner of the Family Workshops organized in the Copernicus Science Center – together with the Center we have developed the workshop concerning communications, to acquaint the youngest visitors with modern and old ways of communications. Before that, we invited the visitors, among others, to have fun in connection with the Music Exhibition. Under the cooperation, Plus network prepared an application for mobile phones which enabled the visitors to get more details about most interesting exhibits as well as receive information about science exhibitions in the Center. We also plan to prepare, together with the Center, a scientific exhibit showing the development of mobile telephony.

## 4.2. Concern for safety

*“Ratunek (Rescue) application is the first application of this type in Poland. (...) It not only connects the users with rescuers, but also shows the location of a calling party. (...) Great thing, also on the European scale.”*

*A participant of a dialog session*

In Cyfrowy Polsat Group we are convinced that state-of-the-art technology may not only improve the daily life, but can even save this life. We are particularly proud of the close cooperation with rescue services operating in Polish mountains and by the water. For a number of years, we have supported rescuers in their activities, financed trainings and provided funds for purchase of equipment.

**However, above all, thanks to our technology we had created a rescue system which has saved health and life of many people in recent years.**

Launching of the Integrated Water Rescue System and Rescue Coordination Centers in the mountains are unprecedented events in the history of Polish business. Thanks to joint activities with rescuers, all Poles may use an instant, precise and simple emergency call system in the health and life-threatening situations by the water and in the mountains. A solution introduced by Polkomtel enables effective communication between rescuers and the injured parties. Our rescue system has made it possible to **shorten the time** of reaching a person in danger **even by 20 minutes** – the experience shows that this time is often a thin line between effective help and human tragedy.

*“The Company could mention the phone numbers for emergencies in the mountains and by the water in its report.”*

*A dialog session participant*



Two free-of-charge emergency lines launched by Plus – 601 100 100 (lifeguard rescue services) and 601 100 300 (mountain rescue services) – are easy to remember. We promote these numbers on posters and leaflets available at the places, where the knowledge of these numbers may save life. Information about the numbers is also available, among others, in mountain shelters, on the beaches, in marinas and tourist information points.

### HOW THE INTEGRATED RESCUE SYSTEM WORKS

People calling emergency lines (601 100 100 and 601 100 300) are automatically forwarded to the nearest dispatcher center. A dispatcher needs to press just one button to send a rescue unit for help.

The system monitors entire regions, taking care of the safety of hundreds of thousands of people. It operates twenty four hours a day, all year long in the entire country. It is definitely the biggest and most advanced system in this part of Europe. Emergency lines cooperate with all mobile and fixed-line networks in Poland.

- During 14 years of operation of the Integrated Rescue System, there were around 20 thousand interventions by the water.
- Over 70% of all actions and interventions by the mountain rescuers and lifeguards are initiated by placing a call to the emergency lines of Plus.

*“The fact that the rescue system and the emergency number are milestones for WOPR lifeguard units is evidenced by the situation from 2007 when following a “white squall” several dozen sailboats capsized while 80% of the calls reporting this incident came via this number. During 20 minutes we picked up nearly 100 people from the water along a distance of 171 kilometers and we registered the names of more than 80 of them in our records.”*

Zbigniew Kurowicki  
President of the Mazury Voluntary Rescue Services



The system we have developed is supplemented by Ratunek (*Rescue*) application available for free for smartphones. Using this application, the user may quickly and efficiently notify rescuers about an accident. The application allows for connection to the nearest rescue center, and during the call sends an SMS to the rescuer with the location of the affected person with accuracy to 3m. Since the launch of Ratunek application, approx. 40 thousand calls were made and hundreds of people received help. In 2017, the application was downloaded by more than 50 thousand people.

In 2017 in the mountains, there were over 200 events reported, out of which 40 reports concerned life-threatening events.

Examples of successful actions with the use of Ratunek application:

- saving eight tourists who got lost in the area of Morskie Oko,
- finding chilled people in Karkonosze Mountains,
- leading down a tourist who got lost in the fog on Czerwone Wierchy,
- saving a speleologist in Jura Krakowsko-Częstochowska,
- saving a group of secondary school pupils from the quarry in Jura Krakowsko-Częstochowska.

We are proud of the cooperation with rescue units and use every opportunity to help them improve their qualifications. Therefore, we regularly support industry events – in 2016 we were a partner of, among others, Sea Rescue Polish Championships, Rescue Boats Championships or summer competition for sea and mountain rescuers. Our television channels regularly broadcast these events.

At the same time, we carry out numerous education actions together with rescuers which are to improve the knowledge about safe behavior in the mountains and by the water. In 2017 we organized, among others, Safe Winter action during the winter holidays together with GOPR (Voluntary Mountain Rescue Service) and “Sunny Station” summer action during which we discussed the issue of safety and emergency lines. We regularly conduct information campaigns, both online in social networks and through posters and banners in sea and mountain resorts.

We are pleased with the appreciation for our activities in the area of safety expressed by independent experts. Plus emergency line and Ratunek (*Rescue*) application received awards in the **Visionaries of 21<sup>st</sup> century** contest organized by “Wprost” weekly.

#### 4.3. Care for children's health

[GRI 203-1, GRI 203-2] [Accounting Act – Key Performance Indicators]



##### POLSAT Foundation – key figures

*During 21 years:*

Aid provided to over <b>31.5 thousand</b> children	Support for over <b>1 200</b> hospitals and medical centers
Over <b>PLN 224 million</b> allocated for financing statutory goals	<b>PLN 17.5 million</b> collected from the St. Nicholas Commercial Block
Over <b>PLN 16.7 million</b> of revenue from 1% tax	

Children occupy a special spot when looking at the social impact of Cyfrowy Polsat Group. For more than 21 years, POLSAT Foundation has incessantly worked for improving the health of the youngest patients in Poland. It organizes big, national campaigns the profits from which are allocated to the purchase of medical equipment for hospitals and medical centers taking care of children.

The Foundation understands that the illness of a child is a drama for many Polish families, not only in emotional but also material terms. Specialist treatments, pharmaceutical products or complicated surgeries are expensive and often exceed financial capabilities of the parents. Due to various reasons the State Healthcare cannot provide appropriate health to all the needy.

[GRI 203-1, GRI 203-2]

In 2017, POLSAT Foundation donated:

- PLN 511,936.26 for medical treatment of 255 children,
- PLN 4,184,223.45 for rehabilitation of 1 794 children,
- PLN 219,784.67 for the purchase of medical equipment for 69 children,
- PLN 395,008.80 for the purchase of rehabilitation equipment for 140 children,
- PLN 1,834,248.05 allocated to 12 centers and hospitals where children are treated and rehabilitated

POLSAT Foundation saves health and life of children, who have no chance of being cured without this aid. The Foundation has created a system of fast and effective response to requests for help. Information received from parents is verified, and then their applications are examined based on the agreed criteria. The Foundation finances numerous treatments, drugs and therapies. During 21 years, it helped 31 535 children suffering from, among others, mucoviscidosis, Down syndrome, cerebral palsy, muscular dystrophy, arthrogryposis, hearing impairment, cancer, kidney diseases, heart defects, diabetes or epilepsy.

POLSAT Foundation sponsors renovation and modernization of medical centers. So far, 1200 hospitals and medical centers across Poland have received support. The Foundation purchased high quality equipment for them, including diagnostic equipment for treatment of prematurely born infants, specialized equipment for diagnosing oncological diseases of children and medical equipment for diagnosing and monitoring of the health of children – victims of accidents.

The Neonatal Pathology Clinic with Intensive Care Unit in the Children's Memorial Health Institute is one of the major examples of the support we provide. The Clinic was built in 2006 by the POLSAT Foundation. In 2016, the Clinic entered a new stage of its development – after financing by us the modernization and extension of the facility, the Clinic has become the biggest medical center of this type in Poland. In its new shape the Clinic may take up to 3.5 thousand children per year. At the same time – under “We support mothers with pride” project conducted jointly with Procter & Gamble – a room for mothers was opened. It ensures home conditions for mothers during the stay of their children in the hospital.

*“The things which were very valuable for us in our cooperation with Foundation included professional end-to-end implementation of each project as well as performing pioneering tasks which at first glance seemed difficult to complete – according to the rule “the more difficult, the better.” It is your courage that we appreciate so much.”*

*Dr. n. med. Maciej Piróg, Director of the Children's Memorial Health Institute in years 2002-2012*

In 2017, POLSAT Foundation was involved, among others, in the renovation of the Pediatric Ward in the County Health Center in Otwock – the facility which has not been renovate for over half a century and which hospitalizes two thousand young patients every year. The Foundation ensured financing and organization of renovation work. The total cost of modernization amounted to PLN 1 million – among others, emergency room, treatment rooms, toilets and patient rooms were renovated and furnished. Water and sewage, electrical and ventilation installations have been also replaced. As a part of the renovation, the social welfare hotel rooms for mothers have been also arranged. Execution of the project at this stage was possible thanks to joining this part by the Pampers brand from Procter&Gamble. Furthermore, Polsat Group together with POLSAT Foundation organized a charity action among its employees “We double the money”. The funds collected from the employees were doubled from the budget of Polkomtel and then allocated to the purchase of specialized equipment, including a scanner for locating subcutaneous blood vessels for the Otwock facility. The renovated unit was opened at the beginning of June 2017.

Since the beginning of its operations, the POLSAT Foundation has been involved in many pioneering projects<sup>18</sup>:

- launching the Liver Transplant Family Program in Poland,
- establishing the first Polish Children's Ward of Autologous Bone Marrow Transplantation and Gene Therapy at the Hematology Department of Proliferative Diseases of Children in the Wrocław Medical University,
- establishing the Bank of Hemopoietin Cells from Umbilical-Cord Blood at the Department of Hematology, Oncology and Internal Diseases of the Warsaw Medical University. The Bank is named after the POLSAT Foundation,
- starting the program of atrial septal defects treatment in children using the Amplatzer non-surgical technique in the Children's Memorial Health Institute,
- implementing innovative medical techniques – the application of so-called artificial liver and intra-operative neuro-monitoring in the Clinic of Pediatric Surgery and Organ Transplantation at the Children's Memorial Health Institute,
- introducing to Poland state-of-the-art treatment method of Spina bifida in the womb. Medical procedures are performed in the 1<sup>st</sup> Department and Clinic of Gynecology and Obstetrics of the Warsaw Medical University.

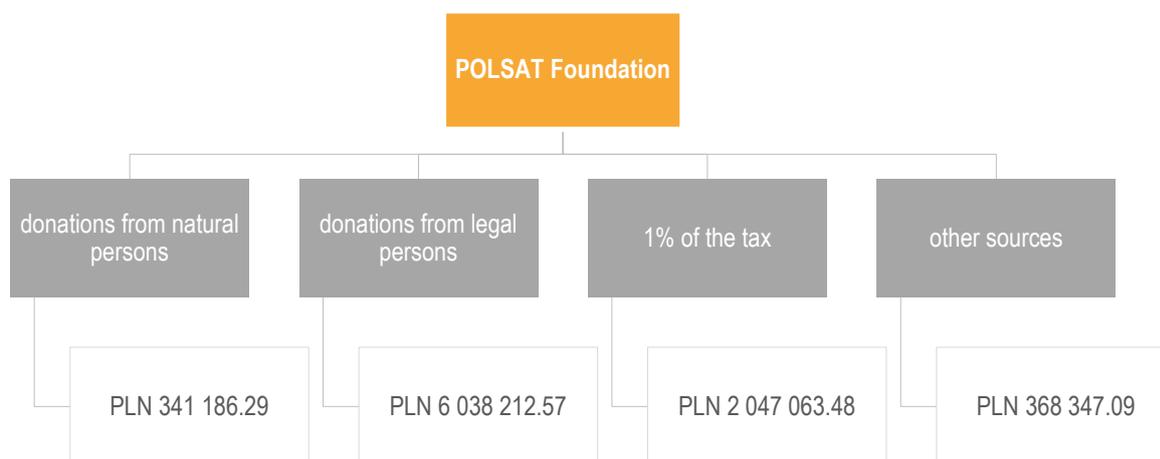
POLSAT Foundation also involves actors and producers of TV series broadcast in Polsat TV channels in the important events organized by it. For years, all the activities of the POLSAT Foundation are supported by the news journalists of two television channels: POLSAT and POLSAT NEWS. Information on important events of the POLSAT Foundation appear in the news programs. A representative of the Foundation is also a guest of the “New Day” program in Polsat News every

<sup>18</sup> List of projects in which POLSAT Foundation is involved, including detailed information, is available at the Foundation's website: (<http://www.fundacjapolsat.pl/aktualnosci/>)

Thursday. The Foundation is present in this channel also in its Sunday program "Wystarczy chcieć" (*To want is all you need*). Authors of the program present stories of the parents of sick or disabled children, but also problems facing healthy children. Experts explain the essence of the presented cases, discuss a possibility of treatment or – in case of incurable diseases – suggest how the care for such patients should look like. The program is hosted by Bartosz Kwiatek, a journalist of Polsat News, whereas Izabela Talabska - mother of 11-year old Olaf with cerebral palsy who receives support from POLSAT Foundation – tells the stories of children and also seeks the opinions of experts about the cases discussed in the program.

All activities of POLSAT Foundation are possible thanks to the support from donors. We reach private people and sponsors, among others, through Polsat TV which for years has broadcast calls for help. Without television, POLSAT Foundation could not be so effective and could not operate on such a big, national scale.

### POLSAT Foundation's financing in 2017



### Biggest donors in 2017

Item	Name	Amount
1	TELEWIZJA POLSAT SP. Z O.O.	PLN 2 252 983.00
2	POLKOMTEL SP. Z O.O.*	PLN 1 049 810.44
3	ORANGE POLSKA S.A.*	PLN 647 354.95
4	PROCTER AND GAMBLE DS. POLSKA	PLN 500 000.00
5	CYFROWY POLSAT S.A.	PLN 461 886,04
6	T-MOBILE POLSKA S.A.*	PLN 331 275.00
7	P4 SP. Z O.O.*	PLN 311 540.00
8	PLUS BANK S.A.	PLN 250 000.00
9	POLSAT MEDIA SP. Z O.O. SP.K.	PLN 125 565.00
10	ZESPÓŁ ELEKTROWNI PAK	PLN 102 000.00
11	PLUS TM MANEAGEMENTY SP. Z O.O.	PLN 35 534.70
12	G24 GROUP SP. Z O.O.	PLN 31 050.00
13	AQUILA HOTELE SP. Z O.O.	PLN 10 000.00

\* Charity and transfer of entire income from the SMS campaigns organized by the Foundation

The Foundation cooperates with Polsat TV when organizing nationwide TV campaigns having the purpose of acquiring funds for the Foundation's statutory goals. "Jesteśmy dla dzieci" (*We Are for the Children*) is one of the most recognizable projects.

The spots aired in Polsat TV feature children who appeal for help not only for themselves but also for their ill friends.

[GRI 203-1, GRI 203-2]

For 14 years now, each December 6 at 6.45 p.m. Polsat TV and Polsat Media advertising bureau have been organizing the **Mikołajkowy Blok Reklamowy (St. Nicholas Day Commercial Block)**. This dozen or so minutes, filled with commercials, attract millions of Poles to their TV sets every year. The income from the St. Nicholas Day Commercial block, calculated on the basis of audience results, is donated to treatment and rehabilitation of the children who are under the care of the POLSAT Foundation.

In 2016 the St. Nicholas Day Commercial Block was also aired in IPLA online TV. A total of 6 million viewers watched the commercials. As a result over PLN 1.2 million was received on the Foundation's account. The amount of over PLN 17.5 million was collected during the past 14 editions of the St. Nicholas Day Commercial Block action. The entire amount was transferred for treatment and rehabilitation of children.

POLSAT Foundation, while cooperating with the Obstetrics and Gynecology Clinic of the Medical University of Warsaw, which is managed by Professor Mirosław Wielgoś, and with Professor Thomas Kohl of the University Hospital in Giessen, **initiated a project which involves fetoscopic operations of spina bifida performed in a womb**. On September 11, 2017 Polish doctors, together with Prof. Kohl, performed the first successful operation of this type in Poland. POLSAT Foundation financed the training for the doctors and the purchase of the medical equipment required for the operation.

*"It is something extraordinary. Increasing numbers of babies can get help while still in a mother's womb. We wish that the methods which are used elsewhere around the world be also available in Poland. Our assumption is that if others can do it successfully, then we should try as well, so such operations can become possible also in Poland, without the need for difficult trips abroad which in any case are not always good for pregnant women,"* says Professor Mirosław Wielgoś from University Health Center for Women and Newborns, a part of the Medical University of Warsaw.

An important part of the Foundation's revenue also comes from the 1% of the tax transferred by tax payers to charity causes. For years Polsat TV has been encouraging its viewers to support the Foundation when filling in the yearly tax return forms. The Foundation offers access to free software which helps taxpayers fill in their tax return forms and which indicates POLSAT Foundation as the beneficiary of the 1% of the tax paid by a taxpayer. So far we have received nearly PLN 16.7 million this way thanks to the generosity of taxpayers. The entire amount thus received was used for treatment and rehabilitation of children in Poland.

Every year the Foundation's budget is also funded by donations from sponsors who include the biggest companies operating in Poland.

#### 4.4. Healthcare and sports thrills

*"I have always thought of Plus as associated with volleyball and sponsoring. I think that it is important to communicate the influence that such sponsoring has on brand image."*

*A participant of a dialog session*

[GRI 203-1, GRI 203-2]

Sports have a special place in the operations of Cyfrowy Polsat Group. It is not only that we show top class sports to our viewers but above all for many years we have been consistently supporting athletes, both amateurs as well as world champions. For years Polsat has been supporting Polish sport and investing money in its development. We have spent over **a billion zloty** since the year 2000 for purchase of licenses, TV production, broadcasting and promotion of various sports events. Polsat channels are the leaders in the ranking of favorite sports programs. We promote the success of athletes by broadcasting and re-broadcasting sports events as well as by providing information from these events in our news and current affairs programs. No other station in the history of Polish TV has devoted so much air-time to coverage of sports events and the success of Polish athletes.

Volleyball is unquestionably the queen of sports for us. Since a very long time our TV channels have been showing all major volleyball tournaments – from league matches and European cup tournaments to the matches played by our national teams. Thanks to such an extensive exposure in TV, Polish volleyball – both the clubs and the Polish volleyball association – have made a major quality improvement. New arenas and training courts have been built, serious sponsors have started supporting the sport, numbers of spectators at the matches have increased and world class stars have been attracted to the Polish league. Polish clubs have gained recognition in Europe. The crowning of all these efforts are more than 10 medals

from various volleyball championship events in the years 2006-2017 that were broadcasted via Cyfrowy Polsat Group's channels. Cyfrowy Polsat Group vastly contributed to the organization of the FIVB World Championship in Poland in the year 2014 which ended with the Polish team winning the gold medal. Also in 2017 we covered, in our channels, the Lotto Eurovolley Poland 2017 European championship in men's volleyball which was played in Poland. Plus mobile network, which is a member of our Group, sponsored both of these events. Our professionalism, both in the field of TV production and technology as well as the favorable cooperation with FIVB, resulted in the FIVB World League finals being hosted three times by Poland (in the years 2007, 2011 and 2016). The event was not only spectacular from sports point of view but it was also a fine promotion of Poland around the world. Men's and women's national teams are at the same time also supported by Plus who has been the strategic sponsor of both national teams for 20 years now. According to Pentagon Research, the value of Plus brand exposure during all the volleyball matches in 2016 was PLN 131 million.

Big volleyball events in Poland also led to the development of a new, joyful, friendly, and above all safe model of supporting the teams by whole families. It is the model which we have been shaping, supporting and promoting also thanks to the involvement of the companies from our Group. The cheering choreography ("tifo"), with frequent camera shots of joyful fans during the matches, effectively promote this way of supporting one's favorite team. And the promotion of such a way of supporting one's favorite team is not only restricted to Poland, as Polsat TV often produces and transmits the signal with coverage of volleyball tournaments to several dozen or so countries around the world. Our fans are appreciated by international sports federations, while the model of expressing one's involvement and positive sports emotions in a colorful, familial, safe manner has been already adopted in Italy or South America.

Plus also sponsors all the youth national teams which are members of the Polish Volleyball Association (PZPS). Thanks to the company's involvement, as well as financial stability and joint cooperation of the parties, Polish volleyball players have been able to achieve spectacular success at numerous events, including the gold medal of the Women's European Championship in 2005, the gold medal of the Men's European Championship in 2009, the silver medal of the Men's World Championship 2006, the gold medal of the Men's World Championship 2014 (the most valuable trophy which was won during the World Championship event held in Poland) and the gold medal of the U-21 World Championship in 2017. Cooperation with the Polish volleyball league is the natural continuation of the project. Plus is the titular sponsor of men's and women's leagues. Our involvement in volleyball in the years 2015-2016 was exploited by us as a platform for communicating the products and the services offered by our Plus network.

However, volleyball is not everything that the fans like. While thinking about our viewers, we have been consistently betting on football in the best quality demonstrated by our national team. It were the Polsat channels where fans could watch the 2002 and 2006 FIFA World Cup matches, or the finals of UEFA Euro tournaments in 2008 and 2016.

In the coming years the viewers of Polsat channels will experience awesome football thrills. We will be showing the Euro 2020 qualifiers and the FIFA World Cup 2022 qualifiers, as well as two seasons of the Nations League, organized by the UEFA European federation, i.e. 2018/2019 and 2020/2021. The fans will be able to enjoy the matches of such football powerhouses as Germany, Portugal, Spain, France, Italy or England. The matches of the Polish national team will be rebroadcasted by us in maximum four hours after the final whistle. All in all up until 2022 we will broadcast nearly a thousand matches in the both qualifying cycles and in the Nations League.

Thrilling time will begin in August 2018. Viewers are invited to a true football feast – during the coming three years (until 2021) our channels will show over 1000 **Champions League** and **UEFA Europa League** matches. Cyfrowy Polsat Group acquired – for the Polish fans – exclusive rights to show the CL and the EL matches in all distribution channels, including in TV, the Internet and on mobile devices. Cyfrowy Polsat will be the only satellite TV platform in Poland to show all the matches.

*"We are proud to have acquired the rights to such fine products as the UEFA Champions League and Europa League. It has been a strategic investment for our Group and our digital TV platform. While showing the qualifying matches for the 2016 UEFA European Championship finals, the 2016 European Championship tournament which was successful for Poland as well as the qualifying matches for the 2018 FIFA World Cup, we have observed growing popularity of broadcasts from football matches. This has confirmed our belief that investments in top class football are the right direction. Acquisition of exclusive rights for the Champions League and Europa League for the coming three years is an exciting event for our Group."*

*Maciej Stec, Management Board Member of Polsat TV and Cyfrowy Polsat*

During recent years we supported, in terms of TV production and organizationally, such events as the 2016 EHF European Championship in Handball, which took place in four Polish cities. A record number of 400 thousand spectators watched the matches from the stands while international coverage of the tournament was watched by over 1.5 billion viewers worldwide. Handball has been present in our TV channels since the very moment when Polsat Sport TV channel was launched.

In our TV channels we also regularly broadcast coverage of basketball and rugby matches, Polish boxing matches, biathlon races, speed skating events and tennis.

Our work and the success achieved by the members of our national teams are very much appreciated by fans. The matches with the biggest audiences in Polsat TV included:

- Germany vs. Poland match during the UEFA EURO 2008 – over 10 million viewers,
- Austria vs. Poland match during the UEFA EURO 2008 tournament – over 10 million viewers,
- The final match of the 2014 FIVB Volleyball Men's World Championship – over 8 million viewers,
- The 2013 Wimbledon semi-final match between Jerzy Janowicz and Andy Murray, with nearly 1.4 million people watching the match in Polsat Sport channel.

Survey results confirm the popularity of our sports channels. Since the year 2007 Polsat Sport has been among the most frequently watched sports channels in Poland.

Thanks to Polsat TV, Polish viewers have the opportunity of watching the most important sports events which are followed by hundreds of millions of people around the world. We show the most popular and the most thrilling competitions and sports stars. Broadcasting of major events also means popularization of numerous disciplines of sport, which often stimulates people of all ages to practice a given sport. On the one hand it encourages children and teenagers to go outdoors and get interested in sports, and on the other it often helps adults in deciding to devote at least part of their leisure time to sports.

Polsat, as well as our sports and news channels willingly support activities which promote physical education by promoting such activities in the media and in the TV channels. Both, the news programs and the programs dealing with sports inform of mass sports events while encouraging viewers to participate in them. By presenting sports stars, who also willingly join such initiatives, we promote active leisure and tourism. We also promote mass running or cross-country skiing events while also supporting hockey, football and tennis tournaments for children.

The Group's TV channels also promote tourism and leisure, with particular stress being put on travel in Poland. An important role is played by the actions which we carry out together with our partners during summer and winter vacations.

Acquisition of the broadcasting rights as well as production of major sports events at world class level mean expenditures reaching hundreds of millions of euros. Thus financing of such efforts only from the money obtained from sponsors or commercials is not possible. For that reason – similarly as in practically all countries in the EU and North America – part of the broadcasts are shown on paid (scrambled) channels. Ease of purchase of such services, affordable pricing as well as superb quality of the presented materials result in such services enjoying increasing understanding and popularity among our clients.

At the same time we try to make sure that individual events of top importance are available for the most extensive groups of viewers. The victorious match of the Polish team during the FIVB World Cup was broadcasted in an open channel. In accordance with the binding regulations, it is also most of the matches of Polish national teams in various sports disciplines, including football, volleyball and handball, that are not scrambled.

*“By showing Champions League and Europa League matches from 2018 we will build an offer that everyone will be satisfied with. While creating this offer, we will be drawing on our experience from showing football and volleyball matches as well as World Cup tournaments and the UEFA Euro 2016 tournament, i.e. showing matches for wide audiences as well as providing offers for those who wish to follow entire tournaments.”*

*Marian Kmita, Sports Director in Polsat TV*

#### 4.5. Help measured by smiles

Encyclopedias define corporate volunteering as supporting of charity activities by an employer with a voluntary cooperation from the persons who are employed in a given company. For us at Cyfrowy Polsat Group volunteering is associated with joy, support for others, smiles and happiness. Our employees have for years demonstrated a lot of involvement and commitment to volunteering while the Cyfrowy Polsat Group proudly supported them in their efforts.

*“As a team, for years we have been involved in actions for those in need – the Noble Box, Santa Claus Courier (Kurier Świętego Mikołaja), Fill in the Backpack, or support for day-to-day operations of POLSAT Foundations are but a few of such actions. In most cases such actions involve the company’s employees, at times with the support of the management boards of the companies from our group. What we are happiest about is that most of these things happen as a result of employees’ one initiatives.”*

*Iza Sarzyńska, Senior Promotion and Public Relations Specialist, Anna Suplewska-Kocyło, Senior Public Relations Specialist, the coordinators of corporate volunteering actions at Polkomtel and Cyfrowy Polsat*

Volunteering is promoted in our company by the slogan JA+WOLONTARIAT (*I+VOLUNTEERING*) which of course refers to our nationwide marketing campaign “Plus. New possibilities”. The campaign gained popularity thanks to “Brawo JA!” (*Bravo ME!*) slogan which has become a popular catchphrase and part of the colloquial language. We use the strength of the message and its perfect recognition when organizing in-house volunteering actions while at the same time trying to facilitate the integration of the teams from various companies of the Group. We have been inspired by the International Volunteer Day – on that occasion we stressed, in our internal communication, the importance of involvement in social activities and the benefits arising from teamwork.



#### [GRI 203-1, GRI 203-2]

- During the 2017 summer vacations we once again carried out our “Fill in the Backpack” action. We managed to collect over 2000 various school items and we prepared 30 full sets of school materials and 1 big box with creative materials for a local community day care center for children. Our business partners provided to us over 1 000 attractive gadgets which we also packed into the backpacks.
- In December 2017 360 employees of Cyfrowy Polsat and Polkomtel prepared 141 parcels with Christmas gifts in response to moving letters sent by children to Santa Claus. The value of the gifts was PLN 16 800. The parcels contained gifts for the children from two community day care centers, in Miłki and Biała Rawska. The action was conducted jointly with Przyjaciółka Foundation.
- The employees involved in volunteering activities also participated in Szlachetna Paczka (the *Noble Box Project*) action. In 2017 the volunteers prepared 43 Noble Boxes with a total value of PLN 6 500. Five families from Warsaw and Łódź received material and financial support.

Corporate volunteering also means active support for the persons under the care of the POLSAT Foundation. In 2017 our employees participated in 3 actions which aided treatment and rehabilitation of ill children.

- In 2017 POLSAT Foundation, while fulfilling its statutory goals, became involved in such activities as repair and renovation works in the Pediatric Ward of the County Health Center in Otwock. What was very important in this action, apart from the major renovation works of the hospital rooms, was the purchase of the equipment which improved the comfort of taking blood samples from small patients. That is why in spring we organized fund raising for the purpose of purchasing a special scanner for location of blood vessels under the skin. Thanks to the involvement of our employees and the support of the Management Boards of Polsat TV, Cyfrowy Polsat and Polkomtel we have been able to achieve our goal and raise PLN 17 500 for the purchase of that device.

- Our Family Picnic, which was organized in Otwock on the occasion of 2017 Child's Day, also proved a success in terms of the number of participants. The participants of this big family feast could enjoy two concerts which took place in the Municipal Park and they could also buy donation certificates which were sold by volunteers who included the employees of Polsat TV, Cyfrowy Polsat and Polkomtel. The money from the lottery was used to aid ill children as well as for the new equipment for the Pediatric Ward of the County Health Center in Otwock. The concert, which included such stars as Anna Wyszconi, Kayah, Kamil Bednarek, Urszula, Danzel, or Big Cyc band, was broadcast by Polsat TV.
- We have been able to close the year 2017 with an exceptional initiative of aid for a patient cared for by POLSAT Foundation. Our employees, together with their children and the children attending the School and Kindergarten Complex in Halinów near Warsaw, donated the Christmas decorations they made themselves to help Kuba from Mińsk Mazowiecki who suffers from autism and cerebral palsy. The decorations they made were offered for sale during a Christmas fair held in the offices of Plus and Cyfrowy Polsat. We collected a total of PLN 8 924 for Kuba. It was fantastic news for the boy's mother who on the date when we were collecting the money learned that her son would have to undergo specialized genetic tests costing PLN 6 000. In this case we were able to realize an ideal scenario of bringing aid to those in need. We could all really feel the magic of Christmas.

There is yet another form of helping others that we readily join every year. It is the donation of 1% of our income tax to treatment and rehabilitation of the patients taken care of by POLSAT Foundation as well as by other foundations which take care of our employees, or their children who suffer from serious illnesses.

Though corporate volunteering is not covered by any formal procedures in Cyfrowy Polsat Capital Group, still we trust that by our joint efforts we can meet many challenges. We have found out many a time that even a small gesture can trigger an avalanche of good. And these are the values that we will believe in!

## CHAPTER 5

### ENVIRONMENT-FRIENDLY GROUP



## 5. ENVIRONMENT-FRIENDLY GROUP

*“When I, as a subscriber, return to Polsat the equipment I can no longer use ...does this equipment have any second life?”*

*A participant of a dialog session*

### 5.1. Key figures

[Accounting Act – Key Performance Indicators]

<b>&lt;1 W</b>	<b>11.9 tons</b>
the power consumed in standby mode by the set-top boxes manufactured by Cyfrowy Polsat	of waste electronic equipment was sent by Polkomtel for recycling in 2017
<b>617 tons</b>	<b>3.4 tons</b>
of waste was sent by Cyfrowy Polsat for recycling in 2017	of data carriers were sent for recycling by Polsat TV in 2017

### 5.2. We control our influence on natural environment

In Cyfrowy Polsat Group we do not forget about the influence we have on the environment. We control consumption of raw materials and save electrical energy. We are effective in managing waste and whenever possible we transfer the waste to specialized recycling firms. We also examine the impact that our transmission equipment has on the environment.

#### Important areas of Cyfrowy Polsat Group’s influence on natural environment

	Cyfrowy Polsat	Polkomtel	Polsat TV
Consumption of raw materials	✓	✓	✓
Electrical power	✓	✓	✓
Waste management and recycling	✓	✓	✓
Impact of base stations and transmitters on the environment	✗	✓	✗

#### Management Approach

The InterPhone Service factory of set-top boxes holds ISO 9001:2009 and ISO 14001:2005 certificates in the field of design and production of electronic equipment as well the PN-N-18001:2004 certificate, issued by the Polish Certification Center, which covers design and production of electronic equipment. Polkomtel holds certificates which confirm the company’s particular care for the quality of the services it offers (ISO 9001:2008) as well as its ecological responsibility (ISO 14001:2004).

Since 2014 environmental goals have been in place at Polkomtel. Observance of fulfillment of these goals has become an important element of the company’s strategy. The company’s priorities in the area of ecology include:

- the products launched to the market meet the requirements of relevant norms and regulations,
- achievement by the company of at least the legally-required levels of salvaging and recycling of the electrical and electronic equipment as well as batteries and packed products which it introduces to the market,
- sale of electrical energy produced from renewable sources, natural gas burning or cogeneration in the amounts which at least meet the levels required by the law,
- rational and thrifty management of electrical power,

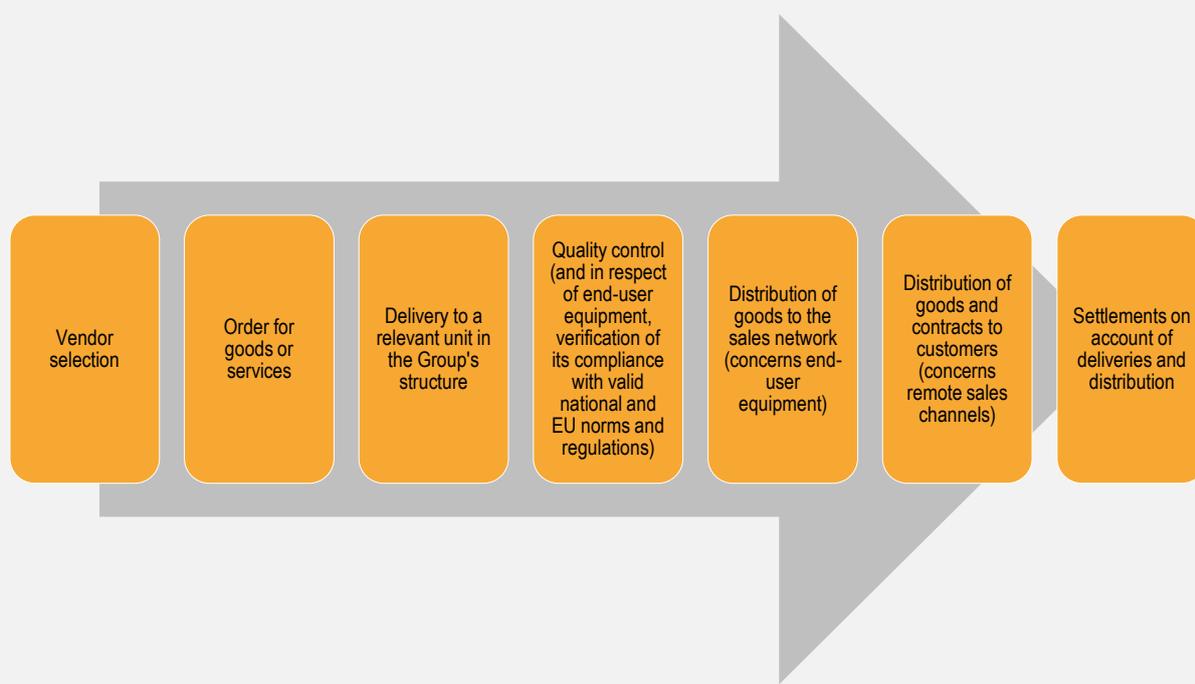
- reduction of negative environmental impact in other essential environmental aspects.

The company has committed to make efforts to systematically increase the employees' awareness in the field of environmental protection, improve its processes as well as reduce the negative impact it has on natural environment (while increasing the positive one) as well as meet the legal and other requirements related to environmental issues.

At Cyfrowy Polsat we regularly monitor our efforts from the point of view of their compliance with laws and regulations governing environmental protection as well as with any other environmental requirements which we may be bound by. If needed we contact the relevant authorities and cooperate with them in the field of monitoring of compliance of our activities with valid laws and regulations. According to our best knowledge, as of the date of this report no courts suits were filed against us on account of non-compliance with environmental protection regulations.

#### DELIVERY CHAIN [GRI 102-9]

Production of equipment, network maintenance, office space maintenance, or broadcasting of TV signal require day-to-day cooperation with hundreds of companies from Poland and abroad. All of Cyfrowy Polsat Group's companies follow the "Procurement and Vendor Selection Procedure". Our aim is to make our delivery chain as effective as possible while its uniform and consistent organization should support cost optimization and minimize the adverse impact that we may have on the environment.



### 5.3. Waste and recycling

Due to the technology-related nature of our operations, electro-waste is an important area for us. At Cyfrowy Polsat and Polkomtel, that is in the companies which introduce big numbers of STB's, mobile phones, modems, antennas and other devices to the market every year, we try to make sure that as much of that equipment as possible is recycled. It is not only a way of reducing the volume of electro-waste but above all a method of reducing the negative impact that old devices have on the environment. At the same time recycling enables recovery of many valuable and rare metals for the industry.

According to the calculations made by GoRepair, an average smartphone contains 8.75 g of copper, 8.31 g of cobalt and 0.25 g of silver. A mobile phone also contains gold – 0.024 g, which means that by recycling 45 devices one can get 1 gram of gold. The average value of all the elements (precious metals) that one handset contains is as much as PLN 8.

[GRI 306-2]

Lp.	Total weight of safe and hazardous waste, depending on the procedure adopted	Weight of waste in 2016 [Mg]				Weight of waste in 2017 [Mg]			
		Non-hazardous waste				Non-hazardous waste			
		Cyfrowy Polsat	Polkomtel	TV Polsat	TOTAL	Cyfrowy Polsat	Polkomtel	TV Polsat	TOTAL
1	Recycling	551.7	0	9,5	561.2	616.6	0	4.3	620.9
2	Salvaging (including recovery of energy)	0	0	0	0	0	0	0	0
3	Other	0	11.0	0	11.0	0	78.8	0	78.8
<b>TOTAL</b>		<b>551.7</b>	<b>11.0</b>	<b>9,5</b>	<b>572.2</b>	<b>616.6</b>	<b>78.8</b>	<b>4.3</b>	<b>699.7</b>

Polkomtel has for many years been consistently encouraging its customers to adopt a pro-ecological attitude. At the company's stationary points of sale one can deposit the waste equipment (handsets, accessories, etc.) which will be later on subjected, free-of-charge, to recycling. Special containers are also available where waste accessories can be dropped. In total, in 2017 we supplied over 11.9 tons of waste electronic equipment for recycling.

Our strategic clients – the big companies with whom Polkomtel has long-term cooperation – are offered assistance in disposing of their electronic equipment. At clients' requests we arrange both, the process of handing the equipment over to a recycling company as well as monitoring of execution of the waste disposal process.

Polkomtel fulfills its statutory duties in the field of recycling and recovery of raw materials and carries out the educational campaigns for the public thanks to the cooperation with specialized organizations. In 2017 Polkomtel introduced on the market 450 tons of packaging and other waste related to electrical and electronic equipment, out of which recycling organizations recovered 22.5 tons while 7.3 tons were recycled.

Cyfrowy Polsat cooperates, on continuous basis, with the companies who collect and recycle all sorts of waste generated by the company. In 2017 Cyfrowy Polsat supplied nearly 617 tons of waste (552 tons in 2016) for recycling to specialized recycling firms, with more than half of this amount being electro-waste, while the waste related to packaging materials accounted for nearly 35% of the total volume (40% in 2016).

**BEST PRACTICE IN CYFROWY POLSAT**

**Recycling of electro-waste**

All electro-waste generated by the staff who repairs customers' devices, as well as the company's equipment intended for liquidation, is handed-over to specialized recycling firms. In 2017 over 375 tons of waste, consisting of electrical and electronic devices, were delivered to specialized recycling plants, with the respective amount for 2016 being 300 tons.

Also every Cyfrowy Polsat set-top box we deliver to our customers is "ecological" – the specification of these devices always complies with the valid norms, while power consumption in standby mode does not exceed 1W. We take care that the equipment is re-used – the devices are loaned to clients for a specific period of time and once they are returned and refurbished they go back to the market again.

**Recycling of documents**

The documents intended for recycling are shredded with the use of a heavy duty shredder. The shredder grinds the material in line with DIN norm (security level III) while the output is successively conveyed as paper waste for recycling to a company which has a relevant contract with Cyfrowy Polsat.

**Recycling of packaging materials**

The waste we produce, i.e. paper, plastics, Styrofoam, is carefully segregated by us. There are five big, clearly marked containers for collecting waste at our company location, and in addition we purchased the equipment which enables flattening of cardboard. Thanks to this more cardboard can be loaded onto trucks while waste containers with paper do not have to be emptied so often. The activities that we have undertaken enabled us to supply nearly 212 tons of cardboard and paper as well as 6 tons of plastic film and Styrofoam for recycling in 2017. A year earlier we supplied nearly 200 tons of cardboard and paper as well as 11.5 tons of plastic film and Styrofoam for recycling.

Due to the profile of the operations of Polsat TV, ecological activities are predominantly associated with care for proper and efficient disposal of waste. All waste is transferred to specialized companies and recycled outside the company headquarters.

**In 2017 Polsat TV supplied the following amounts of waste to recycling:**

- **150 kg** of toner cartridges,
- **3427 kg** of data carriers,
- **1246 kg** electronic equipment,
- **750 kg** paper.

#### ECOLOGICAL SET-TOP BOXES FROM INTERPHONE SERVICE

Our InterPhone Service STB factory is equipped with modern machinery and employs exceptional and professional staff at all positions. During nearly 11 years of operations, around 8.1 million STBs rolled out of the factory, including the EVOBOX PVR which won the SAT Kurier Awards 2016 award for the best dedicated set-top box. The device is distinguished by its multi-functionality. EVOBOX is not only a satellite TV set-top box but also a device which can be used for showing photos from holiday trips, using the radio or video on-line services.

Location of the factory – in EURO-PARK MIELEC Special Economic Zone – guarantees that the factory has no harmful influence on any valuable natural areas. It is also our intention that once the equipment we manufacture leaves our factory, it will have as little impact on natural environment as possible. That is why we strive to make sure that the packaging for all the devices we manufacture **comes from recycling**. In addition, while bearing in mind organizational efficiency, costs and protection of natural environment, we take care that the trucks and vans which transport the equipment and other materials to the sales network are loaded in an optimum way, which helps reduce CO<sub>2</sub> emission.

#### 5.4. Electrical power consumption

Electricity savings is one of the most important ecology-related priorities of the Group. We are aware of not only the negative impact that wasted electrical energy has on natural environment but also of the potential financial benefits which can be achieved thanks to a thrifty power consumption policy. We do not disregard any seemingly minor efforts, such as for example leaving computers in stand-by mode – taking into account the size of our organization and the number of people working for us, such efforts translate to actual reduction of the adverse impact on natural environment. An example of this can be the policy introduced in Cyfrowy Polsat which assumes switching off the light when leaving a room, disconnecting chargers once device charging is completed, rational use of water as well as prudent use of air-conditioning.

#### ECO-RULES FOR CYFROWY POLSAT EMPLOYEES

1. Encourage use of eco-invoices (e-invoices) by our clients
2. Collect waste paper, segregate waste
3. Print only the documents whose printing is necessary
4. Promote ecological attitudes
5. Switch off the “red lights”
6. Conserve energy
7. Be prudent when using air-conditioning
8. Travel ecologically
9. Use eco-bags and containers
10. Play “eco-smileys”

[GRI 302-4]

Polkomtel has implemented ecological solutions in, among others, its continuously growing IT systems. State-of-the-art data storage solutions present in Plus network's server rooms allow the company to achieve tangible power consumption savings. At the same time, latest technological solutions, like highly efficient rectifiers in our power stations which supply electricity for telecommunications equipment, or the free-cooling systems installed in base stations, not only improve the comfort of use of our network for customers but also reduce power consumption and carbon dioxide emission. All in all in 2016 and 2017 we saved 3 137 MWh of electrical power this way. In addition LED-type lighting has for many years been used in Plus network company stores and partner points of sale for illuminating the signs with the company logo. It is also a standard to use power-saving bulbs and automatic light switches. Recently also cars with low CO<sub>2</sub> emission have been added to the company's car fleet.

[GRI 302-1]

Total consumption of energy: produced by own plants or purchased, with division into electrical energy, heat energy in joules or multiples thereof	2016				2017			
	Polkomtel	Cyfrowy Polsat	TV Polsat	Total	Polkomtel	Cyfrowy Polsat	TV Polsat	Total
Electrical energy [MWh]	159 309	10 414	4 401	<b>174 124</b>	159 562	10 524	4 444	<b>174 530</b>
Thermal energy (including steam and consumption of cooling power) [GJ]	5 812	13 867	5 274	<b>24 953</b>	7 326	15 471	5 274	<b>28 071</b>
Natural gas [MWh]	0	0	239,2	<b>239,2</b>	0	0	254,0	<b>254,0</b>

### 5.5. Consumption of raw materials

Wherever possible we modernize our infrastructure by replacing older solutions with the latest ones, which are natural environment-friendly. For several years now we have been consistently implementing a system of electronic circulation of documents and we also encourage our clients to do the same. While caring for natural environment and comfort of our customers, we launched so-called "eco-services". Users of all the three services from the Group's portfolio, i.e. TV, Internet access and mobile telephony, can receive invoices or payment slips in electronic form. Documents received electronically mean convenience for customers, conservation of natural environment and savings in corporate costs. Based on the data for December 2017, over 87% of Cyfrowy Polsat customers and 94% of Polkomtel customers used electronic invoices.

[GRI 301-1]

Non-renewable	Raw materials / materials consumed, according to weight (tons)	2016				2017			
		Polkomtel	Cyfrowy Polsat	TV Polsat	TOTAL	Polkomtel	Cyfrowy Polsat	TV Polsat	TOTAL
	Copy paper (in tons)	20	32	13	<b>65</b>	30	51	14	<b>95</b>

We monitor consumption of raw materials and other material by the companies from our Group. We strive to minimize the volume and mass of consumed materials, which should bring savings and translate to benefits for the natural environment.

[GRI 301-1]

Item	Raw materials / materials consumed, according to weight/volume (tons, cubic meters)	2016				2017			
		Polkomtel	Cyfrowy Polsat	TV Polsat	TOTAL	Polkomtel	Cyfrowy Polsat	TV Polsat	TOTAL
1	Diesel (cubic meters)	419.4	174.7	293.7	<b>887.8</b>	429.2	57.5	268.0	<b>754.7</b>
2	Aviation fuel (cubic meters)	0	0	4.7	<b>4.7</b>	0	0	9.5	<b>9.5</b>
3	Other raw materials and non-renewable materials	0	9.5	82.9	<b>92.4</b>	0	13.9	123.2	<b>137.1</b>

[GRI 306-1]

Item	Place of waste water disposal (in cubic meters)	2016				2017			
		Polkomtel	Cyfrowy Polsat	TV Polsat	TOTAL	Polkomtel	Cyfrowy Polsat	TV Polsat	TOTAL
1	To subterranean waters	0	0	0	0	0	0	0	0
2	To surface waters (lakes, rivers, etc.)	0	0	0	0	0	0	0	0
3	To waste treatment plants	20 460	11 818	531	32 809	20 863	11 293	527	32 683
<b>Total volume of waste water</b>		<b>20 460</b>	<b>11 818</b>	<b>531</b>	<b>32 809</b>	<b>20 863</b>	<b>11 293</b>	<b>527</b>	<b>32 683</b>

We also monitor the raw materials and other materials used by our Group. We strive to minimize their volume and mass, which should offer savings and translate to benefits for the natural environment.

### 5.6. Environmental impact of base transceiver stations

[GRI 413-2]

We are listening carefully to the opinions from the public discussion regarding alleged harmful influence of mobile base transceiver stations. Relevant permits, required by Polish law, are secured for each of our base stations before it is put on-air. The permits include the ones related to environmental impact. Polish regulations are still among the most stringent in Europe while our antennas are safe to both, human health and natural environment. As a result of amendments, introduced in 2016, of two orders related to work in electromagnetic fields, the recommended method of measuring the impact of electromagnetic fields has changed. The existing recommendation introduces the obligation to perform the electromagnetic fields measurements in a bigger number of points, which directly translates to improved safety of the people who are in the vicinity of a base station.

In 2015 the World Health Organization stated, in its "Electromagnetic Fields and Public Health: Mobile phones" declaration, that research related to the impact that mobile phones have on human health has been carried out for the past 20 years. **No links have been determined on the basis of the research that would indicate any relation between use of mobile phones and harm to health.** Meanwhile the risks associated with base stations are even smaller than the risk associated with the use of mobile phones.

**CHAPTER 6**  
**OUR CORPORATE SOCIAL RESPONSIBILITY AND COMMUNICATION**  
**MANAGEMENT FUNDAMENTALS**



## 6. OUR MANAGEMENT APPROACH TO COMMUNICATION AND CORPORATE SOCIAL RESPONSIBILITY

### 6.1. Key figures

#### [Accounting Act – Key Performance Indicators]

We meet the requirements of **Directive EU 2014/95** and the resultant amendments to the Polish Accounting Act.

We operate on an extremely regulated market – while conducting our operations we have to account for several domestic laws, including the telecommunications law, the press law as well as the regulations governing radio and television, the EU law, or the capital market regulations and the best practice for listed companies.

Cyfrowy Polsat Group companies are members of **10 industry** organizations.

- **23** external stakeholders, representing 20 different parties, took part in the related dialogue session.
- **43** representatives of our managerial staff as well as leaders of selected projects were involved in the process of creation of the Report.
- **83** best practice concepts were proposed during workshops with the managerial staff.

### 6.2. Transparent communications

#### [GRI 101, 102-45 GRI 102-46, GRI 102-47, GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-54, GRI 102-56]

We understand the importance of responsible communication with the market, the employees and other stakeholders in our Group. For years we have been regularly publishing our financial reports and management reports while the high quality of our investor relations was recognized by numerous prestigious awards that we received. More information on this item can be found Chapter 1 – *Our business*.

We are handing to you the first non-financial report of Cyfrowy Polsat Capital Group which describes our activities in the period from January 2016 to December 2017. The publication complies with the Global Reporting Initiative Standard in its Core option and with the amended Accounting Act. While responding to the requirements of the Polish Accounting Act, in the years to come we will be providing annual reports. Our non-financial report covers Cyfrowy Polsat Capital Group, and in particular the information related to the following companies:

- Cyfrowy Polsat,
- Polkomtel,
- Polsat TV.

When looking from the point of view of the generated revenue, assets held and the nature of operations, it is the above-mentioned parties that are the key companies of our Group, and in our view they provide the basis for comprehensive description of our business. While responding to the requirements of the amended Accounting Act, all the data is presented with breakdown to the above mentioned companies including, in particular, the data for our dominant party, i.e. Cyfrowy Polsat S.A.

The report has not been subjected to any external verification but while developing it we relied on consultations with experts who included Deloitte's Sustainability Team.

Standard Global Reporting Initiative (GRI) is an international standard for reporting responsible business and sustainable growth for companies. Reporting principles defined by GRI have been created as an international framework for reporting on economic, environmental and social aspects of functioning of organizations. They account for the practical aspects of functioning of diverse organizations, from small firms to international organizations/companies who conduct their operations worldwide.

Source: <http://odpowiedzialnybiznes.pl/hasla-encyklopedii/gri-inaczey-wytyczne-do-raportowania-kwestii-zrownowazonego-rozwoju-ang-global-reporting-initiative/>

Our report has been compiled in line with the rules defined by the GRI Standard, thus while creating the publication we went through the processes of identification, prioritization and validation.

To get best understanding of the issues which are essential for our key stakeholders, in November 2016 we held a **dialog**

**session** which was based on **AA1000SES** international stakeholder engagement standard. Participants of the discussion included representatives of 20 parties who operate in our business environment. According to the assumptions the dialog had the aim of determining the strategic topics which we should include in our social responsibility activities as well as in the present report.

The discussion which was conducted during the session enabled us to prepare the **Relevance Matrix** which is a set of the social responsibility topics with the biggest relevance for the Group and its stakeholders.

**[GRI 103-1]**

**List of key topics for Cyfrowy Polsat Capital Group – the topics which have been indicated as most important by the organization and the stakeholders:**

Business and market:

- **Influence of CPCG on Polish economy and legislative environment**
- **CSR management fundamentals**
- **Corporate ethics and governance** (including risk management and prevention of corrupt practices)
- **Responsibility in relations with customers** (including quality of customer service, satisfaction surveys, management of complaints, customer data and privacy protection, assurance of safety of the children using the Internet)
- **Responsible marketing communication and advertising**
- **Responsibility while building TV messages** (including protection of intellectual property and copyrights, editorial standards, educational value of the topics related to sustainable growth, promotion of right attitudes)
- **Product quality**
- **Innovation** (including investments in research and development)

Workplace:

- **Working conditions**
- **Education and development of employees**
- **Work safety**

Positive influence on the social environment:

- **Activities carried out for local communities** (via the POLSAT Foundation, the Group and corporate volunteering)
- **Prevention of digital exclusion**
- **Safety**, offered thanks to the products and the services provided by Plus network
- **Sponsoring** of sports events
- **Promoting active lifestyle** thanks to promotion of sports

Minimization of adverse impact on natural environment:

- **Health and safety of products and services** (throughout the entire lifecycle of a product)
- **Waste**

### 6.3. Response to the requirements of new regulations

[GRI 103-2, 103-3]

#### Industry standards and self-regulation

The details related to policies, due diligence procedures as well as result indicators can be found in the chapter *Care for the needs of our customers and viewers*.

#### Management fundamentals

All our activities are undertaken in compliance with the law valid in Poland. In particular we act in compliance with:

- Telecommunications Law
- Press Law
- Broadcasting Act

Every year, together with the yearly report, Cyfrowy Polsat Group publishes a statement concerning observance of corporate governance rules in a given year. Relevant documents for the year 2017 are available for the public on our website.

In Poland the corporate governance rules are found in a document entitled Best Practice for GPW Listed Companies 2016. The purpose of these rules is to consolidate the transparency of listed companies, improve the quality of communication between the companies and the investors, strengthen the protection of shareholders rights, also in the areas which are not regulated by the law. Best Practice covers these fields in which implementation of the rules could have positive influence on market valuation of companies, thus reducing the cost of acquisition of capital.

#### Due diligence procedures

In the case of each company from the Group, it is both the legal departments and the functional units, which carry out specific business activities, that are responsible for making sure that the operations are conducted in compliance with the law.

Our activities on the telecommunications market (Internet access and mobile telephony) are supervised by the Office of Electronic Communications (UKE), while the activity on the TV market is controlled by the National Broadcasting Council (KRRiT). Representatives of our company regularly participate in the work of Polish and international industry organizations while implementing and promoting the solutions developed by these organizations.

The Group has no dedicated procedures related to compliance management.

## Results

(GRI 419-1 Non-compliance with laws and regulations in the social and economic area (penalties for accounting fraud, discrimination in the workplace, etc.)

None of the Group's companies was penalized for non-compliance with laws and regulations in the social and economic area in either 2016 or 2017.

**Cyfrowy Polsat** assures DTH (satellite) access to over 180 Polish-language TV channels, including all the channels from the extensive portfolio of Polsat TV. Every day Polsat TV provides reliable and impartial information on all major events from Poland and from around the world. The top quality of work of our journalists is confirmed by, among others, the audits performed by KRRiT (The National Broadcasting Council).

The Internet access service we provide contributes to providing equal opportunities for the inhabitants of the cities and of the rural areas. Wireless LTE communication offered by **Plus** and **Cyfrowy Polsat** networks reaches both, big cities as well as villages and small towns. Our Internet access service is often the only possibility of getting the connection to the Internet, which reduces the threat of digital exclusion on nationwide scale.

**Cyfrowy Polsat**, while bearing in mind the good of underage viewers and their protection against harmful content, offers parental control which can be activated for specific channels or shows. As regards VOD, we have adopted the "Code of best practice in the field of protection of minors" which was developed by KRRiT jointly with the IAB Polska Association of the Employers of Internet Industry.

**Polsat TV** understands the special responsibility connected with the influence that TV, and advertising in particular, has on young viewers. That is why already in 2014, jointly with other leading broadcasters, we signed an agreement protecting children against unhealthy eating habits. We adopted clear principles of qualification of advertising spots and sponsor messages accompanying shows for children, while all advertisers in the industry have to submit declarations confirming compliance of the products they advertise with the criteria developed by the Polish Federation of Food Industry (PFPZ) and the Food and Nutrition Institute (IŻŻ).

**Polsat TV** participated in the work related to reaching the agreement regarding the sound volume levels in TV programs and shows. As agreed, we have committed to produce and broadcast audiovisual content accounting for loudness level of  $-23$  LUFS<sup>19</sup> which was adopted on the basis of the recommendation issued by the European Broadcasting Union.

Viewers with sight and hearing deficiencies were provided access to our Super Polsat channel in which vast majority of programs have been adapted to the needs of the people with deficiencies. It is a unique medium which serves as a benchmark in the audiovisual policy also outside Poland. Polsat TV also signed the Broadcasters Agreement of 2013 which defines the principles of development of facilities for disabled. In accordance with the relevant provisions, broadcasters are obligated to implement facilities for disabled for 10% of quarterly air time, excluding commercials and telesales. In our opinion the above percentage is too low. That is why in the letters we are sending to the regulator we propose gradual extension of the time during which the facilities for the disabled are offered so that by 2023 at the latest half of the programs will be adapted to the needs of people with disabilities.

<sup>19</sup> LUFS – a loudness unit relative to full scale

## We go beyond the standards

### [GRI 102-12, GRI-102-13]

Our representatives participate in the work of work groups of ten industry organizations of which we are members. Participation in their work is voluntary while the addressed topics are associated with, among others, development of the telecommunications market, media market regulations and intellectual property protection. We are also a member of the Polish Association of Listed Companies.

Firm	Cyfrowy Polsat	Polkomtel	Telewizja Polsat
Polish IT and Telecommunications Chamber (PIIT)	X	X	
National Chamber of Commerce of Electronic Industry and Telecommunications (KIGEiT)	X		
Polish Chamber of Digital Broadcasting (PIRC)	X		
IAB Polska	X		
SYGNAŁ Association of Distributors of Television Programs	X		X
Polish Internet Surveys	X		
Adverting Council	X		X
Creative Poland Association (Stowarzyszenie Kreatywna Polska)			X

## Prevention of corruption and bribery

### Management approach disclosures

The Group has never permitted and will never give permission for any corrupt practices. Ethics in business has always had very high priority all over our organization – our Code of Ethics covers the Group's companies. The document defines fair competition, respect for law and ethical behavior.

### Due diligence procedures

An internal audit unit operates in Cyfrowy Polsat Group (formally it is a division within Cyfrowy Polsat). Moreover, there is an Internal Control Office at Polkomtel while Polsat TV has the Board and Control Office. These units verify whether operations adhere to the procedures and regulations, and they also deal with the issues related to corruption and bribery in sensitive areas of the organization. Every suspicion of corrupt practices is examined meticulously and if our suspicions are confirmed, then we definitely end our cooperation with a given individual or firm.

In the case of Polsat TV, prevention of corruption and bribery is an element of the duties of the legal department which is responsible for assuring that the adopted ethical norms are observed by the employees.

No dedicated due diligence procedures associated with prevention of corruption exist in the Capital Group.

## Results

### Prevention of corruption

[GRI 205-3]

In 2016 Cyfrowy Polsat Capital Group noted a total of 5 incidents having the nature of corrupt practices. In 2017 we noted 2 such incidents in the company. All of them occurred in Polkomtel.

Noted corruption incidents ended with:	2016	2017
termination of employment or a disciplinary penalty for employees	1	0
refusal to renew contracts with contracting parties due to violation of the rules related to corrupt practices	4	2
court suits related to corrupt practices filed against a reporting organization or its employees during a reporting period	0	0
<b>Total</b>	<b>5</b>	<b>2</b>

Whenever a case of corrupt practices is confirmed, apart from terminating the employment of the guilty person we introduce procedures in our companies to remind other employees of the valid principles and internal regulations. All the cases of violation of the rules by our partners in the years 2016-2017 were discovered while auditing one area (the sales channel). We have tightened the processes, modified the procedures as well as implemented and improved the systems which support this area of activity. We conduct numerous preventive and educational activities.

No incidents having the nature of corruption were discovered in Polsat TV and Cyfrowy Polsat in the years 2016-2017.

### Principles of free competition

[GRI 206-1]

One incident, leading to a financial penalty for permitting a competition-restricting practice occurred in Cyfrowy Polsat. The company considered the decision to be grossly unfair. Our view was shared by the Court of Appeals who, in an appeals procedure, repealed UOKiK's decision. UOKiK Chairman filed against the decision of the Court of Appeals.

Three incidents having the nature of anti-competitive behavior and monopolistic practices were noted in Polkomtel in 2017. Two administrative proceedings are in progress. In one case the Court of Appeals issued a legally valid ruling repealing UOKiK Chairman's decision.

No cases of anti-competitive behavior or monopolistic practices occurred in Polsat TV.

## Responsibility towards employees

The details related to policies, due diligence procedures as well as result indicators can be found in the chapter: "Success thanks to the people".

### Management approach disclosures

In each of the companies who are members of Cyfrowy Polsat Capital Group the employee affairs are regulated by the valid Work Regulations.

We try to make sure that the policies that we use inside the organization reflect the valid standards. This rule also applies to our Work Regulations.

In 2017 we implemented the "Human Resources Policy" which is consistent across the entire Group. The main purpose of the policy is to build an attractive working environment for the existing and potential employees. The document has been based on the solutions that have been working finely in Polkomtel, Cyfrowy Polsat and Polsat TV, and it has been used to align the understanding of the principles of staff management with the values adopted by the Group.

### Due diligence procedures

Human Resources Policy regulates the process of hiring of new staff, their adaptation, the offered terms of employment and organizational culture, competence development, freedom of association.

We offer fair remuneration to our employees, depending on the type of their duties, scope of responsibilities and complexity of their tasks. The boundary levels of remuneration at individual employment levels/position are defined by the Remuneration Regulations, while the minimum remuneration level offered by the Group complies with the regulations of Polish law. A common system of HR and payroll support exists across the whole Group, thanks to which the procedures, processes and data are consistent in the whole organization.

### Results

The following indicators have been adopted to assess performance:

- **GRI 102-8 Information on employees and other workers**
- **GRI 102-41 Collective bargaining agreements**
- **GRI 405-1 Diversity of governance bodies and employees**
- **GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities**
- **GRI 403-3 Workers with high incidence or high risk of diseases related to their occupation**
- **GRI 403-4 Health and safety topics covered in formal agreements with trade unions**
- **GRI 404-1 Average hours of training per year per employee**
- **GRI 404-3 Percentage of employees receiving regular performance and career development reviews**

### We exceed the standards

Selected benefits available for Cyfrowy Polsat Group employees: **[GRI 401-2]**:

- Prepaid medical care package
- Prepaid sports pass
- Promotions for employees
- Insurance
- Special offers for theater tickets

## Respect for human rights

The details related to policies, due diligence procedures as well as result indicators can be found in the chapter: "Success thanks to the people".

### Management approach disclosures

In Poland respect for human rights is effectively enforced by Polish law. Forced labor or employment of minors are not the practices to which our business is exposed.

Cyfrowy Polsat Group has implemented the Diversity and human rights respect policy. We support the Universal Declaration of Human Rights and the Declaration of the International Labor Organization. The fundamental principles and rights stipulated by these declarations have been incorporated into the "Code of Ethics and Human Resources Policy of Cyfrowy Polsat Group".

By virtue of other regulations and codes (e.g. the Work Regulations or the Regulations of the Anti-Mobbing Committee), the Group's companies are obligated to protect their employees against any act of physical, verbal or psychological harassment; abuse, humiliation or threats coming from either the co-workers or the superiors with respect to the below listed dimensions of diversity: sex, age, sexual orientation, completeness, experience, potential degree of disability, nationality, ethnic and social origin, color of skin, communication language, parental status, religion, denomination or lack of any denomination, political views or any other dimensions of diversity which are defined by valid law.

### Due diligence procedures

An Internal Anti-Mobbing Commission has been appointed in Cyfrowy Polsat and Polkomtel as an element of the Anti-Mobbing Policy. The Commission is responsible for reviewing the complaints related to occurrence of mobbing. To familiarize our employees with the topic as well as to make them aware of potential threats and the rights they have, regular mandatory training is carried out for the employees with regard to this topic via our e-learning platform. In the case of Polsat TV, acts having the nature of mobbing are covered by the Anti-Mobbing Procedure which is an internal document of that company.

No dedicated procedures aimed at assuring respect for human rights have been adopted in Cyfrowy Polsat Capital Group.

### Results

#### [GRI 406-1]

In 2016 we did not receive any notification of discriminatory treatment or mobbing. In 2017 there was one investigation as a result of which the Anti-Mobbing Committee ruled that no behavior or conduct existed which could confirm that any mobbing practices occurred.

## Activities for the society (community)

The details related to policies, due diligence procedures as well as result indicators can be found in the chapter: "Digital responsibility".

### Management approach disclosures

Social and community-related actions are carried out on our behalf by POLSAT Foundation whose mission includes saving the health and lives of children. The framework and the principles of the Foundation's activities are defined in the Incorporation Deed of POLSAT Foundation. The document is available on the Foundation's website – [www.fundacjapolsat.pl](http://www.fundacjapolsat.pl).

No dedicated policy governing social responsibility issues exists in Cyfrowy Polsat Group.

### Due diligence procedures

Due diligent and compliant with the statute performance of POLSAT Foundation's activities is supervised by the Foundation's Board. Since November 2016 the Board has had 8 members. The Board's members include the following:

- Małgorzata Nawrocka
- Katarzyna Ostap-Tomann
- Nina Terentiew-Kraśko
- Józef Birka
- Mirosław Błaszczuk
- Paweł Januszewicz
- Aleksander Myszka
- Tobiasz Solorz

The Foundation's activities are supervised by the Minister of Health.

### Results

The following indicators have been adopted to assess performance:

- **GRI 203-1 Infrastructure investments and services supported**
- **GRI 203-2 Significant indirect economic impacts**

### We exceed standards

#### Our definition of corporate social responsibility:

Cyfrowy Polsat Group sees and understands the impact that the services it provides have on local communities. The following are the pillars of our corporate social responsibility activities:

- Safety and security
- Aid for children
- Promotion of sports

For that reason our Capital Group cooperates with the rescue services, i.e. WOPR lifeguard service, as well as TOPR and GOPR mountain rescue service, offers donations and supports the activities of POLSAT Foundation, supports amateur and professional sports events while also promoting physical activity among the society.

#### Key figures:

- POLSAT Foundation provided aid to over **31.5 thousand** children.
- The Foundation provided support to **over 1 200** hospitals and medical centers.
- More than **PLN 224 million** was donated for the Foundation's statutory goals.
- **PLN 17.5 million** has been obtained for the Foundation from the St. Nicholas Day's commercial block in Polsat TV.
- Over **PLN 16.7 million** was the amount obtained by POLSAT Foundation from the donation of 1% of the income tax.
- Two toll-free emergency numbers were activated by Plus network – 601 100 100 (for emergencies occurring at the seaside and on the lakes) and 601 100 300 (for emergencies in the mountains).
- Around 20 thousand interventions related to incidents occurring at the seaside or on the lakes were recorded during the 14 years of operation of the Integrated Rescue System.
- Over 70% of all the rescue operations in the mountains as well as on the water takes place following a call to one of Plus's emergency numbers.

### Environmental impact

The details related to policies, due diligence procedures as well as result indicators can be found in the chapter: "Environment-friendly Group".

### Management approach disclosures

All our activities are undertaken while observing the legal order valid in Poland. Our Group operates in compliance with the following laws:

- Environmental Protection Act dated 27 April 2001,
- Waste Management Act dated 14 December 2012,
- Waste Electrical and Electronic Equipment Act dated 29 July 2005,
- Packaging Waste Management Act dated 13 June 2013,
- Waste Batteries and Accumulators Act dated 24 April 2009.

### Due diligence procedures

Environmental goals have existed in Polkomtel since 2014. Their observance has become an important element of the Company's strategy. The Company's ecological targets include:

- introduction on the market of only the products which meet the relevant norms and regulations,
- achieving the levels of salvaging and recycling of electrical and electronic equipment, batteries and accumulators as well as packaged products which are not lower than the levels required by the law,
- sale of electricity generated from renewable sources of energy, gas burning or cogeneration in the amounts not lower than required by the law,
- rational and thrifty management of electrical energy,
- restriction of the negative environmental impact of other essential factors affecting the natural environment.

Cyfrowy Polsat in turn has 10 eco-principles, developed jointly with the employees, which demonstrate the pro-environmental attitudes and actions that are promoted by the company.

In addition, our InterPhone Service set-top box factory holds the following certificates: ISO 9001:2009 and ISO 14001:2005 in the field of design and manufacturing of electronic equipment as well as PN-N-18001:2004 standard in the field of design and manufacturing of electronic equipment, while Polkomtel conforms with ISO 9001:2008 and ISO 14001:2004 standards.

### Results

The following indicators have been adopted to assess performance:

- **GRI 301-1 Materials used by weight and volume**
- **GRI 302-1 Energy consumption within the organization**
- **GRI 306-1 Water discharge by quality and destination**
- **GRI 306-2 Waste by type and disposal method**
- **GRI 302-4 Reduction of energy consumption**

#### We exceed the standards

- We strive to make sure that every set-top box manufactured in Cyfrowy Polsat Group's factory is packed only in recycled packaging. In addition, while caring for organizational efficiency, costs and protection of natural environment we take care that the trucks and vans transporting the equipment and other materials to the sales network are loaded in an optimum manner, which enables reduction of emission of carbon dioxide into the atmosphere.
- The documents which are intended for reprocessing at Cyfrowy Polsat are destroyed in a special heavy duty shredder. The output is successively shipped as waste paper for recycling to the company with whom Cyfrowy Polsat has a relevant contract.
- We conduct continuous collection of waste paper and segregation of waste (e.g. waste toner cartridges). We support good habits which, taking into account the size of the company and the number of people employed, bring tangible changes. We use two-sided printing and copying, switch off the lights when leaving a room, we use the stand-by mode on computers while they are on, we disconnect chargers once battery charging ends, we rationally use water and are conscientious when using air-conditioning.

## GRI CONTENT INDEX

[GRI 102-55]

GRI standard number	Indicator number	Indicator title	Required at CORE level	Is it marked in the Report?	Page
<b>Reporting principles and foundation</b>					
GRI 101		Reporting principles and foundation	CORE	Yes	72
<b>General disclosures</b>					
<b>Organization profile</b>					
GRI 102	102-1	Name of the organization	CORE	Yes	7
GRI 102	102-2	A description of the organization's activities, brands, products and/or services	CORE	Yes	6, 7
GRI 102	102-3	Location of the organization's headquarters	CORE	Yes	7
GRI 102	102-4	Location of the organization's operations	CORE	Yes	7
GRI 102	102-5	Ownership and legal form	CORE	Yes	7
GRI 102	102-6	Markets served	CORE	Yes	7
GRI 102	102-7	Scale of the organization	CORE	Yes	6
GRI 102	102-8	Information on employees and other workers of the organization	CORE	Yes	42
GRI 102	102-9	Supply chain	CORE	Yes	66
GRI 102	102-10	Significant changes to the organization and its supply chain	CORE	N/A	-
GRI 102	102-11	Whether and how the organization applies the Precautionary Principle or approach	CORE	Yes	12
GRI 102	102-12	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	CORE	Yes	20, 39, 76
GRI 102	102-13	Membership of associations and organizations	CORE	Yes	20, 76
<b>Strategy</b>					
GRI 102	102-14	Statement from senior decision-maker	CORE	Yes	3
GRI 102	102-15	Description of key impacts, risks, and opportunities	CORE	Yes	3, 12
<b>Ethics and integrity</b>					

GRI standard number	Indicator number	Indicator title	Required at CORE level	Is it marked in the Report?	Page
GRI 102	102-16	Organization's values, principles, standards, and norms of behavior	CORE	Yes	11
<b>Governance structure</b>					
GRI 102	102-18	Governance structure of the organization, including committees of the highest governance body	CORE	Yes	7
<b>Stakeholder engagement</b>					
GRI 102	102-40	A list of stakeholder groups engaged by the organization	CORE	Yes	16
GRI 102	102-41	Employees covered by collective bargaining agreements	CORE	Yes	51
GRI 102	102-42	The basis for identifying and selecting stakeholders with whom to engage	CORE	Yes	16
GRI 102	102-43	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	CORE	Yes	16
GRI 102	102-44	Key topics and concerns that have been raised through stakeholder engagement, including how the organization has responded to those key topics and concerns, including through its reporting	CORE	Yes	20
<b>Reporting Practice</b>					
GRI 102	102-45	Including in the report entities included in the organization's consolidated financial statements	CORE	Yes	72
GRI 102	102-46	Process for defining the report content and the topic Boundaries	CORE	Yes	72
GRI 102	102-47	List of the material topics identified	CORE	Yes	72
GRI 102	102-48	Effect of any restatements of information given in previous reports, and the reasons for such restatements (e.g. mergers, acquisitions, change of base year/periods, nature of business, measurement methods)	CORE	N/A	-
GRI 102	102-49	Changes in reporting	CORE	N/A	-
GRI 102	102-50	Reporting period	CORE	Yes	72
GRI 102	102-51	Date of the most recent previous report (if any)	CORE	N/A	72
GRI 102	102-52	Reporting cycle	CORE	Yes	72
GRI 102	102-53	Contact point	CORE	Yes	89

GRI standard number	Indicator number	Indicator title	Required at CORE level	Is it marked in the Report?	Page
GRI 102	102-54	Claims of reporting in accordance with the GRI standards: Core or Comprehensive option	CORE	Yes	72
GRI 102	102-55	GRI content index	CORE	Yes	83
GRI 102	102-56	Organization's policy and current practice with regard to seeking external assurance for the report	CORE	Yes	72
<b>Management Approach</b>					
GRI 103	103-1	Explanation of the material topic and its Boundary	CORE	Yes	73
GRI 103	103-2	The management approach and its components in the area of compliance with <b>law and regulations</b>	CORE	Yes	74
	103-3	Evaluation of the management approach in a given area			
GRI 103	103-2	The management approach and its components in the area of <b>Human Resources</b>	CORE	Yes	45, 78
	103-3	Evaluation of the management approach in a given area			
GRI 103	103-2	The management approach and its components in the area of <b>Education and training</b>	CORE	Yes	46-49
	103-3	Evaluation of the management approach in a given area			
GRI 103	103-2	The management approach and its components in the area of <b>Diversity and equal opportunity</b>	CORE	Yes	41, 79
	103-3	Evaluation of the management approach in a given area			
GRI 103	103-2	The management approach and its components in the area of <b>Anti-corruption policies and procedures</b>	CORE	Yes	76
	103-3	Evaluation of the management approach in a given area			
GRI 103	103-2	The management approach and its components in the area of <b>social impact</b>	CORE	Yes	56, 79
	103-3	Evaluation of the management approach in a given area			
GRI 103	103-2	The management approach and its components in the area of <b>environmental impact</b>	CORE	Yes	65, 80
	103-3	Evaluation of the management approach in a given area			
<b>Topic-specific disclosures</b>					
Economic topics					
Economic performance					

GRI standard number	Indicator number	Indicator title	Required at CORE level	Is it marked in the Report?	Page
GRI 201	201-1	Direct economic value generated and distributed (including revenues, operating costs, employee wages and benefits, donations and other community investments, undistributed profit and payments to providers of capital and government)		Yes	6
<b>Indirect economic impacts</b>					
GRI 203	203-1	Infrastructure investments and provision of services to communities through commercial, in-kind and pro bono engagements. Impact of these activities on communities		Yes	56, 59, 62
GRI 203	203-2	Identification and description of significant indirect economic impacts, including the scale and extent of impact		Yes	56, 59, 62
<b>Anti-corruption</b>					
GRI 205	205-3	Confirmed incidents of corruption and actions taken		Yes	77
<b>Anti-competitive behavior</b>					
GRI 206	206-1	Total number of legal actions regarding anti-competitive behavior and violations of anti-trust and monopoly legislations and their outcomes		Yes	77
<b>Environmental topics</b>					
<b>Materials</b>					
GRI 301	301-1	Non-renewable / renewable materials used by weight or volume		Yes	69
<b>Energy</b>					
GRI 302	302-1	Energy consumption within the organization, including fuel types		Yes	69
GRI 302	302-4	Reduction of energy consumption		Yes	69
<b>Effluents and waste</b>					
GRI 306	306-1	Total volume of water discharge by destination		Yes	70
GRI 306	306-2	Total weight of waste by type and disposal method		Yes	67
<b>Social topics:</b>					
<b>Employment</b>					
GRI 401	401-1	New employee hires and employee turnover		Yes	43

GRI standard number	Indicator number	Indicator title	Required at CORE level	Is it marked in the Report?	Page
GRI 401	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Yes	44, 78
<b>Occupational Health and Safety</b>					
GRI 403	403-1	Percentage of workers represented in formal joint management-worker health and safety committees, which advise on occupational safety programs and monitor such programs		Yes	51
GRI 403	403-2	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities		Yes	50
GRI 403	403-3	Workers with high incidence or high risk of diseases related to their occupation		Yes	49
GRI 403	403-4	Health and safety topics covered in formal agreements with trade unions		Yes	51
<b>Training and education</b>					
GRI 404	404-1	Average hours of training per year per employee		Yes	47
GRI 404	404-2	Programs for upgrading employee skills and transition assistance programs which support continued employability and facilitate the retirement process		Yes	48
GRI 404	404-3	Percentage of employees receiving regular performance and career development reviews by gender and employee category		Yes	48
<b>Diversity and equal opportunity</b>					
GRI 405	405-1	Governance bodies and employees, by employee category, gender, age and other indicators of diversity		Yes	7
<b>Non-discrimination</b>					
GRI 406	406-1	Total number of incidents of discrimination and actions taken in this respect		Yes	79
<b>Local communities</b>					
GRI 413	413-2	Operations with significant actual and potential negative impacts on local communities		Yes	70
<b>Customer health and safety</b>					
GRI 416	416-2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts		Yes	30
<b>Marketing and labelling of products and services</b>					

GRI standard number	Indicator number	Indicator title	Required at CORE level	Is it marked in the Report?	Page
GRI 417	417-3	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications		Yes	38
<b>Customer privacy</b>					
GRI 418	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		Yes	30
<b>Socioeconomic compliance</b>					
GRI 419	419-1	Non-compliance with laws and regulations in the social and economic area		Yes	75
<b>Requirements of the Directive 2014/95/EU</b>					
Description of the undertaking's business model				Yes	Chapter 1. p. 6
Description of key risk management				Yes	Chapter 1. p. 12
Description of the policies, due diligence processes and key performance indicators pursued by the undertaking in relation to employee matters				Yes	Chapter 3. p. 41 Chapter 6. p. 78
Description of the policies, due diligence processes and key performance indicators pursued by the undertaking in relation to environmental matters				Yes	Chapter 5. p. 65 Chapter 6. p. 80
Description of the policies, due diligence processes and key performance indicators pursued by the undertaking in relation to antic-corruption and bribery matters				Yes	Chapter 6. p. 76
Description of the policies, due diligence processes and key performance indicators pursued by the undertaking in relation to respect for human rights <i>We define human rights as: the right to the protection of private life, freedom from degrading treatment, right to non-discrimination</i>				Yes	Chapter 6. p. 79
Description of the policies, due diligence processes and key performance indicators pursued by the undertaking in relation to social matters				Yes	Chapter 4. p. 56 Chapter 6. p. 79

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