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## Grupa Azoty with strategy for 2021–2030 and ‘Green Azoty’ flagship project

**The Grupa Azoty 2021–2030 Strategy is a response to challenges posed by the contemporary world, covering environment, society and its safety. The document envisages a number of specific measures driven by the Group’s climate and energy transition policy. The new strategy provides for the launch of the ‘Green Azoty’ project, intended mainly to decarbonise and reduce emissions from the Group’s production units, implement R&D projects that are consistent with the European Green Deal and deploy new solutions in the area of environmentally friendly, zero carbon renewable energy sources, including solar photovoltaics and wind power. In line with the adopted objectives, the total capacity of new renewable energy sources will reach ~300 MW in 2030. The entry into the wind power and SMR segments contemplated by the Group may deliver additional several hundred MW from zero-carbon energy sources.**

### **Energy sector on the road towards carbon neutrality**

Decarbonisation and climate neutrality by 2050 are among the biggest challenges for all industrial sectors across the EU. Achieving this goal will require a new approach to energy generation. Grupa Azoty will strive to reduce GHG emissions from its units while ensuring that its products remain competitive. Over the next ten years, Grupa Azoty will be taking steps to upgrade its onsite energy generation assets, reduce energy consumption and improve the energy efficiency of its chemical units.

Key objectives in the Energy area will include diversification of energy sources and phase-out of coal power, mainly in favour of renewables and, in the transition period, natural gas, as well as maximising synergies between the Energy segment and chemical units, e.g. with regard to energy generated by heat from chemical processes.

Key initiatives undertaken in the Energy area will be among the most significant steps in the implementation of ‘Green Azoty’, the Group’s flagship project.

*‘Our recently published strategy represents one of the most important stages in the development of Grupa Azoty. Our initiatives will seek to address climate-related challenges and regulations envisaged by the European Green Deal. We will also actively respond to the pro-environmental expectations of our customers by providing them with low or zero-emission products leaving the lowest possible carbon footprint. Sustainability and socially responsible business practices are of strategic importance to us, hence the decision to launch ‘Green Azoty’, our flagship project focused on decarbonisation and renewable energy solutions. We want our technologies and products to build the success of our business partners. To this end, we will deliver solutions helping them achieve their production and sales targets, while improving the quality of people’s lives around Europe and having a positive impact on climate and the environment. We will consistently support agriculture, for which the*

European Green Deal has set ambitious goals, such as more effective fertilizer application and, above all, the *production of premium quality food without any contaminants. We are also strongly focused on Polimery Police, our key project, and Polyolefins, our new business segment. We are facing a number of challenges related to the energy and climate neutrality transition. However, I have no doubt that Grupa Azoty has the technologies and solutions needed to further strengthen its leading position within the European fertilizer and chemical industry, in line with the climate policy regulations,*' said Tomasz Hinc, President of the Management Board of Grupa Azoty S.A.

### **'Green Azoty', i.e. green products, green organisation, green technologies**

#### ***Decarbonisation programme***

Once implemented and completed, the decarbonisation programme will allow Grupa Azoty to reduce estimated carbon dioxide (CO<sub>2</sub>) emissions in 2030 by more than 800 thousand tonnes compared with 2020 and by 3.7 million tonnes per year relative to 1990, the EU's reference year.

Grupa Azoty assumes that, relative to 2020, CO<sub>2</sub> emissions from its onsite energy generation assets will be reduced by 34% and by 51% in the case of emissions from externally purchased electricity. In line with the strategy, by 2030 coal consumption at Grupa Azoty will be reduced by 65% compared with 2020.

The 'Green Azoty' project aims to reduce the consumption of 'grid' electricity from coal to less than 50% of total energy consumed. By 2030, capital expenditures on 'green' and decarbonisation projects will amount to nearly PLN 2.7bn.

#### ***Azoty Group as a green energy producer***

Grupa Azoty will work towards becoming an emission-free energy producer by 2030. The Group plans to implement renewables projects using mainly its own assets, but does not rule out the possibility of becoming involved in third-party projects. The new renewable energy sources are planned to deliver a total of about 300 MW in 2030. Grupa Azoty expects that the planned projects will allow it to save more than PLN 200m per year it would otherwise have to spend on electricity purchases, and the average share of renewables in electricity production will reach 40%.

#### ***Grupa Azoty's involvement in developing the hydrogen market***

Grupa Azoty's active participation in the development of the European hydrogen market will be one of the pillars of the 'Green Azoty' project. As the largest hydrogen producer in Poland and a major hydrogen processor in Europe, Grupa Azoty is conducting research and development work related to the production and use of green hydrogen. The Group is carrying out economic studies and technical analyses of electricity production from its own renewable sources. The aim is to reduce the carbon footprint and to ultimately produce 'green hydrogen' using electrolyzers powered with this renewable electricity. Work will also be continued on fuel cell development and the launch of a quality accreditation laboratory testing hydrogen for fuel cell applications in transport. As a member of the European Clean Hydrogen Alliance, in the coming years Grupa Azoty will actively participate in the work on European regulations regarding the classification of green hydrogen.

#### ***R&D projects aligned with the European Green Deal***

A significant part of Grupa Azoty's research and development resources will be geared towards climate neutrality targets. The new projects will include: biodegradable coatings for granular fertilizers developed together with Compo Expert, fertilizers for application in forest areas, urease and nitrification inhibitors and fertilizer formulas enriched with micronutrients from utilised waste streams. Grupa Azoty will also step up its activities in precision agriculture to advance the European Commission's main goal with respect to AGRO, i.e. improved effectiveness of fertilizer application.

As part of 'Green Azoty', Grupa Azoty will also implement electromobility projects, i.e. development of fuel cells and materials used in their production, deployment of technologies for the recycling of polymers (polyolefins, polyamides) or recovery of phosphorus and potassium from alternative sources. Plans also include the implementation of a CCS project to inject carbon dioxide (CO<sub>2</sub>) into depleted mining sites.

By 2024, Grupa Azoty will also assess the feasibility of constructing small modular reactors on the premises of its

largest production plants. SMRs would help stabilise the Group's energy mix and ensure competitive energy pricing.

### **Innovation strategy**

Until 2030, Grupa Azoty will focus on innovation in the following four areas: innovative projects, development of an innovation system, support for corporate projects and innovation aimed at minimising exposure to regulatory risks. The goal will be to deliver high quality new or improved products and to maintain a long-term competitive advantage. The necessary expenditure planned to be incurred on research, development, pilot units and innovation at Grupa Azoty in 2030 is estimated at 2–3% of the Group's revenue.

### **Stable EBITDA margin and ability to pay dividends and finance green projects**

The financing of strategic plans, including the flagship 'Green Azoty' project, will be tailored to the needs and capacity of the Group, enabling the execution of key capex projects.

The key financial targets include delivering an EBITDA margin of more than 16% by 2030 and achieving the net debt to EBITDA ratio (the Group's key covenant) below 3.0 from 2025 onwards. The dividend policy of Grupa Azoty S.A. provides for its continued ability to pay dividends once the strategic capex programme (including projects designed to drive the Group's climate transition) has been completed, at a level above 40% of consolidated net profit.

Additional finance will need to be secured for a large number of strategic projects. To this end, Grupa Azoty will focus on the following three areas: green funding in the form of bonds or credit facilities, use of funds granted under the National Recovery Plan and other planned support measures, and corporate financing roll-over through extension or conclusion of new corporate financing agreements.

### **Segment-based management**

The Group's management strategy will focus on six Business Segments identified within three key business areas – Agro, Plastics and Chemicals. Grupa Azoty's priority in the Agro Segment will be to strengthen its position as a leader in fertilizer production and sales in Poland and across the region. By 2030, Grupa Azoty wants to be perceived not only as a manufacturer of fertilizers, but also as a supplier of end-to-end fertilization systems.

The Polyamide Plastics Segment's product portfolio will be expanded in line with the circular economy concept. New products will be made, to a greater extent than today, from recycled plastics, sourced internally from Grupa Azoty's own production units or from external suppliers.

Polyolefins, an area closely linked to Grupa Azoty's key project Polimery Police, will become a new segment of Grupa Azoty. The Polyolefins Segment's main objectives will include entry in the polypropylene market, building a network of customers and distributors to ensure lasting business relationships and achieving a stable market position, as well as growth on the advanced polymer products market.

In addition, Grupa Azoty continues its operations in the Oxoplast and Pigments Segments and has identified a new Segment of Tech Grade Urea.

### **Feedstock strategy**

Chemical raw materials and energy account for almost 70% of Grupa Azoty's total operating costs. In this area, the Group will enhance the efficiency of using its own assets. Procurement of raw materials will be focused on increasing the share of green energy in Grupa Azoty's energy mix and on tightening control over the carbon footprint of externally sourced raw materials.

### **ESG strategy**

Grupa Azoty's ESG strategy for 2021–2030 is a response to the needs and expectations of its stakeholders and confirmation that it understands its external impacts, including on the natural environment and climate. Sustainable development will be the Group's priority over the 2030 time horizon, pursued through initiatives seeking to further environmental protection, social good and responsible corporate governance. Initiatives previously undertaken in these areas will be included in Grupa Azoty's ESG strategy, organised around five pre-defined strategic pillars: climate and the environment, sustainable products, sustainable supply chain,

immediate environment and friendly and safe workplace.

### **Mission, vision and values**

Grupa Azoty's values until 2030 comprise the following four areas: People, Growth, Environmental protection and Energy.

#### **Grupa Azoty's mission**

In harmony with the environment, we manufacture fertilizers, plastics and chemical products. We improve the well-being of people who live in Europe and actively contribute to building our continent's food security.

#### **Grupa Azoty's vision 2030**

Grupa Azoty is a supplier of effective solutions and a reliable manufacturer of fertilizers, plastics and green chemical products.

[Strategy of Grupa Azoty 2021-2030 PDF \(22.32 MB\)](#)