



SECO/WARWICK
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**DIRECTORS' REPORT ON THE COMPANY'S OPERATIONS FOR THE YEAR ENDED
DECEMBER 31ST 2020**

The Management Board of SECO/WARWICK S.A. (the “Company”) presents the Directors’ Report on the Company’s operations in the period January 1st–December 31st 2020, prepared in accordance with the Minister of Finance’s Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757) (the “Regulation”).

The financial statements of SECO/WARWICK S.A. were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the EU, and their scope is compliant with the Regulation. The financial statements cover the period January 1st–December 31st 2020 and the comparative period January 1st–December 31st 2019.

1. Introduction

SECO/WARWICK S.A. (the “Company” or the “Parent”) was entered in the Business Register of the National Court Register on January 2nd 2007, by virtue of a decision issued by the District Court of Zielona Góra, 8th Commercial Division of the National Court Register, under No. KRS 0000271014.

The operations of the SECO/WARWICK Group are divided into five main business segments:

- Vacuum Furnaces,
- aluminium heat treatment systems (Aluminium Process + Controlled Atmosphere Brazing),
- Atmosphere Furnaces (Thermal)*,
- Melting Furnaces,
- Aftersales.

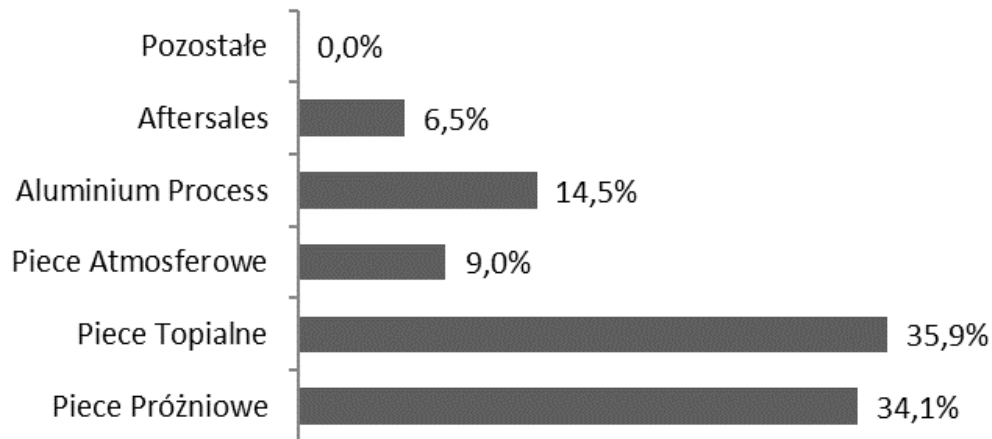
*On October 1st 2020, following a review of the solutions offered in the ATM segment, a decision was made to wind up the ATM segment and most of the segment’s technologies were transferred to other business units.

Information on each operating segment is presented in the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the 12 months ended December 31st 2020) and in Section 32 of this Directors’ Report.

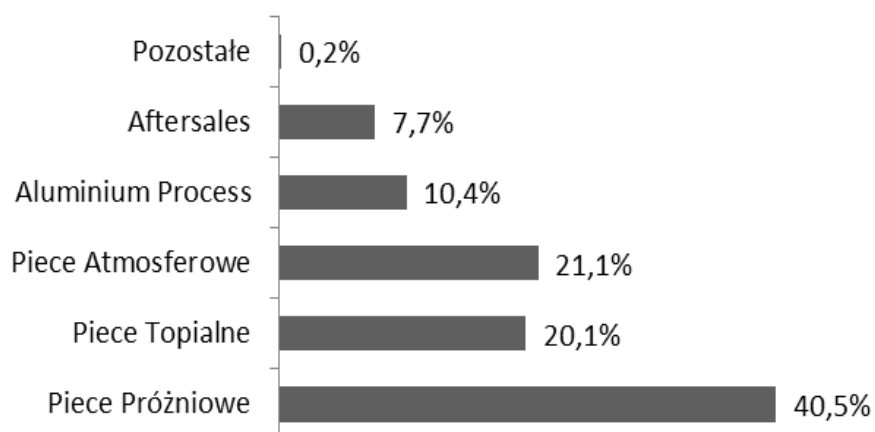
Table: Revenue (PLN '000)

Item	Continuing operations						Total
	Vacuum Furnaces	Melting Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Aftersales	Other	
Jan 1–Dec 31 2020	80,792	85,028	21,202	34,623	15,345	-	236,990
Jan 1–Dec 31 2019	104,374	51,776	54,445	26,713	19,963	413	257,684

Przychody ze sprzedaży na 2020 w podziale na segmenty operacyjne



Przychody ze sprzedaży na 2019 w podziale na segmenty operacyjne



Przychody ze sprzedaży na 2020 w podziale na segmenty operacyjne	Revenue for 2020 by operating segment
Pozostałe	Other
Aftersales	Aftersales
Aluminium Process	Aluminium Process
Piece Atmosferowe	Atmosphere Furnaces (Thermal)
Piece Topialne	Melting Furnaces
Piece Próżniowe	Vacuum Furnaces
Przychody ze sprzedaży na 2019 w podziale na segmenty operacyjne	Revenue for 2019 by operating segment

2. Organisational and equity links between SECO/WARWICK S.A. and other entities; information on the Company's key domestic and foreign equity investments, including equity investments outside of its group of related entities; financing of the investments

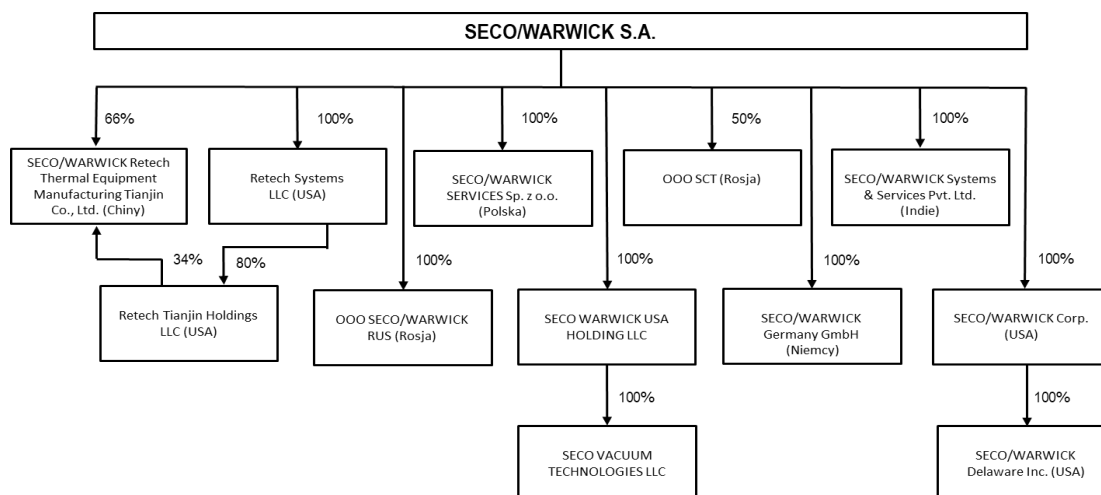
Table: Composition of the SECO/WARWICK Group as at December 31st 2020 is presented below:

Company	Registered office	Principal business activity	Group's ownership interest
Parent			
SECO/WARWICK S.A.	Świebodzin (Poland)	Holding company of the SECO/WARWICK Group; holding equity interests and providing strategic management services; manufacture of equipment for metal heat treatment	N.A.
Direct and indirect subsidiaries			
SECO/WARWICK Corp.	Meadville (USA)	Sale, repair and maintenance services	100%
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	Holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	100%
SECO/WARWICK Rus	Moscow (Russia)	Distribution of the Group's products	100%
Retech Systems LLC	Buffalo (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	manufacture of equipment for metal heat treatment	93%
Retech Tianjin Holdings LLC	(USA)	Holding company	80%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	50%
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Sale, repair and maintenance services	100%
SECO/WARWICK Services Sp. z o.o.	Świebodzin (Poland)	Repair and maintenance services	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces	100%
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services	100%

Changes in the composition of the SECO/WARWICK Group in the reporting period

In 2020, the composition of the Group did not change.

Structure of the Group as at December 31st 2020



Composition of the SECO/WARWICK Group as at the issue date of this Report

There were no changes in the composition of the SECO/WARWICK Group between December 31st 2020 and the issue date of this Report.

For information on key domestic and foreign investments (financial instruments, intangible assets and property), see the Notes to the full-year separate financial statements of SECO/WARWICK S.A. No equity investments outside the group of related entities were made.

3. Changes in significant management policies at SECO/WARWICK S.A. and its Group

In the reporting period, there were no changes in significant management policies at SECO/WARWICK S.A. or the Group.

4. Amount of remuneration, bonuses and benefits, benefits under share-based incentive and bonus schemes, including schemes based on bonds with pre-emptive rights, convertible bonds or subscription warrants, paid, payable or potentially payable

MANAGEMENT BOARD

Members of the Management Board receive remuneration based on their respective employment contracts. Severance or compensation payments are governed by the Labour Code. The amount of remuneration payable to the Management Board members is defined in the resolutions passed by the Company's Supervisory Board on January 12th 2012, December 13th 2012, December 5th 2013, and April 23rd 2015.

Table: Remuneration of SECO/WARWICK S.A. Management Board members for 2020 (PLN '000)

Name and surname	Base salary for period	Other benefits, including bonuses, awards	Accrued incentive scheme costs	Total remuneration in the period
Dec 31 2020	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
Sławomir Woźniak	448	441	351	1,240
Jarosław Talerzak	364	143	16	522
Piotr Walasek	336	180	118	634
Earl Good (1)	1,124	-	123	1,247
Bartosz Klinowski	336	136	306	778
Total	2,608	899	914	4,422

(1) Under an employment contract between Retech and Mr Earl Good.

No Management Board member receives remuneration for serving on the governing bodies of subordinated entities.

SUPERVISORY BOARD

Members of the Supervisory Board are entitled to a monthly remuneration in the amount determined by the General Meeting, paid by the fifteenth day of the month following the month for which the remuneration is due. The remuneration covers all expenses related to the performance of duties of a member of the Supervisory Board. Supervisory Board members are not entitled to severance pay.

Table: Remuneration of members of the SECO/WARWICK S.A. Supervisory Board for 2020 (PLN '000)

Name and surname	(PLN '000)
Andrzej Zawistowski, including:	211
- for his service as Chairman of the Supervisory Board	147
- under contract for advisory services ⁽¹⁾	64
Jeffrey Boswell, including:	135
- under employment contract ⁽²⁾	135
Henryk Pilarski	51
Marcin Murawski	40
Jacek Tucharz	39
Total	477

(1) Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as USŁUGI DORADCZE Andrzej Zawistowski. The contract of July 2nd 2012 is for the provision of technical and product development advisory services.

(2) Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.

On June 5th 2020, the Company's Annual General Meeting adopted the Remuneration Policy for members of the Management Board and Supervisory Board of Seco/Warwick S.A. (the "Remuneration Policy"). The Remuneration Policy defines the organisational framework for remunerating Management Board and Supervisory Board members and establishes a coherent remuneration system. The Company pays remuneration to members of the Governing Bodies only in accordance with the Remuneration Policy.

5. Agreements between SECO/WARWICK S.A. and its management staff, providing for compensation in the event of resignation or removal from office without a good reason or following acquisition of SECO/WARWICK S.A. by another company

Employment contracts concluded between the Company and its management staff do not provide for compensation in the event of their resignation or dismissal. Any severance or compensation payments are governed by the Labour Code, and the employment contracts do not contain any other specific provisions in this respect. Similarly, the contracts do not provide for severance payments in the event of removal from office or termination of contract due to acquisition of SECO/WARWICK S.A. by another company.

6. Liabilities arising from pensions or similar benefits to former members of management, supervisory or administrative bodies, and liabilities incurred in connection with such pensions, with a specification of the total amount for each body

The Company does not have any pension or similar benefit obligations with respect to former members of its management, supervisory or administrative bodies.

7. Par value and number of SECO/WARWICK shares and shares in related entities held by the management and supervisory staff

As at December 31st 2020:

	Jan 1 2020				Dec 31 2020			
	Number of S/W shares held	Ownership interest	% of total voting rights	Decrease/increase	Number of S/W shares held	Ownership interest	% of total voting rights	Total par value of shares (PLN)
Management Board								
Sławomir Woźniak	44,306	0.43%	0.43%	11,911	56,217	0.55%	0.55%	11,243
Jarosław Talerzak	31,141	0.30%	0.30%	-	31,141	0.30%	0.30%	6,228
Bartosz Klinowski	97,751	0.95%	0.95%	11,911	109,662	1.06%	1.06%	21,932
Earl Good	6,331	0.06%	0.06%	-	6,331	0.06%	0.06%	1,266
Piotr Walasek	29,035	0.28%	0.28%	3,970	33,005	0.32%	0.32%	6,601
Supervisory Board								
Andrzej Zawistowski	65,000	0.63%	0.63%	-	65,000	0.63%	0.63%	13,000
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Henryk Pilarski	1060	0.0103%	0.0103%	-	1,060	0.0103%	0.0103%	212
Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
Total	284,400	2.76%	2.76%	27,792	312,192	3.03%	3.03%	62,438

Item	Jan 1 2020	Item	Dec 31 2020
Number of shares	10,298,554	Number of shares	10,298,554
Par value per share	0.20	Par value per share	0.20
Share capital	2,059,710.80	Share capital	2,059,710.80

Acting on the basis of a resolution of the Company's Supervisory Board dated April 22nd 2020 and Resolution No. 23 of the Annual General Meeting of June 5th 2020 on verification of the achievement of Annual Targets by Incentive Scheme Beneficiaries in 2019, announced by the Company in Current Report No. 13/2020, in the

settlement of the Incentive Scheme for 2019 the Company entered into agreements for the purchase of a total of 55,373 treasury shares with the persons covered by the Incentive Scheme.

The shares were sold to the beneficiaries of the Incentive Scheme for PLN 1.50 per share.

The sold shares represented 0.54% of the Company's share capital and conferred the right to 55,373 votes, or 0.54% of the total vote, at the General Meeting.

On November 2nd 2020, the Company received notifications given under Article 19(1) of MAR by:

- Sławomir Woźniak, President of the Management Board
- Bartosz Klinowski, Member of the Management Board
- Piotr Walasek, Member of the Management Board

concerning acquisition of SECO/WARWICK S.A. shares as part of the 2018–2020 Incentive Scheme. The event was announced in Current Report No. 20/2020. Members of SECO/WARWICK S.A. Management Board and Supervisory Board do not hold any shares in related entities.

8. Agreements (including agreements executed after the end of the reporting period) known to SECO/WARWICK S.A., which may result in changes in the proportions of shares held by the current shareholders and bondholders

Adoption of the Incentive Scheme for members of the SECO/WARWICK Group's management staff for 2018–2020

On April 11th 2018, an Extraordinary General Meeting of SECO/WARWICK S.A. passed Resolution No. 20 to approve the 2018–2020 Incentive Scheme, approve the Rules of the Incentive Scheme, and allocate the Company's treasury shares for the purposes of the Incentive Scheme. The Meeting also passed Resolution No. 21 approving the list of participants of the 2018–2020 Incentive Scheme. The Incentive Scheme beneficiaries are the Group's senior management staff. The Incentive Scheme includes a total of 494,000 shares. The annual equity volumes for the years 2018, 2019, 2020, and the assessment parameter, which is determined by the Company's Supervisory Board and approved by the General Meeting, have been established for each beneficiary. The assessment parameter is closely linked to the net profit of the SECO/WARWICK Group, the separate net profit, or operating profit of an operating segment. After the end of each financial year, the Company's Supervisory Board and General Meeting determine and approve the achievement of individual targets by the beneficiaries.

On June 5th 2019, the Supervisory Board passed Resolution No. 01/2019 approving the results of the review of the annual targets for the 2018 Incentive Scheme, and indicating the proposed number of shares to be acquired by each of the beneficiaries, subject to the condition that they remain employed with the Company in the period from January 1st 2019 to December 31st 2019. On the same day, the Annual General Meeting approved the resolution passed by the Supervisory Board and decided to extend the list of positions eligible for participation in the Incentive Scheme and to amend the Rules of the Incentive Scheme as previously proposed by the Supervisory Board. On October 2nd 2019, as part of the settlement of the 2018 Incentive Scheme, the Company entered into agreements with its participants for the acquisition of a total of 132,057 shares in the Company. The shares were sold to the beneficiaries of the Incentive Scheme for PLN 1.50 (one złoty, fifty grosz) per share. The acquired shares represented 1.28% of the Company's share capital and conferred to right to 132,057 votes (1.28% of the total vote) at the General Meeting. Following the sale, the Company held 364,277 treasury shares, representing 3.54% of its share capital and 3.54% of total voting rights at its General Meeting.

On December 12th 2019, by Resolution No. 01/2019 the Supervisory Board defined the individual 2020 targets for the participants of the 2018–2020 Incentive Scheme. Achievement of the individual targets is a condition for the award of rights under the Incentive Scheme to its participants, provided that they remain employed with the Company in the period from January 1st to December 31st 2020. The targets cover financial and operating ratios of the individual subsidiaries, the organisational units related to particular technologies, or the entire Group, depending on the position of a participant. As at December 31st 2020, the maximum number of

options that may be granted to the beneficiaries of the 2018–2020 Incentive Scheme was 227,200 (December 31st 2019: 361,943; December 31st 2018 494,000). The cost of option vesting recognised in 2020 was PLN 1,364 thousand.

9. Control systems for employee stock option plans

The Company's Incentive Scheme for 2018–2020 is supervised by the Supervisory Board and Management Board of SECO/WARWICK S.A.

10. Share buybacks

As at December 31st 2020, SECO/WARWICK S.A. held 1,308,904 treasury shares, representing 12.71% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

On February 12th 2020, the Extraordinary General Meeting passed Resolution No. 5 to authorise the Company's Management Board to repurchase the Company's shares listed on the regulated market operated by the Warsaw Stock Exchange. Pursuant to the resolution, the Company was able to repurchase up to one million shares by December 31st 2021.

On October 29th 2020, the Company acquired 1,000,000 shares covered by the invitation to tender Company shares for sale. The shares conferred the right to 9.71% of the total vote at the Company's General Meeting. Pursuant to Art. 364.2 of the Commercial Companies Code, the Company will not exercise the rights attached to own shares other than the right to dispose of the shares and the right to take actions to preserve those rights.

In accordance with the decision of the Extraordinary General Meeting, shares repurchased by the Company may be cancelled on the basis of a separate resolution of the General Meeting or, upon prior approval by the Company's Supervisory Board, may be held for the purposes of existing or future incentive schemes at the Company or its subsidiaries, for further resale or for any other purpose defined in a resolution of the Company's Management Board.

11. Discussion of key financial and economic data contained in the full-year financial statements and of factors and events, including non-recurring ones, with a material effect on the Company's operations and financial statements, including profits earned or losses incurred in the financial year

STATEMENT OF COMPREHENSIVE INCOME

The main source of the Company's revenue is the production and sale of technologies and industrial equipment for metal heat treatment. In 2020, the Company's revenue fell 8.0% year on year, to PLN 237.0m (2019: PLN 257.7m).

2020 saw a decline in the Company's operating profit to PLN 11.6m (2019: PLN 16.7m). Net profit came in at PLN 7.9m, down PLN 2.7m on 2019, when it was PLN 10.6m.

The Company's gross margin figure was affected by the strong instability of the PLN exchange rate against the Company's key contract currencies (EUR and USD) in 2020. However, net margin fell slightly, to 3.3% in 2020, down 0.8% year on year (2019: 4.1%), which confirms the Company's competitive edge.

STATEMENT OF FINANCIAL POSITION

As at the end of 2020, the Company's total assets amounted to PLN 331.8m, having decreased by PLN 38.6m (10.4%) year on year. The Company's non-current assets included mainly investments in related entities and property, plant and equipment, accounting for 17.6% and 16.8% of total assets, respectively. The largest items of current assets were trade receivables and contract assets, representing 17.7% and 15.8% of total assets, respectively. The main items of equity and liabilities were equity and current liabilities: 55.5% and 36.2% of the total, respectively.

As at the end of 2020, the Company's non-current to current assets ratio was 0.9 and changed only slightly compared with the end of 2019 (0.8). The ratio level should be considered normal. The Company's non-current assets include property, plant and equipment as well as equity interests in other Group companies.

In 2020, cash fell by PLN 7.2m (31.0%) and contracts assets – by PLN 24.7m (33.8%). The differences in the shares of other asset categories in total assets as at the end of 2020 compared with the end of 2019 were insignificant and did not exceed +/- 2.0%. As a result, the ratio of non-current assets to total assets as at the end of 2020 was 0.5, having changed slightly relative to the end of 2019 (0.4).

The equity to liabilities ratio was 1.2, compared with 1.1 in 2019. However, the Company's debt grew by PLN 2.7m (9.7%). The share of borrowings in total equity and liabilities rose to 9.1% (2019: 7.4%).

The ratio of non-current assets to equity went up to 1.2 in 2020, from 1.1 at the end of 2019.

As at the end of 2020, the cash ratio was 1.4 (2019: 1.2). As at the end of 2020, the quick ratio was 1.2 (2019: 1.1). It was slightly above the normally expected level. The current ratio came in at 0.13 at the end of 2020 (0.14 in 2019), also was close to the model value.

The Company's debt ratios improved in 2020. The total debt ratio (total liabilities to total assets) was 44% in 2020 (2019: 48%). The long-term debt ratio (non-current liabilities to equity) remained flat at the end of 2020, at 15%, up 7% year on year (2019: 8%), While the ratio of total liabilities to equity fell to 80% from 94% in 2019.

Presented below are the Company's selected efficiency indicators:

- the average collection period increased in 2020 to 111 days, from 88 days in 2019. This level deviates slightly from the benchmark values (20 to 50 days), but is typical of the Company.

- the average payment period as at the end of 2020 was 80 days, compared with 74 days in 2019.

The asset turnover ratio and current asset turnover ratio did not change year on year and stood at 0.7 and 1.3, respectively.

12. Assessment of factors and non-recurring events with a bearing on the Group's results for the financial year; the extent to which such factors or non-recurring events affected the results

At the end of 2019, the first news was received of the spread of the SARS-CoV-2 virus, causing the COVID-19 disease, in China. In the first months of 2020, the virus spread across the world, and its adverse impacts are being felt in many countries.

In connection with the spread of SARS-CoV-2 in Poland, the Polish government announced a state of epidemic threat as of March 14th 2020, and then a state of epidemic as of March 20th 2020, and introduced far-reaching restrictions aimed at limiting the pace and extent of the epidemic. Similar precautionary measures were implemented in most of the affected countries, including in the world's largest economies. The restrictions have strongly affected business organisations' ability to operate and have a material bearing on the current economic situation.

The Company's Management Board took steps to mitigate the adverse effect of the situation on the Company's operations and financial performance, while taking steps to ensure safety of the employees and trading partners.

On April 1st 2020, in consultation with trade unions, the Company reduced employees' working hours to 80%, with pro rata cuts of the pay amounts. The Company's employees confirmed their readiness to work reduced hours and to accept the proportionate pay reductions. Full working time was reinstated on August 1st 2020. A Covid19 team has been established to mitigate the effects and risks of the epidemic. Procedures and policies have been put in place, including a rotational work system with a home office option for most of the Company's employees, to minimise the risk of infection among staff. In the case of the departments in which remote work is not possible, an equivalent working time has been introduced.

The Company also decided to apply for aid under various financial assistance and business support programmes as introduced on some of the Group's markets. In the first half of 2020, SECO/WARWICK S.A.

received three tranches of employee compensation subsidies totalling PLN 3.1m as part of the anti-crisis shield package in connection with reduced working hours.

Based on its best knowledge, the Company's Management Board does not expect any rise in the number of court disputes, any penalties imposed for contract performance delays, contract terminations, or insolvencies of the Company's customers. The Management Board monitors and analyses on an ongoing basis the situation, the value of orders, and the stage of completion of contracts, to undertake activities to secure the Company's operations if necessary.

So far, the Group has not experienced any significant problems with the availability of feedstocks, materials or goods.

Based on current observations, the Company identifies the following main areas of the impact of COVID-19 pandemic on its operations, financial condition and results for the 12 months ended December 31st 2020:

1. As no material change in the timeliness of receivables collection was identified, no material impairment losses on receivables or contract assets were recognised;
2. Lower number and value of new orders placed by the Company's trading partners;
3. Reintroduction of labour and travel restrictions in China, Europe and the United States, which could delay the performance of contracts concluded by the Group companies by hampering selling efforts and the ability to put equipment into operation and perform maintenance services;
4. difficulties in the performance of contracts resulting from the introduction of a remote work system to protect employees' health and life against COVID-19;
5. potential impediments in the Company's cooperation with its key suppliers of raw materials and components;
6. As at December 31st 2020, the Company tested for impairment shares in related company SECO/WARWICK USA HOLDING LLC (see Note 12 to the Separate Financial Statements). No impairment was identified following the test.

The impact of the COVID-19 pandemic on the Company, its financial condition and results in subsequent periods depends on a number of factors beyond its control. The factors include the duration and intensification of the pandemic and measures taken by the government to contain the pandemic and protect the public against the effects of the crisis and thus its ultimate impact on the Polish economy. The Company will be monitoring the COVID-19 situation and its impact on the Polish economy.

13. Information on the Company's markets, broken down into domestic and foreign markets, on the Company's supply sources for production materials, goods and services, including information on dependence, if any, on any single customer or supplier, or a group of customers or suppliers, and where the share of a single customer or supplier in total revenue equals or exceeds 10% – the company name of such customer or supplier, its share in total sales or purchases, and its formal links with SECO/WARWICK S.A.

Geographical segments are based on the Company's markets. The Group has identified the following segments:

- the EU market,
- the Russian, Belarusian and Ukrainian markets,
- the US market,
- the Asian market,
- other countries.

The Group purchases the majority of materials used in the production of heat treatment equipment on three main markets.

Poland is the largest market supplying production materials for the SECO/WARWICK Group. It is followed by the EU (with Germany as the largest supplier). The US market is the third largest supply market for the Group in terms of both importance and volume. In addition to these three main supply markets, the Group also procures production materials in India, China and Japan.

With a broad supplier base and access to numerous markets, the Group does not depend on any single supplier (there is no single supplier whose sales to the Group would account for more than 10% of the Group's total revenue) and is able to ensure uninterrupted production of heat treatment equipment.

Customers buying the Group's products operate in the automotive, aviation, power, machine-tool, medical equipment, electrical engineering and machine-building industries. The economic situation on those markets affects the situation of many other associated markets. The Group supplies its products both to manufacturers from the abovementioned industries and to their suppliers. The Group's customers include both automotive and aircraft manufacturers as well as producers of components and spare parts. The machine-building industry, understood as a group of customers purchasing the Group's products, encompasses a wide variety of business activities driven by GDP growth. There is no dependence on a single customer.

14. Agreements significant to the Company's business, including shareholder agreements known to the Company, insurance, partnership or cooperation agreements

On November 8th 2016, the following shareholders:

- SW Holding sp. z o.o. ("SWH"), holding 3,387,139 Company shares,
- Spruce Holding LLC ("SHLLC"), holding 1,123,337 Company shares,
- Paweł Wyrzykowski ("PW"), holding 255,000 Company shares,
- Andrzej Zawistowski ("AZ"), holding 65,000 Company shares,
- Bartosz Klinowski ("BK"), holding 35,000 Company shares,

(SWH, SHLLC, PW, AZ and BK – jointly the "Shareholders") signed a share lock-up agreement (the "Agreement").

Pursuant to the Agreement, the Shareholders agreed not to dispose of, offer or pledge their holdings of Company shares, as specified above.

The lock-up restrictions under the Agreement remained in effect until December 31st 2020, but the Parties defined in the Agreement the circumstances permitting waiver of the restrictions before that date.

Under an annex of August 7th 2020, the term of the Agreement was extended until December 31st 2023 with respect to the following holdings of shares:

- 3,387,139 Company shares held by SWH,
- 1,123,337 Company shares held by SHLLC,
- 307,058 Company shares held by PW,
- 65,000 Company shares held by AZ,
- 84,981 Company shares held by BK.

In 2020, SECO/WARWICK S.A. did not enter into any significant insurance, partnership or cooperation agreements. Likewise, SECO/WARWICK S.A. has no knowledge of any other significant shareholder agreements.

15. Related-party transactions concluded by SECO/WARWICK S.A. or its subsidiaries other than arm's length transactions

In 2020, SECO/WARWICK S.A. and its subsidiaries did not enter into any transactions with related entities other than transactions executed on an arm's length basis.

16. Information on loan agreements executed or terminated in the financial year, including at least information on the types, amounts and interest rates, as well as currencies and repayment dates

Table: SECO/WARWICK S.A.'s outstanding borrowings as at December 31st 2020

Lender	Amount		Repayment date	Security	Interest rate	Type
	in PLN ('000)	in foreign currency ('000)				
mBANK S.A.	13,694	-	Mar 31 2025	mortgage, financial pledge over securities	variable	Investment facility
mBank – credit card limit	30	-		None	variable	Credit card limit
mBank – credit card limit	42	9 EUR		None	variable	Credit card limit
SANTANDER S.A. – overdraft facility	11,492	-	Feb 28 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
BNP Paribas S.A. – overdraft facility	4,827	-	Sep 30 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
PEKAO – overdraft facility	-	-	Aug 31 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
Total	30,085	x				

For more detailed information on SECO/WARWICK S.A.'s liabilities under credit facilities, see Note 20 to the Separate Financial Statements of SECO/WARWICK S.A. In 2020, SECO/WARWICK S.A. did not take any non-bank loans. No loan or credit facility agreements were terminated in 2020.

17. Sureties and guarantees issued and received in the financial year, including in particular sureties and guaranties issued to related entities

Contingent liabilities under guarantees and sureties issued were PLN 72,256 thousand as at the end of 2020, and PLN 85,661 thousand as at the end of 2019. The following guarantees were issued:

Item	Dec 31 2020	Dec 31 2019
advance payment guarantee	24,299	37,974
performance bond	1,962	1,266
stand-by letter of credit	16,913	17,090
bid bond	166	-
warranty obligations guarantee	5,145	5,070
Total	48,485	61,400

Table: Sureties issued by SECO/WARWICK S.A. (PLN '000)

Company	Bank	Surety in respect of	Currency	Dec 31 2020	(PLN '000)
Retech Systems LLC (1)	HSBC BANK USA	Guarantee and credit facility	USD	3,000	11,275
S/W Retech (2)	HSBC BANK USA	Guarantee and credit facility	USD	2,750	10,336
PEKAO LEASING SP. Z O.O.	PEKAO LEASING SP. Z O.O.	Repurchase guarantee	PLN	424	160
SECO/WARWICK SERVICES	SANTANDER	Revolving loan	PLN	2,000	2,000
TOTAL					23,771

(1) As at December 31st 2020, Retech Systems LLC did not use the guarantee and credit facilities in respect of which the surety was issued.

(2) As at 31 December 2020, SECO/WARWICK Retech used USD 637 thousand of the guarantee and credit facilities in respect of which the surety was issued.

18. Information on loans advanced in the financial year, in particular loans to the Company's related entities, including at least information on the types, amounts and interest rates, as well as the currencies and repayment dates

In 2020, SECO/WARWICK S.A. did not grant any loans to related entities.

No loans were advanced by SECO/WARWICK S.A. to members of the Management or the Supervisory Board, or any non-related parties in 2020.

19. Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the Company's ability to repay its liabilities, as well as an identification of threats, if any, and measures used or intended to be used by the Company to mitigate such threats; Feasibility of planned investments, including equity investments, in view of the funds available to the Group; possible changes in the financing of the investments

In 2020, the Company repaid its liabilities under the credit facilities contracted to finance operating and investing activities in a timely manner.

As at December 31st 2020, debt outstanding under investment and overdraft facilities amounted to PLN 13,694 thousand and PLN 16,390 thousand, respectively. As at December 31st 2019, debt outstanding under investment and overdraft facilities amounted to PLN 1,565 thousand and PLN 25,853 thousand, respectively.

The current and quick ratios were at 1.4 and 1.2, respectively, at the end of 2020, while the cash ratio (cash to current liabilities) was 0.1. All these figures are close to the model value. Despite intensive investment activities and business expansion, the Company's financial liquidity changed slightly compared with 2019.

The funds and credit facilities available to the Company were sufficient to finance investments and capital expenditure planned for and executed in 2020.

In the Management Board's opinion, as at the end of the reporting period there was no threat of the Company's failure to meet its liabilities.

The table below presents the liquidity ratios of SECO/WARWICK S.A.

LIQUIDITY RATIOS	Dec 31 2020	Dec 31 2019
Current ratio	0.1	0.1
Quick ratio	1.2	1.1
Cash ratio	1.4	1.2

20. Issue of securities and use of issue proceeds by SECO/WARWICK S.A.

No such events occurred in 2020.







21. Explanation of discrepancies between the financial results disclosed in the full-year report and the previously released forecasts for the year, if any



The SECO/WARWICK Management Board did not publish any forecasts of the Company's or the Group's financial results in 2020.







22. Description of material risk factors and threats, including information on the degree of the Company's exposure to such risks or threats

The fast-changing environment and growth of the SECO/WARWICK Group require seeking continuous improvement and ensuring highly active risk management. The SECO/WARWICK Group focuses mainly on financial risks (liquidity, credit, market, currency), operational risks (mainly related to quality, timeliness and project costs) and compliance risks (legal, regulatory).



Detailed overview of the Company's key risks

Small risk 	Moderate risk 	Significant risk 
Stable risk 	Upward risk 	Downward risk 

CATEGORY	RISK OVERVIEW	RISK MITIGATION / HANDLING	POTENTIAL ADVERSE IMPACT	RISK LEVEL	TREND
FINANCIAL RISKS					
1.	SARS-CoV-2 Risk related to the spread of the SARS-CoV-2 virus	<ul style="list-style-type: none"> establishment of a coronavirus containment team implementation of a rotational work system, remote work, and procedures mitigating the risk of infection reduction of working hours to 4/5 FTE at the parent SECO/WARWICK S.A. in the period from April to July 2020 reduction of indirect costs at the Group's major companies receipt of compensation co-financing as part of the 'anti-crisis shield' package in connection with the reduced working 	<ul style="list-style-type: none"> risk of employee infection, downtimes at some or all of the Company departments risk of order cancellation and reduction in order volumes and revenue, crisis in industries of key importance to the SECO/WARWICK Group, i.e. the automotive, aviation and energy sectors 		

			<p>hours at the Polish companies: SECO/WARWICK S.A. and SECO/WARWICK Services</p> <ul style="list-style-type: none"> • maintenance of the available credit limits 	<ul style="list-style-type: none"> • impediments in the cooperation with key suppliers of raw materials • liquidity risk related to lower sales volumes and late payments of amounts receivables from customers 		
2.	Risk related to R&D projects	Risk of delays in research and development projects, risk of cost overruns, and risk of return of project grants received	<ul style="list-style-type: none"> • detailed and step-by-step project preparation • risk review on a regular basis • on-going project status monitoring and forecasting of project parameters • active project management, including close oversight and communication 	<ul style="list-style-type: none"> • delays in achieving expected financial results • budget overruns • failure to validate technical feasibility of equipment 		
3.	Liquidity and financing risk	Inappropriate working capital management	<ul style="list-style-type: none"> • analysis and forecasting of the Group's cash flows and liquidity • diversification of financing sources • effective management of R&D projects • optimisation of working capital 	<ul style="list-style-type: none"> • lower efficiency of sales activities • suspension or delay in the implementation of R&D activities 		
4.	Market risk	Changes in prices of materials, foreign exchange rates and interest rates	<ul style="list-style-type: none"> • following the adopted material price management policy and currency risk management policy 	<ul style="list-style-type: none"> • deterioration of financial performance • deterioration of liquidity 		

5.	Credit risk	Insolvent trading partners	<ul style="list-style-type: none"> • monitoring of partners' ratings and financial position • the use of diverse financial tools to hedge risk 	<ul style="list-style-type: none"> • deterioration of financial performance • deterioration of liquidity 	●●●	➔
6.	Retech Systems LLC goodwill	Risk of impairment of Retech Systems LLC goodwill caused by the company's unsatisfying performance	<ul style="list-style-type: none"> • monitoring of the company's performance • preparation of annual impairment tests 	<ul style="list-style-type: none"> • deterioration of financial performance • deterioration of liquidity 	●○○	➡
OPERATIONAL RISKS						
7.	Risks in project implemented at Retech Systems LLC.	Non-payment	<ul style="list-style-type: none"> • negotiations with customers 	<ul style="list-style-type: none"> • deterioration of financial performance • deterioration of liquidity 	●○○	➡
8.	IT system risk	External or internal interference with IT systems (cyber-attack)	<ul style="list-style-type: none"> • IT security audits • in-house procedures for IT security management • security tests for IT systems • raising employees' awareness of cyber security issues (training, information, tests) 	<ul style="list-style-type: none"> • loss of data confidentiality • revenue reduction and financial loss 	●●●	➔
9.	Employee risk	Difficulties with recruitment of qualified employees and retention of competent and experienced staff	<ul style="list-style-type: none"> • close cooperation with secondary schools and higher education facilities (vocational classes under the Group's patronage, student apprenticeship and internships, competitions for pupils to develop their vocational skills, participation in open days, job fairs, 	<ul style="list-style-type: none"> • Scaling down of operations and financial performance 	●●●	➔

			<p>etc.)</p> <ul style="list-style-type: none"> • employer branding through presence in social and traditional media • building career paths and opportunities for employees • development of leadership skills • building an engaging work environment • creation of space for innovation within the organisation • system of periodic employee assessment • satisfaction surveys and follow-up based on survey results • employee benefits 			
COMPLIANCE RISKS						
10.	Legal risk – asbestos lawsuit against SWC	Possible payment of damages for asbestos claims	<ul style="list-style-type: none"> • cooperation with a specialised law firm • use of existing insurance policies 	<ul style="list-style-type: none"> • deterioration of financial performance • deterioration of liquidity 		

23. Statement of compliance with corporate governance principles by SECO/WARWICK S.A. in 2020

a. Identification of the set of corporate governance principles followed by the Parent of the SECO/WARWICK Group and place where the text of the rules is publicly available

SECO/WARWICK S.A. is subject to the Code of Best Practice for GPW Listed Companies 2016 implemented under Resolution No. 26/1413/2015 passed by the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (WSE) on October 13th 2015.

The Code is available at www.corp-gov.gpw.pl and www.secowarwick.com.

The Company did not observe any corporate governance principles going beyond the requirements stipulated by Polish law.

b. Scope of non-compliance with the set of corporate governance rules referred to above, specification of the rules not complied with, and explanation of why they were not complied with and how the Company intends to eliminate the effects (if any) of non-compliance with a given rule or measures it intends to take to reduce the risk of non-compliance with a given rule in the future

In 2016, acting under Par. 29.3 of the WSE Rules, the Company submitted a report on the Company's compliance with the recommendations and principles laid down in the Code of Best Practice for GPW Listed Companies 2016. The report is available at www.secowarwick.com.

According to the report, SECO/WARWICK S.A. did not comply with the following principles and recommendations:

- **I.Z.1.19.** A company should operate a corporate website and publish on it shareholders' questions asked to the management board pursuant to Article 428.1 or 428.6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13.
 - The Company's commentary: The Company complies with this principle where it obliges the Company to publish shareholders' questions asked to the management board pursuant to Article 428.1 or 428.6 of the Commercial Companies Code together with the management board's answers to those questions by fulfilling the obligation set forth in Par. 38.1.12 of the Minister of Finance's Regulation on current and periodic information of February 19th 2009. However, the Company believes that publishing shareholders' questions which the Company refused to answer pursuant to Article 428.2 or 428.3 of the Commercial Companies Code, which would mean full compliance with the principle discussed, could be detrimental to the Company's interests. Having no control over the contents, scope and wording of such questions, the Company would be obliged to publish them even if their publication were detrimental to the Company's interests or cause the Company to incur liability to third parties.
- **I.Z.1.20.** A company should operate a corporate website and publish on it a record of the General Meeting in audio or video format.
 - The Company's commentary: Given the Company's concentrated ownership structure, the Company does not record its General Meetings in electronic form. General Meetings are attended by shareholders representing over 50% of the share capital. Each General Meeting is broadcast live on the Company's corporate website.
- **III.Z.3.** The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.
 - The Company's commentary: The person heading the internal audit function does not yet meet all independence requirements, while the performance of the tasks is entrusted to an independent external firm.
- **IV.R.2.** If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a

general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- real-life broadcast of the general meeting;
- real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

- o The Company's commentary: The Company's general meetings are not held with the use of electronic communication means. The Company believes that considering its concentrated ownership structure and financial aspects the use of electronic communication would not be reasonable. However, the Company declares that it will make an effort to implement the principle at the Company if a wider group of shareholders so request.

- **IV.Z.13.** If a shareholder requests information about the company, the management board of the company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Art. 428.2 or Art. 428.3 of the Commercial Companies Code.

- o The Company's commentary: The Company seeks to comply with this principle in full, yet this may prove difficult or impossible in practice. In certain cases it may happen that in order to answer shareholder questions exhaustively the Company needs more than the 30-day time limit set by the principle, especially if to give an answer the Company is required to conduct additional analyses or ask employees or members of the Company's governing bodies for clarifications.

- **VI.Z.4.** In the activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

- o The Company's commentary: All information about the remuneration policy will be presented in a report which will be prepared by the Company's Supervisory Board and presented to the General Meeting pursuant to Art. 90g.1 of the Public Offering Act.

c. Main features of SECO/WARWICK S.A.'s systems of internal control and risk management with respect to preparation of financial statements and consolidated financial statements

The Management Board of the Parent is responsible for the Group's internal control system and its effectiveness in the process of preparation of periodic reports and financial statements prepared and published in accordance with the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities dated March 29th 2018.

The main objective of the Group's internal control system applied to financial reporting is to ensure adequacy, reliability, and accuracy of financial information presented in periodic reports and financial statements. The Group's internal control and risk management system applied to financial reporting was developed based on:

- **Clear division of responsibilities and organisation of work in the financial reporting process**

Responsibility for the preparation of the Group's financial statements, current management reports, and periodic financial reports lies with the Parent's Financial Department, headed by the Chief Financial Officer.

Financial statements of the SECO/WARWICK Group are prepared by the staff of the Parent's Financial Department, based on financial data contained in the financial and accounting system, as approved by the Chief Financial Officer, and on other additional data provided by designated employees from other departments in the Group. Prior to being handed over to an external auditor, complete financial statements are reviewed by the Head of the Accounting Department and then by the Chief Financial Officer.

Periodic reports of the Group are prepared by the staff of the Financial Department, based on financial data contained in the financial and accounting system, as approved by the Chief Financial Officer, and on other additional data provided by designated employees. Prior to being handed over to an external auditor, complete periodic reports are reviewed by the Head of the Accounting Department and then by the Chief Financial Officer.

- **Precise definition of the scope of the Group's financial reporting**

The Group reviews its strategy and business plans annually, in cooperation with its senior and middle management. Based on the outcome of the review, the Group carries out a budgeting process covering all areas of its operations. During the year, the Parent's Management Board analyses current financial performance and compares it against the adopted budget in accordance with the management reporting system adopted by the Group and based on the Group's accounting policies (International Financial Reporting Standards), taking into account the format and level of detail of the financial data presented in periodic financial statements of the SECO/WARWICK Group.

The accounting policies applied to statutory reporting are included in the budgeting process and in the Group's management reporting system.

The Group makes every effort to ensure that the financial statements, periodic reports, and other reports presented to investors are based on consistently applied accounting policies.

- **Regular reviews of the Group's performance, based on the financial reporting system used by the Group**

Financial data used to prepare financial statements and periodic reports is sourced from the financial and operational reports prepared by the SECO/WARWICK Group. Relevant performance data is supplied by the Group subsidiaries on a monthly basis. The data is analysed by the management board of the holding company and then discussed during conference calls with the subsidiaries' management boards.

Any errors revealed during the analysis are corrected immediately in accordance with the adopted accounting policies.

The work on financial statements and periodic reports starts only after the results recorded in a closed month (reporting period) have been approved by the Chief Financial Officer.

- **Requirement to submit financial statements for approval prior to their publication**

Periodic reports and financial statements, once reviewed or audited by the auditor, are submitted to the members of the Company's Supervisory Board.

All members of the Supervisory Board are offered an opportunity to get acquainted with the financial statements or auditor's report. All queries can be discussed with Chief Financial Officer, who is available for this purpose to the members of the Supervisory Board.

- **Audit/review of financial statements by an external auditor**

In accordance with the applicable legal regulations, the SECO/WARWICK Group submits its financial statements for a review or audit, as appropriate, by a qualified external auditor.

d. Shareholders holding, directly or indirectly, major holdings of shares

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights in the Company as at December 31st 2020 and as at the date of release of this Report

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,091,952	10.60%	1,091,952	10.60%
Bleauhard Holdings LLC	594,973	5.78%	594,973	5.78%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

The information presented in the table is based on notifications received by the Company from the shareholders under Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

As at December 31st 2020, SECO/WARWICK S.A. holds 1,308,904 treasury shares, representing 12.71% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

On November 3rd 2020, the Company was notified by shareholder Aviva Otwarty Fundusz Emerytalny Aviva Santander of the sale of 656,919 shares in the Company. Prior to the transaction, AVIVA OFE held 1,046,573 Company shares, representing 10.16% of the Company's share capital and 10.16% of total voting rights at the General Meeting. After the transaction settlement, AVIVA OFE holds 389,654 Company shares, representing 3.78% of the share capital and 3.78% of total voting rights at the General Meeting.

As at the issue date of this Report, there were no changes in the list of shareholders holding more than 5% of total voting rights at the Company's General Meeting, compared with the information as at December 31st 2020 shown in the table below.

e. Holders of any securities that confer special control powers, and description of such powers

SECO/WARWICK S.A. has not issued any securities conferring special control powers with respect to SECO/WARWICK S.A.

f. Restrictions on the exercise of voting rights such as restrictions on the exercise of voting rights by holders of a certain portion or number of votes, time limits for exercising voting rights, and provisions under which, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of the securities

There are no restrictions on the exercise of voting rights such as restrictions on the exercise of voting rights by holders of a certain portion or number of votes, time limits for exercising voting rights, or provisions under which, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of the securities.

g. Restrictions on transferability of the Company securities

On November 8th 2016, the following shareholders:

- SW Holding sp. z o.o. ("SWH"), holding 3,387,139 Company shares,
- Spruce Holding LLC ("SHLLC"), holding 1,123,337 Company shares,
- Paweł Wyrzykowski ("PW"), holding 255,000 Company shares,
- Andrzej Zawistowski ("AZ"), holding 65,000 Company shares,
- Bartosz Klinowski ("BK"), holding 35,000 Company shares,

(SWH, SHLLC, PW, AZ and BK – jointly the “Shareholders”) signed a share lock-up agreement (the “Agreement”).

Pursuant to the Agreement, the Shareholders agreed not to dispose of, offer or pledge their holdings of Company shares, as specified above.

The lock-up restriction under the Agreement remained in effect until December 31st 2019, but the Parties defined in the Agreement the circumstances permitting waiver of the restriction before that date.

Under an annex of August 7th 2020, the term of the Agreement was extended until December 31st 2023 with respect to the following holdings of shares:

- 3,387,139 Company shares held by SWH,
- 1,123,337 Company shares held by SHLLC,
- 307,058 Company shares held by PW,
- 65,000 Company shares held by AZ,
- 84,981 Company shares held by BK.

h. Rules governing the appointment and removal from office of the management staff, and of their powers, including in particular the power to decide on an issue or buyback of shares

The Company’s Management Board consists of two to five members and is appointed and removed from office by the Supervisory Board, which has the power to appoint any number of Vice-Presidents. Members of the Management Board are appointed for a joint three-year term of office. The Management Board comprises the President of the Management Board, Vice-Presidents and members. When appointing the members of the Management Board, the Supervisory Board decides who will be appointed to the positions of the President and Vice-Presidents of the Management Board. The mandate of a Management Board member expires on the date of the General Meeting approving the Directors’ Report, the statement of financial position and the statement of comprehensive income for the last year in which the member held the office. Members of the Management Board may be re-appointed for another term of office. The Management Board may appoint one or more commercial proxies

The Management Board has all powers to manage the Company’s affairs other than those which fall within the exclusive scope of competence of the other governing bodies of the Company. The Management Board defines the overall organisation structure of the Company and the principles of its operation. For this purpose it may issue relevant rules and other internal regulations. Every member of the Management Board may, without a prior resolution of the Management Board, manage any affairs of the Company falling within the scope of the day-to-day management, except where, before the matter is settled, at least one member objects to it. Each Management Board member may individually incur a liability or dispose of a right for an amount of up to PLN 200,000 (two hundred thousand). Assuming an obligation or disposing of a right in excess of PLN 200,000 (two hundred thousand złoty) requires two Management Board members acting jointly or a Management Board member acting jointly with a commercial proxy authorised to act individually, or a Management Board member acting jointly with a commercial proxy holding joint powers of proxy. Any issues which fall beyond the scope of the day-to-day management of the Company’s affairs require a resolution of the Management Board.

The Company shares may be cancelled upon the shareholder’s consent through the acquisition of the shares by the Company (“voluntary cancellation”) or without the shareholder’s consent (“compulsory cancellation”), in compliance with the provisions of the Commercial Companies Code. Shares may be cancelled without the shareholder’s consent on the basis of a resolution of the General Meeting if: the shareholder is declared bankrupt; an enforcement procedure has been instituted with respect to the shares; a court of general jurisdiction has declared in civil proceedings that the shareholder acted to the detriment of the Company; a final ruling has been issued convicting the shareholder of a crime connected with acting to the detriment of the Company.

Compulsory cancellation is effected against compensation, which may not be lower than the value of net assets attributable to the shares, as disclosed in the financial statements for the previous financial year, less the

amount allocated for distribution among the shareholders. The General Meeting may cancel all or part of a shareholder's shares at the shareholder's written request. In such a case, the value of the cancelled shares is determined by a resolution of the Company's General Meeting, with a proviso that the resolution is valid only if the shareholder requesting the cancellation of the shares votes in favour of the resolution. The Company may acquire its own shares for the purpose of retiring them or for other purposes set forth in Art. 362.1 of the Commercial Companies Code. The General Meeting may authorise the Management Board to acquire the Company shares from the shareholders with a view to retiring them. The Management Board has no authority to issue shares.

i. Rules governing amendments to the Company's Articles of Association

In accordance with Art. 430.1 of the Commercial Companies Code, any amendment to SECO/WARWICK S.A.'s Articles of Association requires a resolution by the General Meeting and must be entered in the relevant court register. Amendments to the Articles of Associations are submitted to the registry court by the Management Board of SECO/WARWICK S.A. The General Meeting of the Company may authorise the Supervisory Board to prepare a consolidated text of the amended Articles of Association or to make other editorial changes specified in the General Meeting's resolution.

j. Manner of operation of the General Meeting, its basic powers and description of the shareholder rights, along with the procedure for their exercise, including in particular rules provided for in the Rules of Procedure for the General Meeting, if any, unless such information follows directly from the provisions of law

The General Meeting operates according to the Rules of Procedure for the General Meeting of SECO/WARWICK S.A., adopted by virtue of Resolution No. 32 of the SECO/WARWICK S.A. General Meeting of June 24th 2016. The General Meeting may only be attended by persons who are the Company's shareholders sixteen days prior to the date of the General Meeting. The record date for participation in the General Meeting is the same for the holders of rights under bearer and under registered shares. (Art. 406 [1] of the Commercial Companies Code) Holders of rights under registered shares and provisional certificates, as well as pledgees and usufructuaries holding voting rights, are entitled to participate in the General Meeting of a public company only if they are entered in the share register as at the record date (Art. 406 ^[2] of the Commercial Companies Code) The General Meeting may be attended by persons whose presence is considered indispensable by the Supervisory Board or Management Board (Par. 4 of the Rules of Procedure for the General Meeting).

After presentation of each item on the agenda, the Chairman of the General Meeting opens the discussion and gives floor in the order in which the participants requested to speak. While taking the floor, the shareholder may speak only on the matters included in the agenda and discussed at a given moment. With respect to each agenda item being discussed, a shareholder is entitled to give one speech and one reply (Par. 14 of the Rules of Procedure for the General Meeting).

Depending on their subject matter, resolutions of the General Meeting are adopted by the majority of votes required by the Company's Articles of Association, the Commercial Companies Code, or other generally applicable laws (Par. 18 of the Rules of Procedure for the General Meeting).

Resolutions of the General Meeting are adopted in an open ballot, subject to the provisions of Par. 17.2 on voting by secret ballot in the following cases: elections; proposals to remove a member of the Company's governing body or its liquidator; proposals to bring a member of the Company's governing body or its liquidator to account; proposals concerning personnel matters, at the request of at least one shareholder present or represented at the General Meeting; in any other cases provided for in generally applicable laws (Par. 16 of the Rules of Procedure for the General Meeting).

The Chairman of the General Meeting presents the agenda of the Meeting and submits it for approval by the General Meeting. If no objections are raised, the agenda is deemed approved by the General Meeting (Par. 9 of the Rules of Procedure for the General Meeting). After the Chairman of the General Meeting closes the list of speakers, no speakers may be added to the list, and after the discussion is declared closed, no speakers may take the floor and no proposals referred to in Par. 15 of Rules and Procedure for the General Meeting may be submitted

In 2020, two formally convened SECO/WARWICK S.A. General Meetings were held, on February 12th 2020 and June 5th 2020. The General Meeting was convened at the request of the Management Board. No requests to convene a General Meeting were submitted by shareholders in 2020.

The General Meeting was held in accordance with the Commercial Companies Code, the Rules of Procedure for the General Meeting of SECO/WARWICK S.A. and the Code of Best Practice for WSE Listed Companies 2016. The shareholders were afforded the opportunity to read draft resolutions for the General Meeting as these were published on the Company's website and in Current Report No. 12/2020 of May 8th 2020 at least 26 days prior to the General Meeting. The Company approved the documents submitted by the shareholders and their proxies, and recognised the validity of the powers of proxy, right to represent and participate in the General Meeting.

In 2020, within its powers, the Annual General Meeting adopted resolutions essential for proper operation of the Company, including a resolution on the approval of the Directors' Report on the Company's operations and the financial statements for the financial year 2019, allocation of profit for the financial year 2019, approval of the Directors' Report on the Group's operations and the consolidated financial statements of the SECO/WARWICK Group for the financial year 2019, and granting discharge in respect of performance of duties to members of the Company's governing bodies. The General Meeting also passed resolutions on the 2018–2020 Incentive Scheme and a share buyback.

The Chairman of the General Meeting ensured procedural efficiency and respect for the rights and interests of all shareholders. The General Meeting was not adjourned or interrupted. Members of the Management Board and Supervisory Board were available to the shareholders and proxies, ready to provide explanations to the extent permitted by their knowledge and required by the provisions of law. None of the resolutions adopted at the General Meeting was challenged in court proceedings.

All the resolutions adopted in 2020 by the General Meeting are aimed at serving the interest of the Company, with due consideration given to other stakeholders' rights. The resolutions adopted by the General Meeting were published on the Company's website at: www.secowarwick.com

k. Composition and changes in the composition of the Company's management, supervisory and administrative bodies and their committees, which took place in the last financial year; description of their activities

Management Board

Composition of the Management Board

As at the issue date of this Report and as at December 31st 2020 and December 31st 2019, the Management Board of SECO/WARWICK S.A. consisted of:

- Sławomir Woźniak – President of the Management Board
- Jarosław Talerzak – Vice President of the Management Board
- Bartosz Klinowski – Member of the Management Board
- Earl Good – Member of the Management Board
- Piotr Walasek – Member of the Management Board

Operation of the Management Board

The Management Board operated under the regulations of the Commercial Companies Code, the Rules of Procedure for the Management Board, approved by the resolution of the Supervisory Board and available to the public, and in accordance with the Code of Best Practice for WSE-Listed Companies. The Rules of Procedure for the Management Board stipulate the division of responsibilities, tasks and authority among the members.

The Management Board is the executive body of the Company, managing its current operations and representing it in relations with third parties. The powers of the Management Board include all matters which do not fall within the exclusive scope of competence of the General Meeting or the Supervisory Board. A

decision to acquire or dispose of property, perpetual usufruct right to or an interest in property, rests exclusively with the Management Board and requires approval by the General Meeting.

The Management Board is composed of 2 (two) to 5 (five) members appointed by the Supervisory Board, including President, Vice President and members of the Management Board. The Supervisory Board may appoint any number of Vice-Presidents. The Management Board members are appointed by the Supervisory Board for a joint three-year term of office. Each Management Board member may individually incur a liability or dispose of a right for up to the equivalent of PLN 200,000 (two hundred thousand). Assuming an obligation or disposing of a right in excess of PLN 200,000 (two hundred thousand zloty) requires two Management Board members acting jointly or a Management Board member acting jointly with a commercial proxy authorised to act individually, or a Management Board member acting jointly with a commercial proxy holding joint powers of proxy. The Management Board acts in accordance with its Rules of Procedure, approved by the Supervisory Board at the request of the Management Board.

When formulating strategic objectives and setting current tasks, the Management Board was primarily guided by the Company's best interest and the provisions of law, While also protecting the interests of shareholders, employees and creditors.

In order to ensure the clarity and efficiency of the management system, the Management Board observed the rules of professional conduct within the limits of reasonable economic risk, using a wide range of information, opinions and analyses available.

The Supervisory Board decides on the remuneration of the members of the Management Board based on clearly defined procedures. The remuneration for serving as members of the Management Board was granted taking into account the economic results achieved on the basis of competence and responsibility of the individual members of the Board. The amount of remuneration payable to the Management Board members is defined in the resolutions passed by the Company's Supervisory Board on January 12th 2012, December 13th 2012, December 5th 2013, and April 23rd 2015. Remuneration paid to the members of the Management Board did not vary from the level of remuneration paid to members of management boards at electromechanical industry companies of comparable size.

Supervisory Board

Composition of the Supervisory Board

As at the issue date of this Report and as at December 31st 2020 and December 31st 2019, the Supervisory Board of SECO/WARWICK S.A. consisted of:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Jacek Tucharz – Member of the Supervisory Board

Operation of the Supervisory Board

The Supervisory Board of SECO/WARWICK S.A. operates under the regulations of the Commercial Companies Code, the Rules of Procedure for the Supervisory Board (approved by the General Meeting and available to the public), and in accordance with the Code of Best Practice for WSE-Listed Companies. The Rules of Procedure for the Supervisory Board stipulate the division of responsibilities, tasks and authority among the members.

The Supervisory Board of SECO/WARWICK S.A. adopts resolutions and issues opinions on the matters falling within its exclusive scope of competence under the Articles of Association, and in a manner provided for in the Articles of Association and applicable laws.

The Supervisory Board complied with the requirement of having at least two independent members, meeting the independence criteria specified in the Company's Articles of Association.

In 2020, the Supervisory Board meetings were held on a regular basis, and were attended by members of the Management Board, who provided the Supervisory Board with reliable and complete information on material issues relating to the operation of the Company. The Supervisory Board held four meetings, at which

resolutions were adopted with respect to the matters included in the meeting agendas. The resolutions were sent to the members of the Supervisory Board in the notices of the meetings.

Provision of any benefits by the Company or related parties to members of the Management Board was approved by virtue of a resolution adopted by a majority of members of the Supervisory Board.

The General Meeting decides on the remuneration of the members of the Supervisory Board based on clearly defined procedures. The remuneration for serving as members of the Supervisory Board was granted taking into account the economic results achieved on the basis of competence and responsibility of the individual members of the Supervisory Board. Remuneration paid to the members of the Supervisory Board did not vary from the level of remuneration paid to members of supervisory boards at electromechanical industry companies of comparable size. Throughout 2020, members of the Supervisory Board informed the Company's Management Board of their trades in SECO/WARWICK S.A. shares.

In 2020, the Supervisory Board focused primarily on the matters significant to the Company's operations.

Within its powers to define the development strategy for the Company, the Supervisory Board made a number of analyses of the directions for long-term growth of the SECO/WARWICK Group in the context of the changes taking place in the market of manufacturers of heat treatment furnaces, including technological changes and growing competition.

The Supervisory Board, within its powers to supervise the Company's and the Group's operations, conducted an analysis and carried out periodic assessments of the financial statements of SECO/WARWICK S.A. and the Group, as well as of the Directors' Reports on the Company's operations.

The Supervisory Board will provide the Annual General Meeting with an assessment of the Company's situation, including an assessment of the system for internal control and management of risk material to the Company, assessment of the Company's fulfilment of disclosure requirements, assessment of the reasonableness of the Company's policy for sponsorship and charitable activities, as well as evaluation of the operation of the Supervisory Board, prepared in accordance with the Code of Best Practice for WSE-Listed Companies 2016.

Committees of the Supervisory Board

In 2020, an Audit Committee operated within the Supervisory Board, performing analytical and control functions under the Rules of Procedure for the Supervisory Board, the guidelines set out in the Act on Statutory Auditors, Audit Firms, and Public Oversight, and the Code of Best Practice for WSE-Listed Companies 2016.

In 2020, the Audit Committee held four meetings. The Audit Committee performed analytical and control functions in line with the Rules of Procedure for the Supervisory Board, the Rules of Procedure for the Audit Committee, and the guidelines set out in the Code of Best Practice for WSE-Listed Companies 2016. The Committee's activities included in particular:

- a) regular monitoring of the Company's and Group's financial reporting process and informing the Supervisory Board about the results of the process,
- b) monitoring of internal control systems and risk management systems used to control the main risks to which the Company was exposed,
- c) the impact of COVID 19 on SWG and the company's performance in 2020,
- d) analysis and assessment of possible business scenarios for 2021,
- e) Analysis of liquidity risk at the Group – discussion of cash flow forecasts and results of stress tests,
- f) monitoring of progress in the Seco Warwick Group's credit facility renewal/rollover process,
- g) monitoring of the Company's relations with related parties,
- h) monitoring of the performance of financial audit tasks, in particular the audit of the Company's and Group's financial statements performed by an audit firm,
- i) monitoring of the operating risks of the Group's foreign companies (SWC, Retech, and SWRus),
- j) monitoring of the performance by the Company and other Group companies of the activities requested by the auditor,
- k) monitoring of the auditor's independence,

- l) Monitoring of periodic reports intended for publication and supervision of the Company's and the Group's financial reporting process,
- m) monitoring of the company's performance with regard to compliance and legal risks,
- n) monitoring of the adopted best practices, i.e. the recommendation that an effective internal control, risk management and compliance system be maintained,
- o) supervision of the auditor appointment process,
- p) monitoring of internal audit and internal control activities, in particular regarding compliance of the operations of the Company and the Group companies with applicable laws,
- q) regular monitoring of disputes regarding exposure to asbestos – Seco/Warwick Corp.,
- r) The Audit Committee adopted the presented internal audit plan for 2021.

As at December 31st 2020, the Audit Committee was composed of:

- 1. Marcin Murawski – Chairman
- 2. Henryk Pilarski – Secretary
- 3. Jacek Tucharz – Member

The following members of the Supervisory Board and the Audit Committee met the criteria of independence according to the applicable regulations: Marcin Murawski and Mr Jacek Tucharz.

Mr Marcin Murawski has knowledge and skills in accounting acquired during an auditor qualification process. He holds an ACCA Practising Certificate (UK), and is Polish Statutory Auditor No. 90053 (National Chamber of Statutory Auditors) and CIA (Certified Internal Auditor). Henryk Pilarski has knowledge and skills relevant for the industry in which the Company operates, which he acquired as a student of the Gdańsk University of Technology and during his long-standing career, in particular with manufacturing and assembly companies in which he held managerial positions.

Audit firm selection policy

- 1. In the procedure for appointing an audit firm, the Supervisory Board takes the following into consideration:
 - a) the experience of the audit team in the audit of financial statements of public interest entities (in particular joint stock companies whose securities are admitted to trading on a regulated market);
 - b) the general competence of the audit team;
 - c) financial criteria;
 - d) audits of financial statements of companies with business profiles similar to the Company's profile (including in terms of industry and geographical structure) previously conducted by the audit firm and the audit team.
- 2. The Supervisory Board selects the audit firm with due regard to the principle of independence of the audit firm, and after analysing the work performed by the audit firm in the Company which went beyond the scope of audit of financial statements.
- 3. The Audit Committee may discuss with the audit firm the threats to the audit firm's independence and the safeguards used to mitigate those risks.
- 4. Prior to performing the audit, each year the audit firm and members of the audit team submit a declaration of meeting the independence criteria set out in Art. 69–73 of the Act.
- 5. The audit firm will be selected and the audit will be performed pursuant to applicable laws, in particular the Act and the Accounting Act of September 29th 1994 (Dz.U. of 2016: items 1047, 2255; Dz. U. of 2017: items 61, 245, 791, and 1089). The audit will be conducted in accordance with the International Financial Reporting Standards as well as the requirements and rules applicable to the Company, in particular the principles of the Code of Best Practice for WSE-Listed Companies which the Company observes.

6. Introducing any contractual clauses that would require the Supervisory Board to select the qualified auditor from a specific category or list of qualified auditors is prohibited.

I. Policy for sponsorship, charitable and similar activities

In the financial year 2020, SECO/WARWICK S.A. undertook the following activities and incurred the following expenses connected with sponsorship and charitable activities:

- WWF Polska Foundation – PLN 3.5 thousand
- Słoneczko Foundation for People with Disabilities – PLN 1.0 thousand
- SIEPOMAGA.PL Foundation – PLN 4.1 thousand
- Z Serca dla Serca Foundation – PLN 0.5 thousand
- New Hospital of Świebodzin – PLN 26.1 thousand

The expenses connected with sponsorship and charitable activities totalled PLN 35.2 thousand.

For more information on sponsorship activities, see Section 32 of this Report.

m. Diversity policy

The aim of diversity management at SECO/WARWICK S.A. is to create a workplace where each employee feels respected and valued and where they can fully realise their potential, contributing to the Company's success.

The Company ensures equal access to professional development and promotion opportunities for its employees, irrespective of the colour of their skin, religion, gender, age, nationality, citizenship, marital and children status, political beliefs, disability or any other legally protected status.

Decisions on hiring new staff and appointing members of the Management and Supervisory Boards are made based on objective criteria. SECO/WARWICK S.A. strives to ensure versatility and diversity in the Company's governing bodies, especially with respect to gender, educational background, age and professional experience. Candidates for particular positions are selected based on their qualifications, professionalism and competence.

The diversity policy aims to prevent discrimination at work, and to build a corporate culture open for staff diversity, which in turn helps build market position and competitive advantage.

Pursuant to the Code of Best Practice for WSE-Listed Companies 2016, the Company hereby discloses that in the last three years (2018–2020), the participation of men and women in the Company's Management Board and Supervisory Board was as follows: men - 100%, women - 0%.

24. Material court, arbitration and administrative proceedings

In 2020, no liabilities or receivables of SECO/WARWICK S.A. were disputed in any significant court, arbitration or administrative proceedings with any counterparty or its group.

25. External and internal drivers of the Company's growth

External factors:

- The Group's financial performance will be driven to a large extent by the macroeconomic conditions prevailing on the markets where the Group companies operate or which they plan to enter. The Group's growth will depend on key economic indicators reported for the markets where the Group is present, such as the demand for capital goods, GDP growth rate, inflation rate, unemployment rate, and capital expenditure.

- The achievement of the SECO/WARWICK Group's strategic objectives may be hindered by competition. If competitive pressures intensify, especially in Asian markets, they may adversely affect the Group's ability to meet its planned financial results.
- Foreign exchange rates, particularly the EUR/PLN rate, are a significant factor for the development of the Group's business. However, the Group actively mitigates currency risk by changing the reference rates used to calculate the price of the equipment it manufactures, executing hedging transactions on the futures market, and making purchases in the euro and US dollars.
- For information on the COVID-19 pandemic, see Section 12 of this Report.

Internal factors:

- The achievement of the financial targets set by the SECO/WARWICK Group depends on its ability to retain highly-skilled professionals in managerial and specialist positions at the Group. In the sector where the Parent operates, as in many other sectors of the Polish economy, remuneration of highly qualified staff is lower compared with other EU countries, which may encourage employees to seek employment abroad. The Parent is actively trying to mitigate this risk by implementing such measures as a share-based incentive scheme or a financial assistance programme designed to help finance the costs of university and specialist courses. Retention of the highly-qualified staff in the mid- and long-term perspective may result in an increase in employment costs, which in turn may reduce the profitability of the Group's business.

26. Information on the Company's and Group's growth strategy and measures taken as part of its implementation in the reporting period, including information on the Company's growth prospects in at least the next financial year

On March 5th 2020, the Company's Management Board adopted the 'SECO/WARWICK Strategy for 2020-2022'.

Key objectives of the Group's new development strategy for 2020–2022:

The mission and vision for the activities of the SECO/WARWICK Group (the "Group") are defined in the Strategy as follows:

- Mission of the SECO/WARWICK Group:

"Thanks to the experience and expertise of our employees as well as cooperation with our business partners, we create innovative products that provide customers with reliable, safe, and environmentally friendly solutions for heat treatment and metallurgy and ensure economic viability of their businesses."

- Vision of the SECO/WARWICK Group:

"We want to be the company of first choice in the provision of heat treatment and metallurgy solutions. Innovation and reliability are evident in the way we think and create – everywhere in the world."

The Strategy is based on tasks for individual segments as well as certain centralised strategic tasks for some or all of the Group's segments.

The key objectives of the Strategy include:

- Financials: predictability and stability of key financial parameters, focus on high-margin products, steady growth of net profit to 4% in 2022, reduction of capital expenditure (replacement and growth projects) to an average annual rate of approximately PLN 11m, focus on commercialisation of technologies developed in recent years, and organic growth without acquisitions,

- Customers: focus on key industries throughout the Group (i.e. aviation, energy, automotive and commercial heat treatment companies), on key products in the four main segments (VME, ATM, VAC, ALU/CAB), and on improving services (aftermarket segment),

- Processes: improvement of the commercialisation process for new products and technologies (including establishment of the New Technology Implementation Unit), optimisation of key centralised processes, cooperation between segments and companies (cross selling, key customers and implementation rules for multi-discipline projects), standardisation of materials and improvements in the production area,
- Employees: putting in place an effective incentive system for employees to retain valuable staff and support delivery of the Group's strategic objectives.

Implementation of the Strategy will be monitored on a regular basis.

The above strategic objectives are a goal that SECO/WARWICK will seek to achieve and are not a forecast of expected financial results within the meaning of applicable laws.

27. Major R&D achievements

In 2020, the Research and Development division of the SECO/WARWICK Group worked on the following projects:

In 2020, the following subsidised project was successfully completed:

- UniCase Master® – completion of work under the grant agreement for Project No. POIR.04.01.04-00-0087/15 'System for highly efficient and precise heat treatment, with reduction of hardening distortion, for direct application in the straight-line production of parts of gears and bearings'. Project implemented under the Smart Growth Operational Programme 2014-2020. Institution: National Centre for Research and Development (NCBiR). Priority axis: Increasing the research potential. Action: Research and development Sub-action: Application projects – completed on September 28th 2020.

In 2020, the Company continued the following projects financed with grants:

- DeepCaseMaster Evolution 4.0 – continuation of activities under an agreement for partial funding of project No. POIR.04.01.02-00-0064/17, "Stand-alone system for the monitoring and processing of operating parameters of a soaking furnace for the purposes of Industry 4.0 in low pressure carburising processes". Project implemented under the Smart Growth Operational Programme 2014-2020. Institution: National Centre for Research and Development (NCBiR). Priority axis: Increasing the research potential. Action: Research and development Sub-action: Sub-measure: Regional scientific and research agendas.
- JetCaster® – continuation of activities under an agreement for partial funding of project No. POIR.04.01.04-00-0044/17: "Development of an innovative device for multi-option and high-volume casting of gas turbine blades with monocrystalline microstructure for the aviation industry". Project implemented under the Smart Growth Operational Programme 2014-2020. Institution: National Centre for Research and Development (NCBiR). Priority axis: Increasing the research potential. Action: Research and development Sub-action: Application projects.
- ZeroFlow® Feedback Control – continuation of activities under an agreement for partial funding of project No. POIR.04.01.04-00-0010/16: "Development of a new generation of ZeroFlow Feedback Control technology-based nitriding furnaces". Intermediary institution: National Centre for Research and Development (NCBiR). 2014–2020 Smart Growth Operational Programme. Priority axis: Increasing the research potential. Action: Research and development Sub-action: Application projects.

In 2020, a total of 17 development contracts (SWSA) were successfully completed, including:

- Vacuum carburising technology (LPC) in a furnace with metal heating elements.
- Low-pressure carbonitriding (LPCN) technology (method).

In 2020/2021, the following annual reports on subsidised projects were prepared and approved:

- Report on the implementation of the 2020 projects/phases, including a description of the project milestones for "Stand-alone system for the monitoring and processing of operating parameters of a

soaking furnace for the purposes of Industry 4.0 in low pressure carburising processes” – DeepCaseMaster Evolution 4.0.

- Report on the implementation of the 2020 projects/phases, including a description of the project milestones for “Development of an innovative device for multi-option and high-volume casting of gas turbine blades with monocrystalline microstructure for the aviation industry” – JetCaster®.
- Report on the implementation of the 2020 projects/phases, including a description of the project milestones for “Development of a new generation of ZeroFlow Feedback Control technology-based nitriding furnaces”.

In 2020, an important milestone was achieved in the following non-subsidised development project:

- SeCoil® Coil Temperature Control System and Vortex 2.0 – a new, high-efficiency Vortex 2.0 airflow system for heat treatment of aluminium sheet in coils was developed. The system was successfully tested in laboratory conditions representative of operating conditions. An invention was developed following the tests, and a patent application was filed with the Polish Patent Office.

28. Environmental protection

In 2020, SECO/WARWICK S.A. used natural resources in the course of its production and trading activities in accordance with the applicable laws and was charged with no penalties.

For the purposes of its operations, the Company has secured two required permits: for waste generation and release of gas and dust into the air.

1. In the case of the waste generation permit, the Company holds a renewed permit of June 16th 2017, valid until June 16th 2027. The Company maintains a register of all generated waste. The Company has executed agreements with specialist companies which handle waste disposal, recycling and treatment (the companies hold relevant permits). In accordance with the applicable regulations, the Company is registered in the database on products and packaging and on waste management (BDO) under No. 00025175.
2. In the case of the permit to release gas and dust into the air, the Company holds a renewed permit of March 21st 2017, valid until March 21st 2027. Measurements of dust and gas emissions into the air are carried out regularly once a year by a specialist external company in order to monitor the levels of emissions of pollutants.

For detailed information on environmental matters, see Section 32 of this Report.

29. Workforce

For more information on the workforce of SECO/WARWICK S.A., see Note 29 to the Separate Financial Statements of SECO/WARWICK S.A. and Section 32 of this Report.

30. Events with a material bearing on the Company’s business which occurred in the financial year or in the period from the end of the financial year to the date of authorisation of the financial statements

Events with a material bearing on the Company’s business which occurred in the financial year are discussed in detail in Section 11 of this Report. Events that occurred after the reporting date are described in detail in Note 32 to the separate financial statements of SECO/WARWICK S.A.

Details on the events occurring after the end of the reporting period are provided in current reports, available from the corporate website at:

www.secowarwick.com

31. Information on:

- a) Date of the agreement concluded by the Company with an audit firm for the audit or review of financial statements or consolidated financial statements, and the term of such agreement,
- b) Whether the Company has used the services of the selected audit firm before and, if so, when the services were provided and what type of services they were,
- c) The body which selected the audit firm,
- d) The remuneration of the audit firm, paid or payable for the current and previous financial year, separately for:
 - audit of the full-year financial statements,
 - other assurance services, including review of financial statements,
 - tax advisory services,
 - other services.

The agreement with the qualified auditor was executed on July 26th 2018. Ernst & Young Audyt Polska Sp. z o.o. Sp. K. of Warsaw, Rondo ONZ 1, Warsaw, Poland, is entered in the list of qualified auditors of financial statements maintained by the National Council of Statutory Auditors under Reg. No. 130.

In 2016-2020, the Company used selected audit firm services, such as audit of the full-year separate financial statements of SECO/WARWICK S.A. and the consolidated financial statements of the SECO/WARWICK Group, review of the half-year separate and consolidated financial statements, and in 2020 – assessment of the report on remuneration of Supervisory Board and Management Board members.

On April 26th 2018, the Supervisory Board, acting under Art. 29.1.6 of the Articles of Association, which authorises it to appoint the Company's auditor, passed Resolution No. 14/2018 under which Ernst & Young Audyt Polska Sp. z o.o. Sp. K. of Warsaw, Rondo ONZ 1, Warsaw, Poland, audited the full-year separate financial statements of SECO/WARWICK S.A. and the consolidated financial statements of the SECO/WARWICK Group and reviewed the half-year separate and consolidated financial statements for 2020.

The table below presents total auditors' fees for 2020 and 2019.

Table: Total auditors' fees for 2020 and 2019

Service	Fees for 2020 (PLN '000)	Fees for 2019 (PLN '000)
Audit of full-year financial statements	290	353
Other assurance services, including review of financial statements	104	112
Other services	23	
Total	417	465

32. Non-financial statement for 2020

INTRODUCTION

Below is presented the SECO/WARWICK's non-financial statement for 2020 (the "Statement"). It constitutes a separate part of the Directors' Report on the operations of SECO/WARWICK in 2020 and presents the Company's non-financial information for the period January 1st–December 31st 2020.

The Statement was prepared on the basis of internal policies, taking account of the provisions of the Accounting Act of September 29th 1994, the European Commission's guidelines on non-financial reporting, Polish Non-Financial Reporting Standards, and the Global Reporting Initiative (GRI) guidelines.

The choice and description of policies and the efficiency ratios presented in the Statement are based on the materiality criterion, taking into account internal and external factors relating to the operations of SECO/WARWICK S.A. The key factors taken into account in the assessment of materiality were: the industry in which the Company operates, its business profile and market environment, impact on local communities and environmental footprint, as well as expectations of identified internal stakeholders (employees, shareholders, governing bodies) and external stakeholders (local communities, customers, suppliers, trading partners, local authorities and public administration).

In 2020, the global economy was affected by the pandemic of the SARS-CoV-2 coronavirus causing the COVID-19 disease. Therefore, the Statement has been extended to include a description of the impact of the pandemic on SECO/WARWICK's operations to the extent it affected activities described in a non-financial statement.

The description of all policies and the efficiency ratios in the Statement have been prepared based on the data provided by SECO/WARWICK S.A. (the "Company", "SECO/WARWICK"), the parent of the SECO/WARWICK Group.

The data presented in the Statement will be reviewed and updated annually and regularly published together with annual reports for subsequent financial years.

DESCRIPTION OF THE COMPANY AND ITS BUSINESS MODEL

The Company's business and markets

SECO/WARWICK of Świebodzin, Poland, is a technological leader in innovative metal heat treatment solutions sold mainly to business customers (B2B), and a parent of the SECO/WARWICK Group, which comprises a number of its indirect and direct subsidiaries. The SECO/WARWICK Group has nine companies operating in three continents, with customers in 70 countries and production facilities located in Poland, United States, and China. The Group also includes a number of sales and maintenance companies in other countries, such as Germany, Russia and India.

Given the nature of the Company's business, highly industrialised economies, including those with access to natural resources and focused on modern technologies, are of strategic importance to the Company's operations. In terms of sales volumes, SECO/WARWICK S.A.'s key strategic markets are the EU, the USA, and Asia (especially China).

The Company supplies standard or dedicated state-of-the-art heat treatment equipment and technologies to leading companies operating in the automotive, aviation, electronic, machinery, tool, medical, recycling, and power generation (including nuclear, wind, fuel, and solar power) industries, and to manufacturers of steel, titanium and aluminium products.

Approximately 80% of the Company's revenue is derived from services provided to the aviation and aerospace (30%), automotive (30%), 30%, and power generation (20%) industries.

Main business units

As part of its operations SECO/WARWICK delivers end-to-end solutions in the following areas: aluminium heat treatment systems and CAB lines, atmosphere heat treatment furnaces, vacuum heat treatment technologies and equipment, vacuum metallurgy, and professional engineering services (Aftersales).

Aluminium heat treatment systems and CAB lines

The furnaces and systems for aluminium heat treatment and controlled atmosphere brazing (CAB) are designed according to the individual needs of the customer, with processes adapted to the characteristics of the batch as well as to performance and quality requirements. Thanks to the customised approach, the customer is able to reduce the consumption of electricity and other energy carriers and to meet the required aviation, automotive and environmental standards. Aluminium heat treatment systems and CAB lines are applied in particular in the automotive, mechanical engineering, power engineering, aviation, marine, chemical, defence and electronic industries.

Technologies and equipment for atmosphere heat treatment

Atmosphere furnaces are widely used in the process of thermal and thermochemical treatment of steel and metals in protective atmospheres for improved hardness. The solutions offered by SECO/WARWICK S.A. are used in various heat treatment processes, such as normalisation, relaxation, annealing, spheroidisation, austenitisation, tempering, and solution heat treatment, mainly in the automotive and metallurgical industries, including in the production of rolling-element bearings, by commercial heat treatment shops and in specialty industries.

As of October 1st 2020, due to a steady decline in revenue generated by the atmospheric furnace segment, the Company decided to refrain from further development of the segment and to focus on the other segments, which meet customer expectations by delivering innovative solutions and applying state-of-the-art technologies and thus contribute to winning a leading position in the industry.

Technology and equipment for vacuum heat treatment

SECO/WARWICK S.A. offers state-of-the-art, precise, energy-efficient and environmentally-friendly vacuum heat treatment equipment with guaranteed technology. Its experience in developing such solutions dates back to 1970s, when vacuum-based heat treatment technologies emerged in the aerospace, automotive, defence, metallurgical, medical, nuclear, and tool industries. Vacuum heat treatment systems have a compact and modular design with a dynamic and efficient heating system ensuring precise temperature control and excellent temperature distribution in the operating space.

Vacuum melting technologies and equipment

Vacuum metallurgical equipment is manufactured in SECO/WARWICK's facilities in the United States, Poland and China, which are the regions with the highest demand for advanced melting and foundry technologies. Since 2006, following a strategic acquisition of Retech, the Company has been offering its customers in global markets comprehensive solutions relating to melting furnaces and associated heat treatment furnaces. The technologies and equipment offered are primarily intended for the aviation, power engineering, defence, medical, automotive and nuclear industries and for powder metallurgy.

Professional engineering services (Aftersales)

The Aftersales segment focuses on conversion, modernisation and modification of customers' equipment, including other manufacturers' equipment, as well as sale of spare parts and other aftersales services. As part of SECO/ENGINEERING, the Company also offers professional engineering services tailored to individual customer needs.

EMPLOYEE-RELATED MATTERS

Employees are for SECO/WARWICK S.A. one of the most vital assets in fostering its long-term and sustainable growth. Employee and social matters are therefore a very important area in the Company's operations.

Considering that SECO/WARWICK S.A. operates in a highly specialised industry and the fact that its success is primarily driven by the technical knowledge and practical skills of its employees, optimum employee development and proper working environment are crucial to the long-term and sustainable development of SECO/WARWICK. One of the key objectives of the Company's HR Policy is to create workplace conditions conducive to meeting the needs and expectations of both the employees and the employer, based on dialogue and cooperation. As a result, employees find it much easier to identify with the Company and build a high productivity culture at work. In its relations with both customers and employees, SECO/WARWICK is guided by the win-win principle. It seeks to balance its staff's needs and customer expectations and measures satisfaction of employees, listens and responds to their opinions. As a result of this dialogue, a number of solutions have been put in place to improve work comfort.

Understanding and accommodating the employees' needs through multi-stage experience management translates into greater employee engagement and satisfaction. A comfortable work environment is conducive to workforce wellbeing, which translates into greater productivity – an essential element in successful operation of the entire business.

SECO/WARWICK's HR policy aims to build an organisational culture that supports autonomy, subjectivity and diversity. The main aspects in this area are transparent communication at all levels of management, openness to dialogue, responding to the needs and expectations of employees, support for employee initiatives and equal treatment of employees and candidates for work. The organisation supports employees in the pursuit of their professional ambitions by offering them clearly defined career paths and promotion criteria and pursuing a professional development policy. The Company also has in place a transparent remuneration policy which links remuneration to performance and competencies in line with the anti-discrimination policy. The service relationship is based on integrity, mutual respect and clearly specified mutual expectations.

The principal documents governing employee matters at SECO/WARWICK are the Code of Ethics, the HR Policy, the Staff Rules and the Pay Rules, as well as relevant procedures.

COVID-19 pandemic

The spread of SARS-CoV-2 coronavirus in Poland and globally made 2020 a truly extraordinary year. The pandemic forced both employers and employees to reorganise their activities and adapt them to the principles of a sanitary regime. It had an effect on all aspects of SECO/WARWICK's operations covered by the Statement, but given its particular impact on employee matters, the Company's efforts in fighting the pandemic are described in this section.

As part of the fight against the pandemic, on March 11th 2020 a coronavirus containment team was set up, tasked mainly with the development of procedures to prevent the spread of the coronavirus and communication of arrangements to employees. Due to the international nature of the Company's operations, on May 27th 2020 a dedicated team for foreign travel organisation was set up to prepare foreign business trips taking into account existing restrictions on border crossing, fulfil requirements imposed by customers, and ensure the safety of employees during the journey.

The first document announcing the epidemic and the rules of adapting work to the situation was the "Management Board's Communication to Employees and MGM". Subsequently, as the situation developed and additional regulations were introduced, a collective document entitled "COVID-19 PILL" was issued, containing a summary of measures taken by the Coronavirus Containment Team (CW-19 Team) and information on the applicable restrictions. The document was updated following each announcement by the Company's Management Board.

To prevent the spread of the coronavirus, the Company took a number of preventive measures, starting from the provision of disinfectants and reusable masks for employees and mandatory temperature measurements at the entrance to the plant, to change of work organisation, in order to minimise personal contact between employees at the workplace. The measures also included the introduction of a rotating work system by dividing employees into group A, B and C – persons particularly exposed to COVID-19 infection, temporary introduction of a two-shift system for the Production Division to reduce the number of people at assembly facilities and in locker rooms and dining halls, division into Office Zone/Production Zone, with marked zone entrances and exits, or change of the time of arrival for work for employees of the Production Division after returning to the one-shift system in order to reduce the number of people in the locker rooms and factory floors. These and other measures taken by the Company, in many cases even stricter than those imposed by the state administration, helped the Company to effectively deal with the difficult situation and protect the health of its employees and jobs while remaining economically viable.

Employment

SECO/WARWICK hires staff and supports their professional development based on their skills and qualifications. Its recruitment, career development, employee evaluation and promotion processes ensure equal treatment.

The employees are mainly employed based on full-time employment contracts (Table 1). The Company does not hire any temporary staff.

Table 1. Total workforce by gender and employment type

	2019		2020	
	Women	Men	Women	Men
Full-time	70	462	71	431
Part-time	3	2	2	7
Temporary	0	0	0	0

SECO/WARWICK is one of the largest local employers which actively engages in CSR activities, thus forging strong ties with the region and its inhabitants. The Company's employees originate mainly from Świebodzin and its surroundings.

Table 2 shows data on workforce by commuting distance and gender:

Table 2. Total workforce by commuting distance and gender

	2019		2020	
	Women	Men	Women	Men
Local (residing within 80 km of a company's head office)	73	461	70	416
Non-local (residing more than 80 km of a company's head office)	0	3	3	22

It should also be noted that the proportion of representatives of the local community in senior management positions is approximately 98.51%.

SECCO/WARWICK cares for the stability and sense of security among its employees. Most of the staff are employed under permanent contracts.

In 2020, an increase in the number of such contracts was recorded both among male and female employees (table 3).

Table 3. Total number of employees employed under permanent contracts, fixed-term contracts, and for a trial period

	2019		2020	
	Women	Men	Women	Men
Permanent contract	57	374	64	379
Fixed-term contract and employment for	16	90	9	59

trial period				
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SECO/WARWICK respects the right of free association of employees in trade unions and their right to join political parties and associations. The Company's collective labour agreements were superseded by the work rules, pay rules and the social fund rules, which cover 100% of the workforce.

In addition to their base pay, the employees also receive additional benefits, which reinforces the Company's image as a good and reliable employer.

The key additional benefits payable to SECO/WARWICK employees are presented in the table below:

Table 4. Employee benefits

Benefits	YES/NO
Life insurance	YES
Healthcare	YES
Disability and invalidity insurance	YES
Maternity/paternity leave	YES
Retirement pension	YES
Share-based payment scheme	YES
Performance bonuses	YES

In 2020, the additional arrangements introduced in 2019, i.e. the home office option, flexible working time and an additional day off after a long business trip, were maintained.

In accordance with applicable national laws, SECO/WARWICK employees are entitled to maternity/paternity leave. The retention rate of employees coming back to work after the leave ended is 100%, which means that all employees have returned to their positions. The leave entitlement is to a lesser extent exercised by men than women, for whom the maternity leave utilisation rate is 100%.

Training and professional development

SECO/WARWICK promotes the professional development of its employees by organising general and individual training which improves employee competence and productivity and contributes to faster achievement of the Company's business objectives. The Company also provides partial funding for other types of training, participation in conferences, as well as language training and studies.

The tables below present data on provided training by gender and employee category:

Table 5. Average training time in hours, by gender

2019	2020
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Women	Men	Women	Men
15.29	5.78	8.22 h	6.65 h

Table 6. Average training time in hours in 2020, by employee category

	Senior management	Lower-level management	Engineers	Administration	Production
2019	15.68	63.34	15.41	22.18	21.23
2020	9.49 h	11.7 h	4.36 h	5.88 h	5.19 h

SECO/WARWICK's HR policy efforts are also noticed and appreciated externally, as confirmed by the fact that the Company has been frequently named the Reliable Employer of the Year. This places SECO/WARWICK S.A. among Poland's best employers, recognised by the judging panel for sharing knowledge, implementing interesting HR solutions, etc.

The working conditions, attractive career paths, employee training and assistance in personal development are only some of the criteria underlying the title and repute of a Reliable Employer.

Given the ongoing preparations to a change of the ERP system and in order to improve the efficiency of HR processes, a decision was made in 2018 to replace the existing Feedback 270 assessment model with Feedback 360.

In 2019, the project was commenced with the assessment of leadership skills of the persons in managerial positions (Feedback 360 survey). In addition, comprehensive assessment forms were introduced on a pilot basis for the production division employees. In 2019, the assessment covered 12% of women and 19% of men employed by the Company. Similar forms for other key positions were to be drafted in 2020.

Due to the epidemiological situation, the Feedback360 survey planned for 2020 was postponed to 2021. To ensure biosecurity, no assessments were carried out among production staff, either.

Assessments in 2020 covered engineers and administrative staff (Table 7).

Table 7. Percentage of employees that received regular periodic assessment, by category

	Senior management	Lower-level management	Engineers	Administration	Production
2019	100%	100%	0%	0%	100%
2020	0%	0%	80%	90%	0%

SECO/WARWICK identifies and manages the risks discussed below, which are inherent in the Company's operations and may have an adverse effect on employee matters:

1. Risk of loss of the Company's key personnel.

This risk applies to most industrial facilities in Poland, and is related to fluctuations in the labour market and to economic conditions.

The Company's core business activity, consisting in the manufacture and sale of heat treatment machinery and equipment, requires a qualified and experienced workforce. Knowledge of this kind of industry is unique, specific and highly specialised, therefore a loss of key professionals may undermine the stability of

the Group's business. The Company manages this risk by monitoring positions of key importance from the perspective of its operations and by ensuring that its employees are sufficiently motivated. In addition to providing financial incentives, the Group also counters this risk by organising internal training courses as well as succession and mentoring programmes to ensure the transfer of knowledge and skills between key professionals and less experienced staff. In addition, loyalty agreements are signed with the employees participating in complex development and specialised training programmes.

2. Risk of shortage of staff with appropriate competencies on the labour market.

Similarly to the risk of loss of key personnel, this risk is related to the need for qualified personnel. The Company effectively manages that risk through the SECO/GENERATION programme, which focuses on building relationships with schoolchildren and students still during their education. SECO/WARWICK also engages in other initiatives fostering integration with local communities and building the Company's image of a stable employer.

CORPORATE SOCIAL RESPONSIBILITY

SECO/WARWICK builds an image of a friendly and socially responsible business which seeks to foster good relations with stakeholders, increase prosperity and improve public health, with particular focus on local communities, through such measures as sponsorship, promotion of sports and healthy lifestyle, and activities supporting youth education. The Company's activities that go beyond the framework required by applicable laws have become an independent effort designed to bring tangible benefits in such areas as human and workers' rights, corporate governance, fair practices, stakeholder relations management, environment and security, and in particular social engagement and support for local communities. As a result, October 2020 saw the adoption of the SECO/WARWICK Group CSR Strategy (CSR Strategy), the principal document governing the Company's and SECO/WARWICK Group's approach to CSR matters.

The CSR Strategy also includes a Sponsorship Strategy which is based on understanding that running a business is not just about selling products or services, but also about supporting initiatives undertaken by residents, employees and social organisations. The Company supports, both financially and in kind, those social initiatives which it considers fair and representative of its values and objectives. It has decided to act selectively as part of its CSR efforts, putting local initiatives at the centre of its focus.

It should be emphasised that SECO/WARWICK's CSR activities are not undertaken only in response to requests and appeals from NGOs, but also from individuals and non-profit organisations. The Company analyses the needs of the local community in which it operates, as well as the needs of its stakeholders, who are mainly its employees, local residents, non-governmental organisations and local authorities.

Sports

SECO/WARWICK promotes sports and active lifestyles by creating different activity groups for its employees. The Group has established three sports teams: the SECO/BIKE cycling group, the SECO/RUN running group and the SECO/TEAM football group. The Company co-finances and support sports teams, as this helps its employees to combine their work with their passion and strengthens their mutual relations.

In 2017, SECO/WARWICK set up a cycling team under the name SECO/BIKE, which currently consists of ten Company employees who take part in cycling competitions and charitable actions. The purpose behind creating the team was to promote and popularise cycling and bicycle tourism as well as promote healthy and sober lifestyle and active leisure and recreation.

In 2020, the pandemic prevented SECO/BIKE from taking part in all the events in which it usually participates. However, despite the organisational difficulties it took part in races organised as part of the Grand Prix Kaczmarek Electric MTB competition (KE Trzebina, KE Żary, KE Krosno) and in three Bike Marathon races (BM Szklarska Poręba, BM Złotoryja, BM Jelenia Góra), among other competitions. The team also took part in the Solid Road race in Gostyń.

In addition to the cycling initiative, a running team named SECO/RUN is active at the Company, proudly and successfully representing SECO/WARWICK at a number of sporting events. The team has 12 members. In 2020, they participated, among others, in the 6-kilometer Gorzów Cross-Country Run at the beginning of the year.

Despite exceptionally adverse weather, all participants managed to reach the finish line. The second flagship event which SECO/RUN could not miss was the 10-kilometer Świebodzin Run.

In addition to SECO/BIKE and SECO/RUN, there is also SECO/TEAM, which for nearly 20 years has represented SECO/WARWICK in the Indoor Football Competition held in Świebodzin. The Group acts locally and through its enthusiasm it wants to emphasise the importance of physical activity in everyday life. In contrast to previous years, when the team played in numerous competitions, in 2020 the team had no opportunity to compete as the pandemic continued to spread and no sports events could be organised.

Sponsorship activities

The Company realises that nowadays businesses do not only focus on manufacturing and selling products and services – they also act as corporate citizens that support the environment in which they operate, as well as local communities and their initiatives.

SECO/WARWICK provides financial assistance to selected social initiatives which represent and promote the principles and values that SECO/WARWICK champions. The Company offers sponsorship in response to requests and appeals from NGOs and from individuals and non-profit organisations in the locations where it operates. Requests for sponsorship usually come from local authorities, NGOs, Company employees and local communities.

SECO/WARWICK's heart beats in Świebodzin, therefore local initiatives receive the largest support.

In addition, 2020 was an exceptional year due to the spread of the pandemic in Poland and globally, necessitating a careful selection of initiatives to be supported by the Company.

Last year, SECO/WARWICK provided assistance to the Świebodzin hospital by purchasing the necessary personal protective equipment and funding a patient monitor. Also the Company employees actively supported various projects, such as the famous #GaszynChallenge to save the little baby Kajetan. The Company also supported the Great Orchestra of Christmas Charity, one of the most important European social campaigns, well-known across the globe.

SECO/WARWICK also engaged in environmental projects. It funded and built three SECO/HEARTS – metal containers for recycling plastic caps collected by the local community. The initiative combines the idea of building environmental sensitivity and awareness and the natural human urge to help those in need.

While it is common perception that heavy industry poses a threat to the environment, SECO/WARWICK seeks to actively protect the environment, not only by sorting waste, but also by engaging its partners in the SECO/ECO concept.

In 2020, the Company also supported the World Wide Fund for Nature, one of the largest international environmental protection organisations, by donating one US dollar from each ticket sold for e-SEMINAR 4.0 Heat Treatment & Metallurgy. In this way, customers, partners and other participants of the seminar were engaged to help. USD 954, or approximately PLN 3,800, was collected to help save the environment as a result of the initiative.

In an effort to help schools, the Company donated computer hardware to a school in Świebodzin to facilitate remote education for the most deprived students.

In addition to the Company's main CSR initiatives outlined above, the Company also pursues activities aimed at educating its employees and building social conscience through the corporate SECO/WARWICK Bulletin and weekly newsletters (SECO/SFERA).

Using these two means of internal communication, the Company reports matters of material relevance to the local community, i.e. environmental protection, events with a significant impact on the employees and their environment, legislative changes, as well as current initiatives, such as the purchase of a defibrillator, being another step towards improving safety.

Partnership with high schools and universities

For almost five years, SECO/WARWICK has run the SECO/GENERATION project to show young people the vision of conquering the world with technology, stimulate their imagination, and motivate them to study and to work.

Many companies, particularly new technology firms, work with universities and technical colleges to reach and recruit future employees.

SECO/WARWICK goes one step further, forging partnerships also with secondary and vocational schools, which are of key importance from the Company's perspective.

At present, it cooperates with four secondary schools and five universities. The Company acts as a patron for those fields of study which correspond to the formal requirements for candidates applying for jobs with the Company. The partnership arrangements set out the partnership objectives, mutual declarations of the parties, the rules of marketing activities and the areas of cooperation established individually for each school/educational institution.

The partnerships also involve various activities, including:

- joint organisation of study groups/science clubs,
- research and development projects,
- Company presentations at secondary schools and universities,
- students' study visits at SECO/WARWICK S.A.,
- joint organisation of hands-on workshops at schools,
- knowledge competitions in a specific area of study,
- internships and other on-site activities organised for students at the Company,
- practical vocational training,
- participation in job fairs and open days at universities and secondary schools.

The Electronic and Automotive Technical School (ZSEiS) in Zielona Góra is the first school the Company has partnered with under the SECO/GENERATION programme. One element of this collaboration is the SECO/CLASS, a class run under the patronage of SECO/WARWICK. The aim of this project is to make studying more attractive by organising courses and practical classes for students and by conducting joint research and development projects under the supervision of experienced professionals and practitioners from SECO/WARWICK.

SECO/WARWICK has also established a collaborative partnership with the Henryk Sienkiewicz General Secondary School in Świebodzin. The SECO/GENERATION programme promotes mainly the command of foreign languages at the school. Students also develop their skills in the office software suite, discover the world of marketing, and learn how to navigate the world of business and other cultures in which SECO/WARWICK operates. This is possible because SECO/WARWICK has operations in China, India, the United States and in other countries, and has customers in as many as 70 countries.

The Programme also involves the partnership with the University of Zielona Góra. Cooperation with universities includes mainly lectures, workshops, presentations and training courses conducted by SECO/WARWICK experts in various fields of business, management, technology and communication. SECO/WARWICK experts share their knowledge and skills in a practical form, teach self-development skills and motivate students to search for new challenges. They participate in conducting research projects and in establishing and developing science and research clubs.

In 2020, due to the epidemiological risk posed by the SARS-CoV-2 virus, the activities under the SECO/GENERATION programme were suspended.

With respect to material risks inherent in the Company's operations which may have an adverse effect on its CSR activity, SECO/WARWICK identifies and manages the risk of stakeholders' dissatisfaction caused by limitation of the Company's CSR efforts.

The Company is engaged in numerous and extensive CSR and sponsorship activities. There is a risk that discontinuation of any of the current initiatives could meet with disapproval from the employees and local communities benefiting from such activities and, consequently, undermine the Company's image. Given the large number of support requests the Company receives each year and the inability to help everyone, a selective approach has been adopted, with particular focus on local initiatives. The implementation of the CSR Strategy is possible thanks to the cooperation and participation of various entities, employee representatives

as well as persons whose knowledge and experience are requisite in deciding whether to undertake or reject a CSR project. VP Marketing is in charge of the CSR Strategy and comprehensive coordination of CSR activities, while advisory bodies (i.e. members of the CSR team) jointly decide on the direction of the Company's actions in this area. All together, they make up an Executive Committee of Ambassadors, which meets every two months to decide on the Group's CSR activities within the allocated annual budget. The CSR team implements selected initiatives following final approval by the Company's Management Board and publishes information about them in the SECO/SFERA newsletter, reaching every employee of the Group. Such approach makes it more possible to avoid related risks.

ENVIRONMENTAL PROTECTION

SECO/WARWICK strives to ensure compliance with environmental protection standards and promotes rational use of natural resources.

SECO/WARWICK acknowledges its responsibility for the environment in which it operates, continuously improves the environmental management system, and complies with the applicable legal requirements relating to environmental protection. In addition, the Company takes into account the requirements of its internal and external stakeholders, striving to keep its environmental footprint at a minimum, with due consideration given to the nature of its business.

The environmental policy of SECO/WARWICK is incorporated, *inter alia*, in the Environmental Management System (which is part of the Integrated Management System Manual) developed in keeping with the requirements set out in the Polish Norm EN ISO 14001:20015-09. The Environmental Management System defines environmental aspects, related legal requirements, operational controls, and procedures to be followed in the event of environmental accidents. The Company also has in place Instruction 50, setting out the rules of cooperation with an external company responsible for some of the environmental protection aspects at SECO/WARWICK. The instruction covers the division and organisation of maintenance work, including in particular keeping shop-floor areas, offices and other Company premises in order (including green areas, pavements, and other locations which, under the applicable laws, must be kept in good condition by the Company), keeping welfare and sanitary facilities in order, and meeting waste management obligations.

October 2020 saw the adoption of the SECO/WARWICK Group's CSR Strategy, which identifies environmental protection as one of the areas the Strategy encompasses. The following actions have been designated as core activities in this respect:

- protection of the natural environment every day and in every activity,
- enhancing the awareness of environmental responsibility among employees,
- conduct compliant with environmental guidelines,
- development and use of environmentally sound solutions,
- encouraging employees to use means of transport other than cars and making investments that mitigate environmental impacts (e.g. construction of a bike parking shelter) or arrangement of group commute options for employees,
- investment in a modern car fleet,
- initiating SECO/ECO internal projects, such as replacement of light bulbs and lighting, building print awareness and reducing print or switching to electronic document circulation, creating ECO/OFFICE and reminding employees to switch off the lights when leaving office rooms and use air conditioning in a reasonable way and, in subsequent stages, use of recycled paper, avoiding bottled water, and control of electricity, water and paper consumption,
- waste segregation, collection of caps and waste batteries, and reuse of products,
- putting save paper slogans in the email signature footer,
- low maintenance landscaping not requiring irrigation.

Based on the above document, the environmental protection priorities set for SECO/WARWICK in 2020 were to increase the efficiency of waste segregation and raise awareness of waste segregation among employees. The main efforts related to waste segregation in the manufacturing and storage space and in office and amenity rooms included:

- regular employee communications published in an internal newsletter to raise awareness of waste segregation, the possibility of using reusable packaging, and environmental responsibility,
- adapting the distribution of containers for individual types of waste to the Company's organisational needs,
- clear visual marking of containers for individual waste types.

All waste produced by the Company in the course of its operations is managed in accordance with the applicable legislation in force. Measures have also been implemented to minimise waste generation. Agreements have been signed on transferring waste to external companies holding the required permits. Waste transfer notes are issued as proof of waste collection, based on which the quantity of waste generated by the organisation is calculated. In 2020, iron and steel had the largest share in the volume of generated waste (13.69 Mg), followed by ferrous metal filings and turnings (20.2 Mg) and paper and paperboard packaging (14.9 Mg).

The table below presents the total weight of waste generated in 2019 and 2020.

Table 8. Total weight of generated waste

Total weight of waste in 2019	Total weight of waste in 2020	Change
81.56 Mg	103.72 Mg	27.17%

One of the key utilities consumed by the Company, which is essential to its manufacturing activities and, by extension, its core business, is electricity (Table 9). It is consumed by manufacturing and auxiliary equipment, lighting in production halls, repairs of plant and machinery, and is used for administration purposes. The Company installed electricity meters on the main electrical busbars located in shop-floor areas. This has enabled it to monitor the consumption of electricity by the production department and by the personnel testing customers' equipment on a monthly basis. These measures allow the Company to flexibly adjust the capacity contracted from the electricity supplier, depending on its future electricity requirement. SECO/WARWICK is thus able to reduce distribution fees charged by the supplier.

SECO/WARWICK acquired new equipment items (turning and milling machines) to replace old and energy-intensive ones. Currently, the Company is analysing the possibility of installing solar PV panels to further reduce environmental impacts and generate potential savings. To date, the conceptual design and technical opinion have been drawn up for the project.

Despite the gradual introduction of energy-efficient solutions, there was a slight increase in electricity consumption in 2020. The increase was caused by the need to introduce a two-shift system of operation for the production branches as part of the measures implemented to contain the spread of SARS-CoV-2 coronavirus among employees.

Table 9. Total electricity consumption

Electricity consumption in 2019	Electricity consumption in 2020	Change
4.590,0 MWh	4.738,1 MWh	3.22%

Given the nature of its business, SECO/WARWICK is not a major water consumer (Table 10). The Company does not have its own sources of water, and all water it consumes comes from the municipal network.

Table 10. Total water consumption

Water consumption in 2019	Water consumption in 2020	Change
8,903 m ³	10,734 m ³	20.57%

Wastewater produced by SECO/WARWICK is discharged into a wastewater treatment plant through a sewage system. The volume of wastewater discharged by the organisation is calculated based on direct water meter readings (Table 11).

Table 11. Total wastewater production

Water consumption in 2019	Water consumption in 2020	Change
7,796 m ³	9,860 m ³	26.48%

In 2020, the Company complied with all applicable environmental protection laws and regulations and no environmental penalty was imposed on the Company. No grievances about environmental impacts were filed by the Company’s internal or external stakeholders.

Among material risks related to its operations which may have an adverse environmental impact, SECO/WARWICK identifies and manages the risk of electrical failure, to which large manufacturing plants are particularly exposed.

The Company manages this risk through ongoing monitoring of the performance of plant and equipment, regular repairs and upgrades, as well as by implementing and applying emergency procedures. In addition, the Company closely supervises the work of external companies providing it with electricity services. In addition, safeguards to prevent failures posing an environmental risk are applied where a risk has been identified, and personal protective equipment is provided for employees working within the impact area of potentially dangerous factors.

HUMAN RIGHTS POLICY

SECO/WARWICK S.A. carries out all its activities with due respect for human rights and in compliance with international standards of conduct. The Company complies with the provisions of the UN Universal Declaration of Human Rights, the International Labour Organisation’s fundamental conventions, and the OECD Guidelines for multinational enterprises. It also strives to align its internal standards and regulations with the guidelines of these organisations.

Apart from the generally applicable laws, the human rights policy is also included in the internal regulations adopted by the Company. In January 2018, the Company introduced the Code of Ethics, which provides for collecting data on any possible instances of discrimination and taking steps to prevent, examine and sanction such behaviour.

Under the Company’s policy:

- no form of forced labour is permitted;
- non-discrimination and anti-harassment policies must be followed;
- one’s worldview is not imposed on others;
- disseminating slander or false information is prohibited;
- proper work-life balance is promoted.

SECO/WARWICK examines and analyses whether any instances of discrimination might have occurred within the organisation. To the best of the Management Board’s knowledge, in 2020, as in the previous year, no instances of discrimination were identified. There were no cases of disrespect of human rights in the period covered by the Statement.

In addition to ensuring respect for human rights at the Company, SECO/WARWICK also seeks to ensure the same at its business and trading partners’ companies. Procedure 7.4 PROCUREMENT AND SUPPLIER SUPERVISION, applicable in supplier selection, has been introduced to verify potential suppliers for compliance with standards concerning:

- child labour,
- discrimination,
- forced or compulsory labour,
- freedom of association and collective bargaining,
- safety practices.

To the best of its knowledge, the Company does not cooperate with suppliers which would breach any of the above standards.

In 2018, due diligence procedures in supplier selection were implemented, involving initial and ongoing (i.e. during contract performance) assessment of suppliers. In addition, in 2019 relevant provisions were introduced to the General Terms and Conditions of Procurement at SECO/WARWICK. Suppliers are also verified during periodic audits.

All SECO/WARWICK suppliers are verified for compliance with the principles of respect for human rights. They are classified based on type of performance provided to the Company as providers of services, suppliers of mechanical, electrical and metallurgical materials, trading partners, and suppliers of non-production materials. In the case of each executed contract, the supplier is bound by the General Terms and Conditions of Procurement at SECO/WARWICK, which are available on the Company's website and which include a clause guaranteeing that the Company's trading partners respect human rights.

In 2017, SECO/WARWICK implemented an Information Security Policy to ensure the security of data and systems in which the data is processed. The Information Security Policy consists of a number of documents defining the methods and rules of data and information protection at SWSA.

In 2019, the Company implemented an SWSA Personal Data Security Policy to:

- ensure the confidentiality of personal data,
- observe the principles of lawfulness, purpose limitation, transparency, adequacy, integrity and fairness of personal data processing,
- comply with the maximum retention period for personal data,
- properly safeguard the processing of personal data with respect to which the Company is the controller or processor,
- be ready to act in case of personal data breach and cooperate with the supervisory authority.

System and organisational safeguards were also implemented to enable the achievement of the above objectives.

As a global leader, SECO/WARWICK cooperates only with proven suppliers and carries out periodic audits of the suppliers' respect for human rights. Given the large scale of the Company's business and, consequently, its complex and extensive organisational structure, there is an internal risk of human rights violation, especially with respect to diversity. While most of the human rights guaranteed by law are generally respected, there are some areas in which incidental infringements may occur, depending on the behaviour of particular employees. SECO/WARWICK manages this risk by promoting the principles of respect for human rights and taking other preventive measures.

ANTI-CORRUPTION POLICY

The Company's anti-corruption policy is based on three key documents: the Code of Ethics, the Anti-Corruption Policy, and the Procurement and Supplier Supervision procedure.

SECO/WARWICK employees are required to act with integrity in relations with colleagues and trading partners. The employees are not allowed to use their business relations for personal advantage or for the benefit of another, or act to the detriment of the organisation. They are also prohibited from giving or accepting any unlawful benefits to influence a decision. The Company takes a zero-tolerance approach to any form of corruption, including accepting and offering money to trading partners, public officials, people associated with public authorities, legal entities and individuals. It is prohibited to solicit, accept, offer or give money or other

benefits, except for occasional gifts. We take care to ensure that the accepted gifts and hospitality are of small value and socially acceptable. SECO/WARWICK prevents conflicts of interest and respects ownership rights.

The Anti-Corruption Policy strictly prohibits SECO/WARWICK employees from taking part in any activities that show signs of corruption, in particular in soliciting or offering any financial or personal benefits from or to any public official or official of a public international organisation. Also, SECO/WARWICK employees may not accept or demand any financial benefits. It is permitted to accept and offer small gifts and company gadgets, provided that they are not intended to influence any business decision and the value of such gifts is appropriate in the circumstances and the action itself is consistent with local customs.

In addition to the documents referred to above and the related rules, in 2020 the Company introduced a whistleblowing procedure for anonymous reporting of misconduct. The purpose of the procedure is to develop a culture of reporting irregularities within the organisation and to implement appropriate reporting and verification systems. The procedure defines the rules of recording misconduct and conducting internal investigations, and provides for instruments ensuring the protection of whistleblowers.

SECO/WARWICK communicates its anti-corruption approach. When starting work with the Company, employees undergo initial training as part of which they are acquainted with the Code of Ethics and the Anti-Corruption Policy. Any changes to the Code of Ethics and the Anti-Corruption Policy are communicated to employees in an internal newsletter.

As in the previous year, in 2020 no cases of corruption were identified at SECO/WARWICK and no corruption-related court actions were initiated against it.

Given its extensive organisational structure with a relatively broad range of competences at individual organisational units, the Group is exposed to the risk of incidental corruption. Employees of the procurement and sales departments are particularly exposed to the risk of corruption as they directly deal with third parties' representatives who might obtain certain financial benefits thanks to cooperation with the Company. Any corruption incident could have an adverse effect on the Company's image and its future business relations, and could result in direct financial losses if a contract is concluded on non-arm's length terms. The Company manages this risk through appropriate selection of employees for particular jobs, as well as through appropriate monitoring of the relevant internal services. In addition, the risk is mitigated by establishing relations only with trusted partners and representatives, verifying any potential partner/representative in terms of their qualifications or authority to perform their function, contacts (both personal and professional) with the government, the number of customers, and their opinion and reputation with local banks, customers and business organisations. The Company is also actively involved in anti-corruption information and education initiatives, including publications in the Company's SECO/SFERA Newsletter.

33. The Management Board's statement of compliance concerning the full-year financial statements and the Directors' Report on SECO/WARWICK S.A.'s operations

We, the undersigned, hereby represent that to the best of our knowledge the full-year financial statements of SECO/WARWICK S.A. for 2020 and the comparative data have been prepared in compliance with the applicable accounting standards and give a true, reliable and fair view of the assets, financial position and financial performance of SECO/WARWICK S.A.

We further represent that the Directors' Report on SECO/WARWICK S.A.'s operations in 2020 gives a true and fair view of SECO/WARWICK S.A.'s development, achievements and position, and includes a description of key risks and threats.

34. The Management Board's information on selection of the audit firm to audit the full-year financial statements for the financial year 2020

On the basis of the statement issued by the Supervisory Board of SECO/WARWICK S.A., the Management Board represents that:

- a) the audit firm which has audited the full-year separate financial statements for the financial year 2020 was appointed in compliance with the applicable laws and regulations, including those concerning the

- selection of an audit firm, and in compliance with the procedure for selection of an audit firm applicable at the Company;
- b) the audit firm and the auditors who performed the audit met the conditions required to issue an unbiased and independent audit report on the full-year separate financial statements, in accordance with the applicable laws and regulations, professional standards, and principles of professional ethics;
 - c) the Company and the audit firm comply with the applicable laws and regulations governing the rotation of audit firms and lead auditors and observe the mandatory cooling-off periods;
 - d) the Company has in place a policy for selection of an audit firm and a policy governing the provision to the Company by the audit firm, an entity related to the audit firm or a member of the audit firm's network of additional non-audit services, including services conditionally exempt from the prohibition on provision of certain non-audit services by the audit firm.

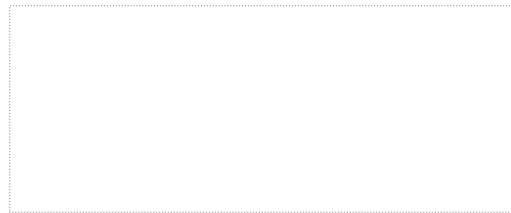
Date: April 22nd 2021

President of the Management Board



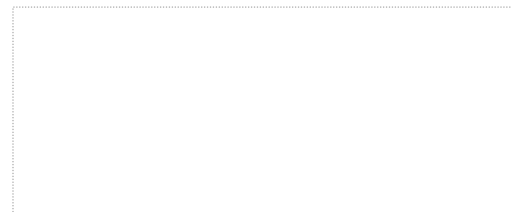
Sławomir Woźniak

Vice President of the Management Board



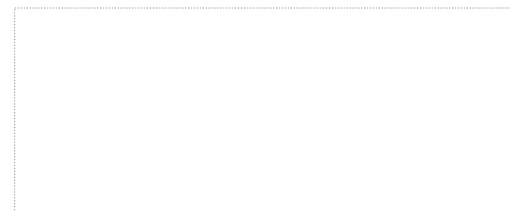
Jarosław Talerzak

Member of the Management Board



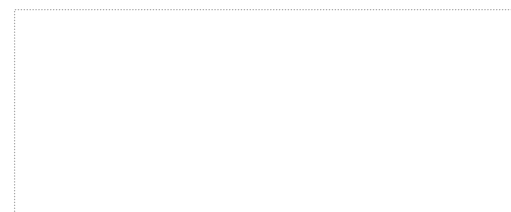
Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek