



***SECO/WARWICK***  
[www.secowarwick.com](http://www.secowarwick.com)

**DIRECTORS' REPORT ON THE COMPANY'S OPERATIONS FOR THE YEAR ENDED  
DECEMBER 31ST 2021**

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 2021, 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 2021 and the comparative period January 1st–December 31st 2020.

## 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 four main product groups:

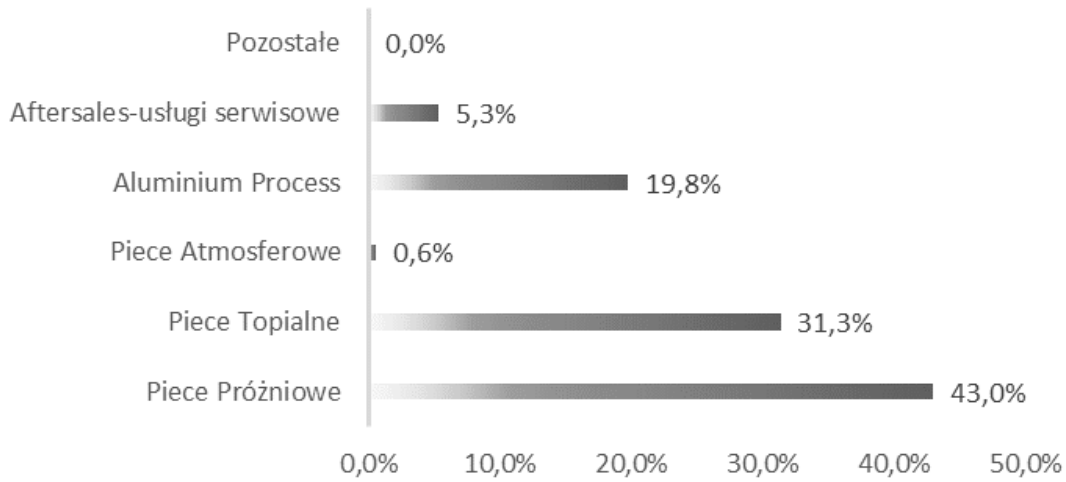
- Vacuum Furnaces,
- Aluminium heat treatment systems (Aluminium Process + Controlled Atmosphere Brazing),
- Melting Furnaces,
- Aftersales services.

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 2021) and in Section 32 of this Directors’ Report.

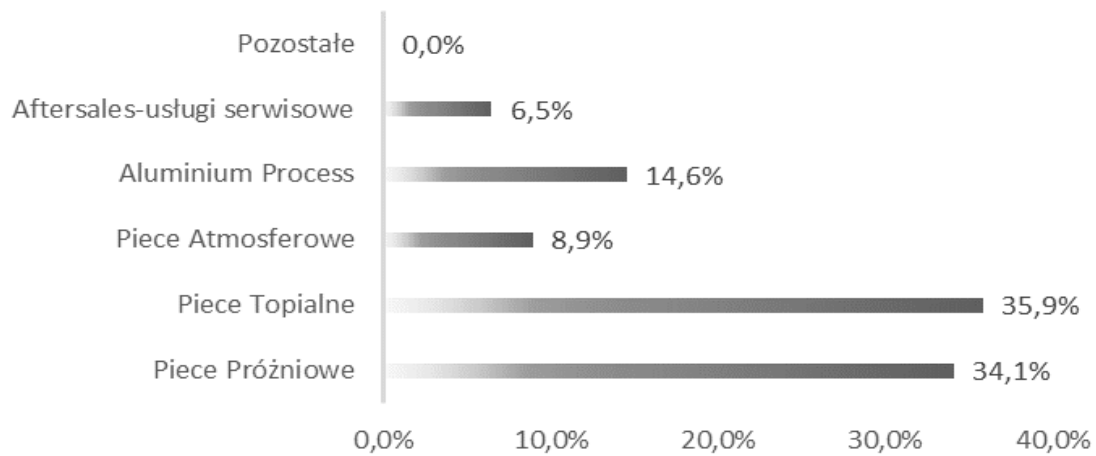
Table: Revenue (PLN ‘000)

Item	Vacuum Furnaces	Melting Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Aftersales services	Other	Total
Jan 1–Dec 31 2021	118,236	86,256	1,578	54,456	14,623	77	275,226
Jan 1–Dec 31 2020	80,792	85,028	21,202	34,623	15,345	-	236,990

## GŁÓWNE PRODUKTY 2021



## GŁÓWNE PRODUKTY 2020



## 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

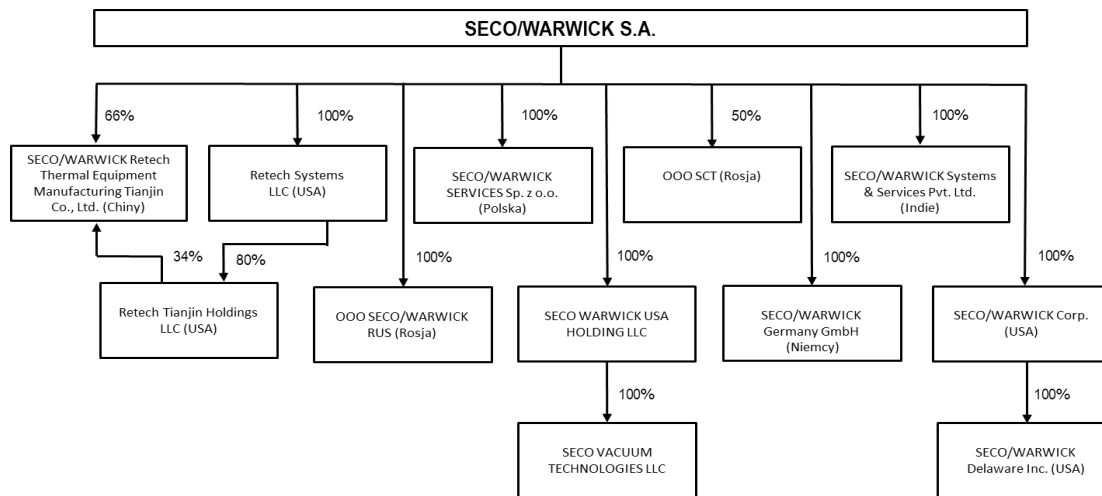
Table: Composition of the SECO/WARWICK Group as at December 31st 2021 is presented below:

Company	Registered office	Principal business activity	Group's ownership interest
<b>Parent</b>			
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.
<b>Direct and indirect subsidiaries</b>			
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 2021, the composition of the Group did not change.

### Structure of the Group as at December 31st 2021



### 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 2021 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 of the Management Board members is defined in the resolutions passed by the Company's Supervisory Board on June 5th 2019.

Table: Remuneration of SECO/WARWICK S.A. Management Board members for 2021 (PLN '000)

Name and surname	Base salary for period	Other benefits, including bonuses, awards	Accrued incentive scheme costs	Total remuneration in the period
	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
<b>Dec 31 2021</b>				
Sławomir Woźniak	480	365	262	1,107
Jarosław Talerzak (1)	130	43	-	173
Piotr Walasek	360	250	87	697
Earl Good (2)	1,162	-	87	1,249
Bartosz Klinowski	360	215	87	662
<b>Total</b>	<b>2,492</b>	<b>873</b>	<b>524</b>	<b>3,888</b>

(1) The remuneration amount relates to the term of office on the Management Board: from January 1st 2021 to April 27th 2021.

(2) 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 2021 (PLN '000)**

Name and surname	(PLN '000)
Andrzej Zawistowski, including:	325
- for his service as Chairman of the Supervisory Board	205
- under contract for advisory services (1)	120
Jeffrey Boswell, including:	169
- under employment contract (2)	169
Henryk Pilarski	54
Marcin Murawski	45
Jacek Tucharz	42
<b>Total</b>	<b>635</b>

(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.

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

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. On June 10th 2021, by Resolution No. 20, the Annual General Meeting adopted amendments to 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 Dec 31 2021:

	Jan 1 2021				Dec 31 2021			
	Number of S/W shares held	Owners hip interest	% of total voting rights	Decrease/inc rease	Number of S/W shares held	Owners hip interest	% of total voting rights	Total par value of shares (PLN)
<b>Management Board</b>								
Sławomir Woźniak	56,217	0.55%	0.55%	36,273	92,490	0.90%	0.90%	18,498
Bartosz Klinowski	109,662	1.06%	1.06%	12,091	121,753	1.18%	1.18%	24,351
Earl Good	6,331	0.06%	0.06%	19,894	26,225	0.25%	0.25%	5,245
Piotr Walasek	33,005	0.32%	0.32%	12,091	45,096	0.44%	0.44%	9,019
<b>Supervisory Board</b>								
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	1,060	0.0103%	0.0103%	-	1,060	0.0103%	0.0103%	212

Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
<b>Total</b>	<b>281,051</b>	<b>2.73%</b>	<b>2.73%</b>	<b>80,349</b>	<b>361,400</b>	<b>3.51%</b>	<b>3.51%</b>	<b>72,280</b>

As at the date of this Report, the number of SECO/WARWICK S.A. shares held by the management and supervisory personnel did not change.

Members of the SECO/WARWICK S.A. Management Board and Supervisory Board do not hold any shares in related entities.

Item	Jan 1 2021	Item	Dec 31 2021
Number of shares	10,298,554	Number of shares	10,298,554
Par value per share	0.20	Par value per share	0.20
<b>Share capital</b>	<b>2,059,710.80</b>	<b>Share capital</b>	<b>2,059,710.80</b>

Acting on the basis of a resolution of the Company's Supervisory Board dated April 22nd 2021 and Resolution No. 21 of the Annual General Meeting of June 10th 2021 on verification of the achievement of Annual Targets by Incentive Scheme Beneficiaries in 2020, announced by the Company in Current Report No. 7/2021, in the settlement of the Incentive Scheme for 2020 the Company entered into agreements for the purchase of a total of 102,203 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 0.99% of the Company's share capital and conferred the right to 102,203 votes, or 0.99% of the total vote, at the General Meeting.

On September 27th 2021, 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
- Earl Good, Member of the Management Board

concerning acquisition of SECO/WARWICK S.A. shares under the 2018–2020 Incentive Scheme. The Company announced the receipt of the notifications in Current Report No. 13/2021.

## **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**

### **SECO/WARWICK S.A. Incentive Scheme**

On December 12th 2019, by Resolution No. 01/2019 the Supervisory Board defined the individual targets for 2020 for the participants of the 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 Incentive Scheme was 227,200 (December 31st 2019: 361,943; December 31st 2018 494,000).



The cost of option vesting recognised in the 2021 was PLN 648 thousand.

On December 16th 2021, the Supervisory Board passed a resolution defining the individual targets for the participants of the 2022 Incentive Scheme, announced in Current Report No. 21/2021 of December 17th 2021.

## **9. Control systems for employee stock option plans**

The Company's current Incentive Scheme for 2018–2020 and the Incentive Scheme adopted on December 16th 2021 for 2022–2024 are supervised by the Supervisory Board and Management Board of SECO/WARWICK S.A.

## **10. Share buybacks**

As at the issue date of this Report, SECO/WARWICK S.A. holds 1,802,189 treasury shares, representing 17.50% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

Changes in major holdings of Company shares from the issue date of the previous interim report, i.e., the report for the third quarter of 2021, to the issue date of this Report:

On October 7th 2021, the Extraordinary General Meeting passed Resolution No. 5 to authorise the Company's Management Board to repurchase Company shares listed on the regulated market operated by the Warsaw Stock Exchange. Pursuant to the resolution, the Company has been authorised to acquire no more than 850,000 Company shares by the earlier of (i) December 31st 2022 and (ii) exhaustion of the capital reserve allocated for the buyback. 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.

On October 28th 2021, the Company acquired 595,488 shares covered by the invitation to tender Company shares for sale at PLN 14.50 per share. The shares conferred the right to 5.78% of total voting rights at the Company's General Meeting.

Pursuant to Art. 364.2 of the Commercial Companies Code, the Company may not exercise the rights attached to treasury shares other than the right to dispose of the shares and the right to take steps to preserve those rights.

In accordance with the decision of the Extraordinary General Meeting, own 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 2021, the Company's revenue rose by 16.1% year on year, to PLN 275.2m (2020: PLN 237.0m).

2021 saw an increase in the Company's operating profit to PLN 13.8m (2020: PLN 11.6m). Net profit came in at PLN 8.3m, up PLN 0.4m on 2020, when it was PLN 7.9m.

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 2021. However, the net margin fell only slightly, to 3.0% in 2021, down 0.3% year on year (2020: 3.3%), which confirms the Company's competitive edge.

## STATEMENT OF FINANCIAL POSITION

As at the end of 2021, the Company's total assets amounted to PLN 344.3m, having increased by PLN 12.5m (3.8%) year on year. The Company's non-current assets included mainly investments in related entities and property, plant and equipment, accounting for 17.0% and 15.0% of total assets, respectively. The largest items of current assets were contract assets and trade receivables, representing 19.7% and 14.1% of total assets, respectively. The main items of equity and liabilities were equity and current liabilities: 52.1% and 39.2% of the total, respectively.

As at the end of 2021, the Company's non-current to current assets ratio was 0.8 and changed only slightly compared with the end of 2020 (0.9). 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 2021, trade receivables fell by PLN 9.9m (16.9%), while contracts assets rose by PLN 15.3m (29.3%). The differences in the shares of other asset categories in total assets as at the end of 2021 compared with the end of 2020 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 2021 was 0.5, remaining unchanged relative to the end of 2020.

The equity to liabilities ratio was 1.1, compared with 1.2 in 2020. However, the Company's debt grew by PLN 15.7m (52.2%). The share of borrowings in total equity and liabilities rose to 13.3% (2020: 9.1%).

The ratio of non-current assets to equity was 1.1 in 2021, having slightly fallen from 1.2 at the end of 2020.

As at the end of 2021, the cash ratio was 1.4. The quick ratio was 1.2, slightly above the normally expected level. The current ratio came in at 0.13 at the end of 2021 also was close to the benchmark value. The ratios remained at the same level as in 2020.

The Company's debt ratios rose in 2021. The total debt ratio (total liabilities to total assets) was 48% in 2021 (2020: 44%). The long-term debt ratio (non-current liabilities to equity) was 17% at the end of 2021, up 2.0% year on year (2020: 15%), while the ratio of total liabilities to equity rose to 92% from 80% in 2020.

Presented below are the Company's selected efficiency indicators:

- the average collection period decreased in 2021 to 95 days, from 111 days in 2020. 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 2021 was 72 days, compared with 80 days in 2020.

The asset turnover ratio and the current asset turnover ratio reached, respectively, 0.8 and 1.5, and rose slightly from 0.7 and 1.3 in 2020.

## **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**

### **COVID-19 PANDEMIC**

The global coronavirus pandemic which broke out in late 2019 persisted in 2021. The Company continued to suffer from the effects of pandemic sanitary and trade restrictions, which, however, were definitely less of a burden than in 2020, partially due to effective preventive measures taken by the Company, which resulted in a business scale-up and improved performance. Investment activity in some of the Company's customer sectors (such as aviation) has not yet returned to pre-pandemic levels, but it was significantly higher in 2021 than the year before, which, together with growing demand in other industries, made a positive contribution to the value of new business (up 61% year on year).

Adverse developments caused by the pandemic, which resulted in component and raw material shortages and considerable hikes in their prices, coupled with an increase in other operating expenses, did not cease in 2021 – on the contrary, the situation even got worse in certain areas (such as steel, electrical materials, transport services, employee and contractor salaries). Inflation escalated in 2022, driven by the ongoing war caused by the Russian invasion of Ukraine. Due to the nature of the Company's operations and contracts, increasing operating expenses can be offset by the value of contracts to a significant extent. In addition, as the Company skilfully manages the supplies of feedstocks, materials and components and secures them in advance, it has been able to deliver on its contracts in a timely manner. The Company did not face any problems with timely payment of receivables and the Management Board did not identify any significant increase in credit risk among the Company's customers.

The Company remained committed to protecting the safety and health of its employees, collaborators and contractors. The procedures and policies put in place in 2020 to minimise the risk of infection among the Company's workforce, including the rotational work system and a home office option, were maintained.

As at the date of authorisation of this Report, the Company did not identify any material impediments to its operations caused by the pandemic in any of the markets. As the number of active COVID-19 cases in most countries is steadily decreasing and sanitary restrictions are being gradually lifted, the economy is returning to normal trading conditions. However, it cannot be ruled out that in subsequent periods, as well as during the cold season in autumn and winter, the number of infections will increase again and, consequently, governments will introduce restrictions that may adversely affect the business, growth prospects and financial condition of the Company and the Group.

Since the situation remains highly uncertain and unpredictable, it is not possible to provide a more precise assessment of the potential impact of the existing pandemic threat on the Company's performance.

The Company's Management Board monitors the situation on an ongoing basis, identifying any pandemic threats and taking appropriate steps to ensure operational continuity and timely contract performance, maintain financial stability, and enable the Company to deliver the best possible financial results, while protecting the safety and health of the Company's employees and trading partners.

## WAR IN UKRAINE

On February 24th 2022, the armed forces of the Russian Federation invaded Ukraine. By the date of authorisation of this Report, the war in Ukraine had resulted in many casualties, migration of civilians, damage to infrastructure, restrictions on currency trading and payments, and significant disruptions of business activity, both in Ukraine and in Russia and Belarus (also due to sanctions imposed by the European Union, the United States and a number of other countries).

In accordance with IAS 10, for the purposes of preparing the financial statements as at and for the period ended December 31st 2021, The Company treats the Russian invasion of Ukraine as an event subsequent to the end of the reporting period, which does not necessitate any adjustments as at the reporting date.

As at the date of authorisation of this Report, the war in Ukraine and the related ongoing consequences (including the economic sanctions imposed on Russia and Belarus) had a limited direct impact on the Company's operations. The Company has a subsidiary based in Moscow (SECO/WARWICK Rus), operating as an intermediary in the sale of the Group's products in Russia. The Company holds 100% of shares in the share capital of this subsidiary, which is fully consolidated. Another Group member is OOO SCT, a jointly-controlled company based in Solnechnogorsk, which provides heat treatment services in Russia. The Company holds 50% of OOO SCT's share capital and 50% of voting rights at its general meeting (the remaining 50% of its share capital and voting rights are held by an entity governed by Russian law). OOO SCT is equity-accounted. The Company does not hold any assets (companies, non-current assets) situated in Ukraine or Belarus.

The Management Board keeps track of the economic sanctions imposed on the Russian Federation and Belarus and makes sure that all of its business activities are conducted in full compliance with the economic sanctions which must be respected by the Company, whether direct or indirect and whether imposed on persons or on activities. The sanctions imposed by the European Union on the Russian Federation and its related persons, as well as on Belarus, are set out primarily in Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine and Council Regulation (EC) No 765/2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus (the "Regulations").

The Company did not advance any loans to SECO/WARWICK Rus or OOO SCT. Furthermore, as at December 31st 2021:

- The carrying amount of shares in the Russian-based companies was PLN 0 (investments written off in previous years);
- The Company's trade receivables from these companies amounted to PLN 4.7m (as at the date of authorisation of this Report: PLN 3.1m (unaudited data));
- Trade receivables from customers in Eastern markets (including the companies in the Group) stood at PLN 16.7m (of which PLN 14.6m was repaid by the date of authorisation of this Report);
- The Company had PLN 8.1m in outstanding deposits transferred to SECO/WARWICK Rus (of which PLN 0.2m was repaid by the date of authorisation of this Report);
- Contingent liabilities under performance bonds issued to SECO/WARWICK Rus amounted to PLN 9.6m;

The Company does not have any material suppliers in Eastern markets. As at the date of authorisation of this Report, markets were experiencing considerable price increases and temporary shortages of certain components, materials and feedstocks, but at present these negative factors are not materially affecting the timely execution of current orders or prospects for more business. However, the risk that the situation could deteriorate and supplies of components, materials and

feedstocks could be interrupted, leading to suspension of the performance of existing contracts and significant difficulties in acquiring new business cannot be excluded.

As at December 31st 2021, the Company's risk exposure in Eastern markets totalled PLN 23.4m and went down to PLN 11.1m as at the date of authorisation of this Report. As at the date of authorisation of this Report, the Company did not recognise any impairment losses on these assets since as at the reporting date the recoverable amount of the assets was not lower than their carrying amount. The Company's Management Board is monitoring the situation and, if justified, the assets will be remeasured in the reporting periods in 2022 or later.

In the near future, the Company's Management Board expects that there will be no sales on the Eastern markets due to the economic sanctions imposed on Russia and Belarus and, in the case of Ukraine, due to the war spreading to a large part of the country and the moratorium imposed by the National Bank of Ukraine on cross-border payments.

As at the date of authorisation of this Report, it was not possible to fully assess the impact of Russia's invasion of Ukraine on the financial performance of the Group.

The Russian invasion of Ukraine has aggravated many existing adverse macroeconomic trends (some of them initially related to the coronavirus pandemic) and has given rise to new risks. The Company's Management Board has identified the following key factors which could have a direct or indirect adverse effect on the Group's operations and financial performance:

- increased volatility of exchange rate movements,
- a global economic downturn coupled with growing inflation (stagflation),
- increased geopolitical risk, resulting in a risk of lower investment activity in the industries of the Group's customers,
- further supply chain disruptions – shortages of some components, feedstocks and materials, such as steel, and significant price hikes,
- growing costs of energy (electricity, fuels and natural gas),
- rising interest rates resulting in higher finance costs,
- IT risks.

**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 (no single customer accounts for more than 10% of total revenue).

#### **14. Agreements significant to the Group's business, including shareholder agreements known to the Group, 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 2021, 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 the SECO/WARWICK Group other than arm's length transactions

In 2021, SECO/WARWICK S.A. and its subsidiaries did not enter into any transactions with related entities other than transactions executed on an arms' 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 2021

Lender	Amount		Repayment date	Security	Interest rate	Type
	(PLN '000)	in foreign currency ('000)				
mBANK S.A.	10,472	-	Mar 31 2025	mortgage, financial pledge over securities	variable	Investment facility
mBANK S.A.	6,562	-	Sep 30 2026	mortgage, financial pledge over securities	variable	Investment facility
mBank – credit card limit	46	-	-	None	variable	Credit card limit
mBank – credit card limit	2	USD 0.5	-	None	variable	Credit card limit
mBank – credit card limit	101	EUR 22	-	None	variable	Credit card limit
SANTANDER S.A. – overdraft facility	14,535	-	Feb 28 2022	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	14,082	-	Sep 30 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
PEKAO – overdraft facility	-	-	Aug 31 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
<b>Total</b>	<b>45,801</b>	<b>x</b>				

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 2021, SECO/WARWICK S.A. did not take out any non-bank loans. No loan or credit facility agreements were terminated in 2021.

## 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 44,317 thousand as at the end of 2021, and PLN 47,957 thousand as at the end of 2020. The following guarantees were issued:

Item	Dec 31 2021	Dec 31 2020
performance bond	749	1,962
stand-by letter of credit	9,338	16,913
payments	5,592	-
bid bond	2,070	166
warranty obligations guarantee	3,810	5,145
<b>Total</b>	<b>21,559</b>	<b>24,186</b>

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

Company	Bank	Surety in respect of	Currency	Dec 31 2021	(PLN '000)
SECO/WARWICK RUS		Contract guarantee	EUR	2,086	9,593
S/W Retech (1)	HSBC BANK USA	Guarantee and credit facility	USD	2,750	11,165
SECO/WARWICK SERVICES	SANTANDER	Revolving loan	PLN	2,000	2,000
<b>TOTAL</b>					<b>22,758</b>

<sup>(1)</sup> As at December 31st 2021, SECO/WARWICK Retech used USD 449 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 2021, 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 2021.

**19. Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the Group'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 Group 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 2021, the Company repaid its liabilities under the credit facilities contracted to finance operating and investing activities in a timely manner.

As at December 31st 2021, debt outstanding under investment and overdraft facilities amounted to PLN 17,035 thousand and PLN 28,767 thousand, respectively.

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

The current and quick ratios were at 1.4 and 1.2, respectively, at the end of 2021, 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 did not change compared with 2020.

The funds and credit facilities available to the Company were sufficient to finance investments and capital expenditure planned for and executed in 2021.

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.

<b>LIQUIDITY RATIOS</b>	<b>Dec 31 2021</b>	<b>Dec 31 2020</b>
Current ratio	0.1	0.1
Quick ratio	1.2	1.2
Cash ratio	1.4	1.4

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

No such events occurred in 2021.







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



SECO/WARWICK S.A. did not publish any forecasts of the Company's or the Group's financial results in 2021.









## 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
<b>FINANCIAL RISKS</b>					
1.	<b>SARS-CoV-2</b> Risk related to the spread of the SARS-CoV-2 virus	<ul style="list-style-type: none"> <li>establishment of a coronavirus containment team</li> <li>home office arrangements introduced for all administrative and office staff from December 1st 2021 to January 10th 2022</li> <li>reduction of indirect costs at the Group's main companies</li> <li>maintenance of the available credit limits</li> </ul>	<ul style="list-style-type: none"> <li>risk of employee infection, downtimes at some or all of the Company departments</li> <li>risk of order cancellation and reduction in order volumes and revenue</li> <li>crisis in industries of key importance to the SECO/WARWICK Group, i.e., the automotive, aviation and energy sectors</li> </ul>		

				<ul style="list-style-type: none"> <li>impediments in the cooperation with key suppliers of raw materials</li> <li>liquidity risk related to lower sales volumes and late payments of amounts receivables from customers</li> </ul>		
2.	<b>Risk related to R&amp;D projects</b>	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"> <li>detailed and step-by-step project preparation</li> <li>risk review on a regular basis</li> <li>on-going project status monitoring and forecasting of project parameters</li> <li>active project management, including close oversight and communication</li> </ul>	<ul style="list-style-type: none"> <li>delays in achieving expected financial results</li> <li>budget overruns</li> <li>failure to validate technical feasibility of equipment</li> </ul>		
3.	<b>Liquidity and financing risk</b>	Inappropriate working capital management	<ul style="list-style-type: none"> <li>analysis and forecasting of the Group's cash flows and liquidity</li> <li>diversification of financing sources</li> <li>effective management of R&amp;D projects</li> <li>optimisation of working capital</li> </ul>	<ul style="list-style-type: none"> <li>lower efficiency of sales activities</li> <li>suspension or delay in the implementation of R&amp;D activities</li> </ul>		
4.	<b>Market risk</b>	Changes in prices of materials, foreign exchange rates and interest rates	<ul style="list-style-type: none"> <li>following the adopted material price management policy and currency risk management policy</li> </ul>	<ul style="list-style-type: none"> <li>deterioration of financial performance</li> <li>deterioration of liquidity</li> </ul>		
5.	<b>Credit risk</b>	Insolvent trading partners	<ul style="list-style-type: none"> <li>monitoring of partners' ratings and financial position</li> <li>the use of diverse financial tools to hedge risk</li> </ul>	<ul style="list-style-type: none"> <li>deterioration of financial performance</li> <li>deterioration of liquidity</li> </ul>		

6.	<b>Retech Systems LLC goodwill</b>	Risk of impairment of Retech Systems LLC goodwill caused by the company's unsatisfying performance	<ul style="list-style-type: none"> <li>• monitoring of the company's performance</li> <li>• preparation of annual impairment tests</li> </ul>	<ul style="list-style-type: none"> <li>• deterioration of financial performance</li> <li>• deterioration of liquidity</li> </ul>		
7.	<b>Conflict in Ukraine</b>	Inability to implement projects on the Russian market, difficulties in collecting trade receivables from the Russian market	<ul style="list-style-type: none"> <li>• monitoring of the situation on an ongoing basis</li> <li>• maintenance of the available credit limits</li> </ul>	<ul style="list-style-type: none"> <li>• deterioration of financial performance</li> <li>• deterioration of liquidity</li> </ul>		
<b>OPERATIONAL RISKS</b>						
8.	<b>Risks in project implemented at Retech Systems LLC.</b>	Non-payment	<ul style="list-style-type: none"> <li>• negotiations with customers</li> </ul>	<ul style="list-style-type: none"> <li>• deterioration of financial performance</li> <li>• deterioration of liquidity</li> </ul>		
9.	<b>IT system risk</b>	External or internal interference with IT systems (cyber-attack)	<ul style="list-style-type: none"> <li>• IT security audits</li> <li>• in-house procedures for IT security management</li> <li>• security tests for IT systems</li> <li>• raising employees' awareness of cyber security issues (training, information, tests)</li> </ul>	<ul style="list-style-type: none"> <li>• loss of data confidentiality</li> <li>• revenue reduction and financial loss</li> </ul>		
10.	<b>Employee risk</b>	Difficulties with recruitment of qualified employees and retention of competent and experienced staff	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Scaling down of operations and financial performance</li> </ul>		

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

## **23. Statement of compliance with corporate governance principles by the SECO/WARWICK Group in 2021**

### **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**

In 2021, SECO/WARWICK S.A. was subject to the corporate governance principles set out in “Best Practice for WSE-Listed Companies 2016”, adopted by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) and effective until June 30th 2021. Since July 1st 2021,

SECO/WARWICK S.A. has been subject to “Best Practice for WSE-Listed Companies 2021” adopted by Resolution No. 13/1834/2021 passed by the Supervisory Board of the Warsaw Stock Exchange on March 29th 2021.

Best Practice for WSE-Listed Companies 2021 is available at [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and [www.secowarwick.com](http://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 2021, acting under Section 29.3 of the WSE Rules, the Company submitted a report on the Company’s compliance with the recommendations and principles laid down in Best Practice for GPW-Listed Companies 2021. The report is available at [www.secowarwick.com](http://www.secowarwick.com).

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

- **1.3.** Companies integrate ESG factors in their business strategy, including in particular:
  - 1.3.1.** environmental factors, including measures and risks relating to climate change and sustainable development.

The Company’s commentary: In its operations, the Group follows the principles of sustainable development and protects the environment by complying with the standards applicable in the countries where the Group companies are present. Given the international nature of the Company’s and its Group’s operations, the current business strategy does not address any environmental considerations or related risks. The Group takes into account the requirements of its internal and external stakeholders, striving to keep its environmental footprint at a minimum considering the nature of its business.
  - 1.3.2.** social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees’ rights, dialogue with local communities, customer relations.

The Company’s commentary: The current business strategy does not fully address this topic. The Company follows the principles of gender equality, fair working conditions and respect for employee rights, and the working conditions are appropriate to the type and scale of the Company’s business.
- **1.4.** To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status,

defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

The Company's commentary: As the Company's business strategy does not integrate ESG factors, the Company does not currently have any relevant communication policy in place.

**1.4.1.** explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

The Company's commentary: As explained in Sections 1.3.1 and 1.4, the Company does not currently have any mechanisms in place to integrate climate change considerations in its decision-making processes.

**1.4.2.** present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

The Company's commentary: As explained in Sections 1.3.2 and 1.4, the Company does not currently keep such statistics. In terms of remuneration equality, the Company applies the principles of non-discrimination on the grounds of gender, and the employees' performance is assessed solely on the basis of their contribution to the development of the Company's business.

- **2.1.** Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The Company's commentary: The Company does not have any diversity policy in place addressing this matter. The Company ensures equal access to professional development and promotion opportunities for its employees (and members of its corporate bodies), irrespective of the colour of their skin, religion, gender, age, nationality, citizenship, membership of a minority, marital status, political beliefs, disability or any other legally protected status. The composition of the Supervisory Board is the result of decisions made by the General Meeting, while the composition of the Management Board is defined by the Supervisory Board. When selecting candidates, the governing bodies appointing members of the Management Board and the Supervisory Board are guided by the Company's current and long-term needs in terms of the candidates' professional experience, competencies and education.

- **2.2.** Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The Company's commentary: The composition of the Supervisory Board is the result of decisions made by the General Meeting, while the composition of the Management Board is defined by the Supervisory Board. When selecting candidates, the governing bodies

appointing members of the Management Board and the Supervisory Board are guided by the Company's current and long-term needs, particularly in terms of the candidates' professional experience, competencies and education. As already mentioned in the commentary to Section 2.1, factors such as colour of skin, religion, gender, age, nationality, citizenship, membership of a minority, marital status, political beliefs, or disability are not taken into consideration in the selection of members of the Management Board and Supervisory Board.

- **2.11.** In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

**2.11.6.** information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

The Company's commentary: As there is no diversity policy in place relating to the Management Board and Supervisory Board, the principle is not applied.

- **3.6.** The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

The Company's commentary: Due to the organisational structure of the Company and the scale of the Group's business, the head of internal audit reports organisationally to the relevant Management Board member and functionally to the Chair of the Audit Committee.

- **4.1.** Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The Company's commentary: The Company's General Meetings are not held by means of electronic communication (e-meeting). No expectations in this respect have been voiced so far by a wider group of the Shareholders, which the Company believes could be due to its shareholding structure. In view of the foregoing, the holding of General Meetings by means of electronic communication is not justified due to the considerable costs involved. However, the Company declares that it will make an effort to comply with the principle if a wider group of the Shareholders so request.

- **6.4.** As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The Company's commentary: This principle is not fully applied by the Company. The rules governing remuneration for Supervisory Board members are set forth in the Company's remuneration policy adopted by the General Meeting. Members of the Supervisory Board, irrespective of their membership of Supervisory Board committees, receive fixed remuneration irrespective of the number of meetings held. Members of the Supervisory Board who are members of committees do not receive any additional remuneration.



### **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 2021 and as at the date of release of this Report**

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

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.

On September 23rd 2021, as part of the settlement of the 2020 Incentive Scheme, the Company entered into agreements with its participants for the acquisition of a total of 102,203 shares in the Company. The shares were sold to the beneficiaries of the Scheme for PLN 1.50 per share. The shares represented 0.99% of the Company's share capital and conferred the right to 102,203 votes, or 0.99% of total voting rights, at the General Meeting.

On October 28th 2021, the Company acquired 595,488 shares covered by the invitation to tender Company shares for sale. The shares conferred the right to 5.78% of total voting rights at the Company's General Meeting. The shares were repurchased pursuant to the authorisation granted to the Management Board by resolution of the Extraordinary General Meeting of October 7th 2021 to

repurchase SECO/WARWICK S.A. shares listed on the regulated market operated by the Warsaw Stock Exchange. Pursuant to the resolution, the Company was authorised to acquire no more than 850,000 Company shares by the earlier of (i) December 31st 2022 and (ii) exhaustion of the capital reserve allocated for the buyback.

As at December 31st 2021, SECO/WARWICK S.A. held 1,802,189 treasury shares, representing 17.50% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

On October 29th 2021, the Company was notified that shareholder BLEAUHARD HOLDINGS LLC had sold 594,973 Company shares. Prior to the transaction, BLEAUHARD HOLDINGS LLC held 594,973 Company shares, representing 5.78% of the Company's share capital and 5.78% of total voting rights at the General Meeting. Following the settlement of the transaction, BLEAUHARD HOLDINGS LLC does not hold any Company shares.

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 2021 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.

In 2021, there were no amendments to the Company's Articles of Association.

#### **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 may attend the General Meeting of a public company provided that the establishment of limited property rights for their benefit is registered in the securities account as at the record date (Article 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 2021, two formally convened SECO/WARWICK S.A. General Meetings were held, on June 10th 2021 and October 7th 2021. No requests to convene a General Meeting were submitted by the Company's Shareholders in 2021.

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 2021. The shareholders were afforded the opportunity to read the draft resolutions for the General Meeting as these were published on the Company's website and in Current Report No. 5/2021 of May 13th 2021 and Current Report No. 11/2021 of September 10th 2021, 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 2021, in the exercise of 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 2020, allocation of profit for the financial year 2020, approval of the Directors' Report on the Group's operations and the consolidated financial statements of the SECO/WARWICK Group for the financial year 2020, and granting discharge in respect of performance of duties to members of the Company's governing bodies. Resolutions were also passed to approve the amended Remuneration Policy for members of the Management Board and Supervisory Board of Seco/Warwick S.A. and to approve the Verification Resolution passed by the Supervisory Board in connection with the 2018–2020 Incentive Scheme.

In 2021, in the exercise of its powers, the Extraordinary General Meeting passed resolutions to approve the 2022–2024 Incentive Scheme and to buy back the Company's own shares.

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 2021 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](http://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 date of issue of this Report and as at December 31st 2021, the Management Board of SECO/WARWICK S.A. consisted of:

- Sławomir Woźniak – 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

As at December 31st 2020, 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

### **Changes in the composition of the Management Board:**

On April 27th 2021, the Company received a notice from Mr Jarosław Talerzak, Vice President of the Management Board, of his resignation as Vice President of the Management Board of SECO/WARWICK S.A.

### **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 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. 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 of the Management Board members is defined in the resolutions passed by the Company's Supervisory Board of June 5th 2019. The remuneration paid to the members of the Management Board did not differ 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 2021 and December 31st 2020, 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 2021, 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 five 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 2021, members of the Supervisory Board informed the Company's Management Board of their trades in SECO/WARWICK S.A. shares.

In 2021, 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 2021.

#### **Committee of the Supervisory Board**

In 2021, 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 2021.

In 2021, 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 2021. 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 2021,
- d) Analysis and assessment of possible business scenarios for 2021;
- e) Analysis of liquidity risk at the Group – discussion of cash flow projections for 2021, 2022, and 2023;
- 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 2021, 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 Practicing 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. Spending on sponsorship, charitable or similar activities (principle 1.5 of Best Practice 2021)**

In the financial year 2021, SECO/WARWICK S.A. undertook the following activities and incurred the following expenses connected with its sponsorship and charitable activities:

- National Association of Health and Safety Services Employees – PLN 1.0 thousand
- “Pajacyk” campaign – PLN 1.5 thousand
- Donation for a child from Preschool No. 5 of Świebodzin – PLN 1.0 thousand

The expenses connected with sponsorship and charitable activities totalled PLN 3.5 thousand.

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

#### **m. Diversity policy**

The Company has not formally drawn up any diversity policy relating to the Management Board and Supervisory Board, but makes every effort to ensure that its governing bodies and management are diverse in terms of gender, age, education, and professional experience.

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 measures undertaken by the Company aim 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 2021, the Company hereby discloses that in the last three years (2020–2021), 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 2021, 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 and war in Ukraine, 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'.

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 product groups (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 2021, the Research and Development division of the SECO/WARWICK Group worked on the following projects:

**In 2021, the following subsidised projects were successfully completed:**

- DeepCaseMaster Evolution 4.0 – completion of activities under an agreement for partial funding of project no. POIR.04.01.02-00-0064/17: “A standalone 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® – completion 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 – completion 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). Project implemented under the Smart Growth Operational Programme 2014-2020. Priority axis: Increasing the research potential. Action: Research and development. Sub-action: Application projects.

Final reports have been prepared and submitted to the National Centre for Research and Development (NCBiR) for each of the above projects.

**In 2021, a total of 7 development contracts (SWSA) were successfully completed (including the three subsidised projects mentioned above), which included:**

- Application of augmented reality devices,
- A new algorithm for low-pressure carburising for the SimVac simulator,
- Automation of marketing processes.

**In 2021, a patent application was filed with the Patent Office of the Republic of Poland (UPRP) for the following invention:**

- Patent application No. P.439978 “A device for measurement of carbon deposit forming in a vacuum carburising furnace and a method of measuring the amount of carbon deposit in vacuum carburising furnaces”.

## **28. Environmental protection**

In 2021, 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 licences). 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 for gas and particulate matter emissions into the atmosphere, 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](http://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 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 6th 2021 for a term of three years. KPMG Audyt Sp. z o.o. Sp. K. of Warsaw, ul. Inflancka 4a, Warsaw, Poland, is entered in the list of qualified auditors of financial statements maintained by the National Council of Statutory Auditors under Reg. No. 3546.

In 2021, 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 2021 – also an assessment of the report on remuneration of Supervisory Board and Management Board members.

On April 22nd 2021, 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. 15/2021 under which KPMG Audyt Sp. z o.o. Sp. K. of Warsaw, ul. Inflancka 4a, 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 2021.

The table below presents total auditors’ fees for 2021 and 2020.

**Table: Total auditors’ fees for 2021 and 2020**

<b>Service</b>	<b>Fees for 2021 (PLN ‘000)</b>	<b>Fees for 2020 (PLN ‘000)</b>
Audit of full-year financial statements	180	290
Other assurance services, including review of financial statements	190	104
Other services	20	23
<b>Total</b>	<b>390</b>	<b>417</b>

## **32. Non-financial statement for 2021**

### **INTRODUCTION**

Below is presented the SECO/WARWICK S.A. non-financial statement for 2021 (the “Statement”). It constitutes a separate part of the Directors’ Report on the operations of SECO/WARWICK S.A. in 2021 and presents the Company’s non-financial information for the period January 1st – December 31st 2021.

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 2021, just like in 2020, the global economy continued to be affected by the COVID-19 pandemic. 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 product groups**

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, cc, austenitisation, tempering, and solution heat treatment, which are typical of the automotive and metallurgical industries (including the production of roller bearings), as well as by commercial heat treatment shops and in specialty industries.

As of October 1st 2021, given the continuing decline in revenue from the operations of the ATM segment, the Company decided to stop any further development of this business line in favour of the other segments, whose advanced technologies and innovative solutions meet customer expectations and bring the Company closer to becoming the industry leader.

#### 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 the 1970s, when vacuum-based heat treatment technologies emerged in the aerospace, automotive, defence, metallurgical, medical, nuclear, and machine tool industries. These 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.A.'s facilities in the United States, Poland and China, 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 by the Group are mainly used in the aviation, energy, defence, medical, automotive, nuclear and powder metallurgy industries.

#### 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

As 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 extremely important 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, hiring processes, employee development and proper working environment are crucial to the long-term and sustainable development of the Company. One of the key objectives of SECO/WARWICK Group'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 employer 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, and 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

workplace environment is conducive to the wellbeing of the employees, which translates into greater productivity – an essential element in successful operation of the entire business.

The HR policy of the SECO/WARWICK Group aims to build an organisational culture that supports autonomy, subjectivity and diversity. The main aspects in this area include 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, based on an anti-discrimination policy, links remuneration to performance and competencies. The service relationship is based on clearly defined mutual expectations, integrity and mutual respect.

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**

In 2021, as in the previous year, in view of the ongoing COVID-19 pandemic, employers and employees responded to the recommendations issued by the Health Ministry and adapted their activities to the COVID-19 spread prevention requirements.

Given the significant impact of the pandemic on employee matters, this section provides an overview of the precautions taken by the Company.

Last year, the internal communication of the Management Board to the employees and MGM, designed to keep them informed about the pandemic situation in Poland and its impact on the organisation of the Company's activities, was continued. The previous year's rules concerning separation of employees into the Office Zone and Production Zone (including entrance and exit designation), electronic document circulation, employee transport arrangements (including compliance with the Health Ministry's requirement concerning the number of people carried in company cars), testing of employees returning from business trips or intending to participate in departmental team building activities, temperature screening at the office building situated at Zachodnia street, and completion of health surveys by visitors to SECO/WARWICK S.A. and their accompanying persons were maintained. Furthermore, in periods of high infection rates, employees who were able to work remotely were requested to work from home.

Biosecurity measures remain in place on the premises of SECO/WARWICK. Additionally, employees are provided with hand and surface sanitisers and those going on a business trip receive an additional disinfection kit. These and other measures taken by the Company, in many cases even stricter than those imposed by the state administration, help 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 employees based on their qualifications and skills and supports them in career development. The anti-discrimination policy in place ensures equal treatment of employees throughout all stages: from hiring to career development paths, performance reviews, and

promotions. Most of the workforce are employed under full-time employment contracts (Table 1). The Company does not hire any temporary staff.

**Table 1. Total workforce by gender and employment type**

	2021		2020	
	Women	Men	Women	Men
Full-time	80	428	71	431
Part-time	2	4	2	7
Temporary	0	0	0	0

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

In 2021, an increase in the number of such contracts was recorded both among male and female employees (Table 2).

**Table 2. Total number of employees employed under permanent contracts, fixed-term contracts, and for a trial period**

	2021		2020	
	Women	Men	Women	Men
Permanent contract	67	381	64	379
Fixed-term contract and employment for trial period	15	51	9	59

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 are mainly inhabitants of Świebodzin and its surroundings.

Table 3 shows data on workforce by commuting distance and gender.

**Table 3. Total workforce by gender and commuting distance**

	2021		2020	
	Women	Men	Women	Men

Local (residing within 80 km of a company's head office)	77	402	70	416
Non-local (residing more than 80 km of a company's head office)	3	26	3	22

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

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

Promoting the image of a stable and reliable employer is extremely important for the Company. Therefore, in addition to remuneration, employees are also entitled to the following additional non-pay benefits:

**Table 4. Employee benefits**

<b>Benefits</b>	<b>SW S.A.</b>
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 addition, SECO/WARWICK has also established a Company Social Benefits Fund to which contributions (held in a separate bank account) are paid by the employer in accordance with strict statutory requirements, in order to support employee welfare. The type of assistance granted and its amount depend on the employee's financial, family, life and health situation. The way in which the funds may be used is provided for in detail in the internal Rules of the Company Social Benefits Fund.

In 2021, 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

For SECO/WARWICK, employees are among its vital assets. The Company believes that development and access to training for all employees are crucial in order to accelerate the achievement of the Company's business goals and improve performance. Employees can participate in general and individual training courses. Subsidies are also provided for participation in conferences, training and language courses. The Company's training policy aims to ensure that the Group is able to attract the right talent to remain a competitive and sustainable business with strong performance. The training courses provided to SECO/WARWICK employees include:

- development of specialist competencies (development through improvement of the competencies required for the employees' job – internal and external training courses aligned to the competence profile required for the job, training to obtain specialist qualifications, language courses),
- development of intra- and interpersonal competencies – a key project: "Constructive Fridays" – regular open soft competence training for all employees,
- development of managerial skills – the key projects include the Leadership Academy and First Time Manager.

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

**Table 5. Average training time in hours, by gender**

2021		2020	
Women	Men	Women	Men
33 h	36 h	8 h	7 h

**Table 6. Average training time in hours in 2021, by employee category**

	Senior management	Lower-level management	Engineers	Administration	Production
2021	7 h	22 h	16 h	15 h	9 h
2020	4 h	5 h	2 h	2 h	2 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. In 2021, the Company also received the Employer – Provider of Safe Work title and the SAFETY LAUREL award from the National Association

of Health and Safety Services Employees in recognition of its efforts to create a safe and employee-friendly workplace.

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.

Assessments in 2020 covered engineers and administrative staff. The new type of assessment in 2021 covered all employees.

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

	Senior management	Lower-level management	Engineers	Administration	Production
2021	100%	100%	95.90%	94.29%	95.84%
2020	0%	0%	80%	90%	0%

In order to ensure stable and continuous operations, risks that may potentially affect short-term or long-term business performance must be identified.

SECO/WARWICK has identified the following material risks which are likely to have an adverse effect on employee matters:

- 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 business-critical positions, providing the employees with appropriate remuneration incentives to ensure that they continue their employment, as well as taking preventive measures such as internal training and succession and mentoring programmes to transfer knowledge and skills between key personnel and less experienced employees. Loyalty agreements are signed with employees participating in complex development and specialist training programmes.
- 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 is committed to supporting the local community, the environment and safety, seeing corporate social responsibility as the entire range of efforts aimed at benefiting its immediate environment.

The Company 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 requirements of 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, in line with the SECO/WARWICK Group CSR strategy adopted in October 2020 and continued in 2021.

The CSR strategy additionally includes sponsorship activities which are underpinned by a partnership approach and the awareness that entrepreneurship must go beyond selling products or services and include support for initiatives undertaken by employees, local communities, NGOs and non-profit institutions. SECO/WARWICK provides financial and non-financial support for those social initiatives which it considers fair and representative of its values and objectives. Its CSR efforts are selective and focus on local initiatives.

### Sports

SECO/WARWICK promotes sports and active lifestyles through activity groups, hence its two sports teams: the SECO/BIKE cycling group and the SECO/RUN running group.

The company provides funding and support for the teams, believing that it is important to balance work and passions.

The cycling team, known as SECO/BIKE since 2017, is currently composed of six Company employees who take part in cycling competitions and charity campaigns, promoting biking and fostering healthy lifestyles and active leisure.

In 2021, due to the continuing pandemic, SECO/BIKE was unable to take part in all usual events, but despite the organisational difficulties it did compete in:

- Tatra Road Race on a distance of 120 km with a 3,200-metre ascent,
- Bike Adventure competition in the PRO category, which includes four days of racing, a distance of 237 kilometres and a 6,702-metre ascent,
- Uphill Race competition on a distance of 13 km and a 1,000-metre ascent, and
- Solid MTB, Kaczmarek MTB, Zachodnia Liga MTB competitions.

SECO/BIKE has become a brand in its own right – the team is recognised by cyclists, customers, the Company's trading partners and local inhabitants. During the last year, the team of five travelled a total of 2,157 km and 52,000 metres uphill during the competitions, which is equivalent to climbing Mount Everest six times. It should also be noted that in order to prepare for the demanding competitions, the team needs regular training, for which the team members devoted a total of 1,782 hours in 2021, travelling 40,126 kilometres.



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. Currently, the team has eight members. In the first six months of 2021 many competitions were cancelled due to the COVID-19 lockdown, but SECO/RUN was able to take part in some local and international runs, such as:

- the virtual international Siberia Memorial Run,
- the Lubrza Ten, the Team Grape Harvest Run,
- the Night Bacchus Run,
- the Świebodzin Ten.

### Sponsorship activities

As a conscious entrepreneur, SECO/WARWICK is aware that nowadays the business focus should be not only on the production and sale of goods or services, but also on supporting the immediate environment, the local community and its initiatives.

The Company provides support for selected community initiatives aligned with its principles and values in response to appeals and requests from the Company's employees, NGOs, non-profit organisations or local communities. Since the Company's heart lies in Świebodzin, local initiatives get the most support.

2021, like 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.

The willingness to help is in the DNA of the Company's employees, who were engaged in numerous assistance initiatives. For instance, they actively supported the Noble Gift relief campaign, in which they chose a family living in the municipality of Świebodzin and, thanks to well-organised help and open hearts, satisfied all its needs.

Like every year, the Company and its employees demonstrated full support for the Great Orchestra of Christmas Charity, paying donations to a virtual money box.

The employees show their kind hearts also on lesser occasions. Last year, while working remotely and being unable to share the traditional Fat Thursday doughnut, employees voted on how to spend the funds earmarked by the Company for the Fat Thursday treat. The initiative was supported unanimously. Out of the three proposed charities, employees selected the PAJACYK Foundation as the beneficiary of the funds raised in the campaign.

SECO/WARWICK also engaged in environmental projects. In 2021, it funded and built four more 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. The SECO/HEARTS plastic cap collection initiative is the Company's flagship community campaign which has already spread outside the city borders. Aside from protecting the environment, it helps fund a number of socially important initiatives. A tonne of caps may sell for as much as PLN 1,000. This translates to as many as ten physiotherapy sessions for children. By collecting the caps together, we stand in solidarity with the most deprived.

In 2021, when one of the hearts was being put into service, the Company made a donation of PLN 1,000 for a child from Preschool No. 5, supporting the initiative of the boy's friends who collect caps for him.

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 2021, the Company established cooperation with a local branch of the State Forests to plant trees. SECO/WARWICK employees demonstrated their commitment to the environment in the Świebodzin Forest District by planting 3,000 trees. The Company's 30th anniversary celebrated last year served as an opportunity to make an environmental contribution. In this case, we planted 30 trees on the Company premises at Zachodnia street.

Another initiative of the SECO/WARWICK Group, taken in support of the MADA Foundation for Persons with Autism, was to transfer USD 10 for every questionnaire filled out by partners in a customer satisfaction survey project run to improve the quality of the Group's products and services.

This activity has become a permanent item on SECO/WARWICK's CSR agenda and will be continued in the coming years.

Safety, which is one of the key values of SECO/WARWICK, is extremely important for the Company, as demonstrated by the support provided to the local State Fire Service for many years. Last year, the Company's employees made a special lift (with a financial contribution from the Company) to make the daily work of firemen from Świebodzin easier. As part of a joint effort, safety and first aid awareness campaigns were carried out in the local community.

Like employee matters, social matters are one of the pillars of the Company's business, and therefore potential risks that may affect the perception of SECO/WARWICK in and outside the local community must be identified.

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 the 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 subsequently 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.

### Partnership with high schools and universities

For almost six 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 hire prospective employees. SECO/WARWICK goes one step further, forging partnerships also with secondary and vocational schools of key importance from the Company's perspective.

In cooperation with three secondary schools and three universities, SECO/WARWICK acts as a patron for the fields of study that correspond to the formal requirements for job candidates in the recruitment process. The partnership agreements set out the partnership objectives, mutual declarations of the parties, the rules of marketing activities and the areas of cooperation established individually for each university or school.

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.

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.

Due to the COVID-19 pandemic, cooperation with schools and apprenticeships were suspended in the first three quarters of 2021. At the end of the third quarter, the practical vocational training and apprenticeship programme for secondary schools (vocational schools and technical colleges) was resumed, and so were internship programmes for engineering students.

The practical vocational training programme is addressed to students enrolled in metalworking programmes. The integration between schools and SECO/WARWICK allows students to expand their knowledge in many realms.

Student activities include taking an internal exam and entering a theoretical and practical knowledge competition. The programme ends with a tour of the company and a competition with prizes.

### **‘Innovation Action’**

In 2021, the ‘Innovation Action’ campaign was carried out to encourage employees to put forward ideas concerning organisational, process- or materials-related improvements that will reduce costs and save time and/or resources in the future. It is the employees who in their day-to-day work can identify the most areas in need of improvement, and bottom-up initiatives make it possible to implement the most effective changes. The campaign also sought to promote and develop one of the Company’s core values, namely INNOVATION, defined as:

- developing future solutions and setting new trends,
- being one step ahead of the competition,
- being competitive across global markets,
- developing technologies that support equipment,
- promoting the culture of innovation,
- openness to innovative ideas put forward by employees,
- finding ways to implement good ideas,
- an innovative approach also to improving internal processes.

In 2021, two editions of the campaign were held – in spring and autumn.

#### 1. THE SPRING EDITION OF ‘INNOVATION ACTION’ – TECHNOLOGY AND ENGINEERING.

Number of submitted ideas: 23

Number of participants: 14

Award-winning ideas:

##### a) 1st place – A filler production device

The initiative had economic and environmental aspects. The idea has been implemented and is used in day-to-day work. The purchased filler production device enables the recycling of cardboard packaging and the production of an organic filler used for packaging the items sent from the Company. The solution reduced the carbon footprint – cardboard is re-used instead of being disposed of. Waste is processed into a new product that can be further used by the customer and thus remain in circulation longer. The production of the filler has an additional effect of saving the storage space – there is no need for storing cardboard anymore. There are also tangible savings in charges for waste disposal.

##### b) 2nd place – A vice for pressing vacuum casings and heads

The implementation of this idea helped reduce the time of preparation for the forming of casings and heads from more than ten to two–three hours. The use of the vice reduces the time needed to produce 30 casings by about 200 hours a year. There is no need to weld additional supports, either, which in the case of pressure furnaces is a very important and the most time-consuming procedure (approximately eight hours). This solution eliminates the need to incur additional costs on reinforcement profiles, supports, etc.

##### c) 3rd place – Strength parameter calculations – a brace and casing components

A template for calculating the strength parameters of a brace and vacuum furnace casing components was developed because no specialist engineering calculations software of this type is

available on the market. The MS Excel template enables the calculation of all major structural nodes in the brace, including bolts and cleats, which are a part of the brace. The spreadsheet will calculate each brace size as long as the brace itself is geometrically similar (the size is not relevant). The spreadsheet is used, updated and modified at the Vacuum Furnaces Plant. The tool significantly accelerates the design process and reduces the risk of error to almost a zero, ensuring the safety of the structure.

## 2. THE AUTUMN EDITION OF 'INNOVATION ACTION' – TECHNOLOGY AND ENGINEERING, SECO/ECO or ORGANISATION

Number of submitted ideas: 37

Number of participants: 31

Award-winning ideas:

### a) 1st place – A water test station

The benefits from launching the system mainly include reducing water consumption by approximately 1,500m<sup>3</sup> per year, which is equal to the average annual consumption of water by ten households. There are also time savings: reducing the duration of the process by two working days when the casing is cleaned after the water test yields savings (in man-hours) of approximately PLN 3 thousand per casing (1,500 m<sup>3</sup> x PLN 11.61 = PLN 17,500 per year saved on water use).

With 40 casings to clean, the annual man-hour savings are approximately PLN 120,000.

### b) 2nd place – A station for loading containers and vehicles using a scissor lift

The idea behind constructing a dedicated loading station for containers and vehicles was mainly to reduce the time needed to load goods. In 2021, about 160 vehicles, including 70 containers, were dispatched from the production hall at Zachodnia street, which means that statistically every 55 hours a vehicle carrying the produced goods is dispatched. The station designed by the creator of the idea will enable loading of equipment, assemblies, components, etc., without having to remove containers from vehicles, by lifting the goods to the loading height, which will largely eliminate the need of using cranes (approximately 90% of all cases) and will also enable quick, easy and safe loading as well as reduce the loading time. At present, it takes around two hours to remove and put the container back onto the vehicle after it has been loaded. About 70 containers are loaded during a year. The time required for this operation is approximately 140 man-hours, which is almost one man-month.

In short, the proposed solution will help to:

- significantly simplify the loading of goods,
- reduce loading time,
- increase loading safety for the goods themselves, eliminate disruptions in day-to-day production caused by the unavailability of the crane.

### c) 3rd place – New design of the furnace closing mechanism (guideways).

The project, already under way, will significantly improve the safety of operation of the furnace closing mechanism and enhance efficiency.

## ENVIRONMENTAL PROTECTION

As regards environmental protection, SECO/WARWICK's key objective is to ensure compliance with environmental protection standards and make rational use of natural resources.

Taking responsibility for the environment in which it operates, the Company bears in mind the requirements of its internal and external stakeholders and strives to contain its environmental impacts notwithstanding the nature of its business. For this reason, it improves its environmental management system and complies with environmental law requirements. In order to enhance environmental protection, SECO/WARWICK S.A. has implemented an Integrated Management System Policy in which it undertakes to use state-of-the-art technologies, act in compliance with applicable laws, and provide the resources and competences required in this area.

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 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.

2021 saw the continued implementation of the SECO/WARWICK Group's CSR strategy adopted in 2020, which describes environmental protection as one of its key pillars. The main activities in this respect are as follows:

- protection of the natural environment every day and in every activity,
- enhancing the environmental awareness 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, for instance construction of a bike parking shelter or arrangement of group commute options for employees,
- investment in a modern car fleet,
- initiating SECO/ECO in-house projects where employees were encouraged, through internal communication, to take action in their day-to-day work in order to minimise environmental losses through, for instance, transition to an electronic document circulation system that reduces paper and toner consumption, reasonable use of air conditioning, turning off the lights in office space, reducing the heating when planning to work from home, replacement of light bulbs and lighting. Steps planned to be taken include using recycled paper, phasing out bottled water, and monitoring the consumption of energy, water and paper,
- waste segregation, collection of caps and waste batteries, and reuse of products,
- putting save paper slogans in the email signature footer to enhance environmental awareness among the employees,
- low maintenance landscaping not requiring irrigation.

It was another year when the Company drew its employees' attention to the importance of segregating waste. Containers for different types of waste were placed in the manufacturing and storage space and in office and amenity rooms.

All waste produced by the Company in the course of its operations is managed in accordance with the applicable legislation, and the implemented solutions help reduce its amount to the minimum. As a result, waste is transferred to licensed third party operators under relevant contracts. Waste collection is confirmed by waste transfer notes, based on which the quantity of waste generated by the organisation is calculated. In 2021, the largest group of generated waste was iron and steel (136.1 Mg), followed by paper and cardboard packaging (9.9 Mg).

The total weight of waste generated in 2020-2021 are presented in the table below.

**Table 8. Total weight of generated waste**

Total weight of waste in 2021	Total weight of waste in 2020	Change
155.01 Mg	103.72 Mg	49.45%

As the reuse of waste is very important for SECO/WARWICK, out of the 155 Mg of waste generated by the Company in 2021 as much as 153.78 Mg was recycled, while the remaining 1.23 Mg was disposed of.

One of the key utilities necessary for the Company's operations is electricity. It is used to power the manufacturing and auxiliary equipment, light the shop-floor areas, repair plant and machinery, and for administration purposes. The electricity meters installed on the main external electrical busbars located in shop-floor areas enable the monitoring, on a monthly basis, of electricity consumption by the production department and by the personnel testing the equipment for customers. The implemented solutions allow the Company to decide on the volume of electricity contracted from the electricity supplier on an ongoing basis, and thus on the amount of electricity charges. One of the projects to be implemented by the Company in the near future is to install PV solar panels to reduce the cost of energy consumption and make another step towards environmental protection through the use of renewables. Total electricity consumption in 2021 and 2020 is presented in Table 9.

**Table 9. Total electricity consumption**

Electricity consumption in 2021	Electricity consumption in 2020	Change
4,495.03 MWh	4,738.1 MWh	-5.12%

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 2021	Water consumption in 2020	Change
6,498 m <sup>3</sup>	10,734 m <sup>3</sup>	-39.45%

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 2021	Water consumption in 2020	Change
5,961 m <sup>3</sup>	9,860 m <sup>3</sup>	-39.54%

In 2021, 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 the Company’s 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. To prevent black-outs, the Company continuously monitors the equipment installed at its plants for efficiency and upgrades it. It also has appropriate procedures in place to handle any unexpected power failures so as to minimise environmental risks. It also provides personal protective equipment for employees working within the impact area of potentially dangerous factors. In addition, the Group closely supervises the work of external companies providing it with electricity-related services. Appropriate safeguards are also applied in potentially hazardous areas.

## HUMAN RIGHTS POLICY

As respect for human rights is of paramount importance for the SECO/WARWICK Group, the Group companies operate in compliance with the principles directly governing this matter and 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 issued by these organisations.

Apart from the generally applicable laws, the human rights policy has also been included in the internal regulations adopted by the Company. The Company has for many years had in place a Code of Ethics requiring that information on any potential acts of discrimination is collected and that appropriate steps are taken to investigate, sanction and prevent any such misconduct.

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.

To the best of the Management Board’s knowledge, in 2021, 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. All SECO/WARWICK suppliers are verified for compliance with the principles of respect for human rights through initial and subsequent evaluation (conducted over the contract term), as well as during periodic audits. Suppliers 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.

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.

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.

The SECO/WARWICK Group has also implemented an Information Security Policy to ensure the security of data and systems in which the data is processed. Since 2019, SWSA has had in place a Personal Data Security Policy designed 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,
- ensure readiness to act in case of personal data breach and cooperate with the supervisory authority.

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

## **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.

A whistleblowing procedure for anonymous reporting of misconduct was in place in 2020 and 2021. 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. The Company also 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. The preventive measures maintained in 2021 proved successful as no instance of corruption was identified and no court proceedings were instigated in this respect. In a large organisation comprised of units which have a relatively wide remit, taking such measures is necessary to eliminate the risk of incidental corruption, especially in the procurement and sales departments, given the face-to-face contact with representatives of third parties who may gain certain financial benefits through 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 by defining and implementing clear rules of conduct, making an 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.

### 33. Taxonomy

This section presents the information on how and to what extent SECO/WARWICK's activities are associated with economic activities that qualify as environmentally sustainable in accordance with Article 8 of EU Regulation 2020/852 (Taxonomy). Key performance indicators were prepared in accordance with the requirements outlined in Commission Delegated Regulation (EU) 2021/2178, based on best knowledge and due care.

Pursuant to Article 10 of Regulation (EU) 2021/2178, in the 2021 Directors' Report SECO/WARWICK discloses the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in its total turnover, capital and operational expenditure and the qualitative information referred to in Section 1.2 of Annex I of the Regulation, relevant for this disclosure.

Activities which qualify as Taxonomy-eligible, but which were immaterial in 2021 in terms of revenue, capital or operational expenditure, were not included by the Company in the indicators.

The materiality thresholds are defined in SECO/WARWICK S.A.'s accounting policy. The Company follows the principle of materiality by disclosing all economic events which are material to the assessment of its assets, financial condition and profit or loss in its accounting books.

To ensure fair and clear presentation of the assets, financial condition and profit or loss, the amounts that exceed the following thresholds are considered material:

- in the case of balance-sheet amounts – amounts exceeding 0.5% of the balance-sheet total for the previous financial year,
- in the case of profit or loss, the higher of: amounts exceeding 5% of gross profit/loss or amounts exceeding 1% of revenue.

#### Key performance indicators related to turnover (turnover KPI)

The percentage of Taxonomy-eligible economic activities in total turnover was calculated by dividing the total revenue from Taxonomy-eligible activities in accordance with EU Regulation 2021/2139 by the total revenue disclosed in SECO/WARWICK S.A.'s separate statement of comprehensive income for the year ended December 31st 2021 (separate revenue).

Table 1. Percentage of Taxonomy-eligible turnover

Economic activity	NACE/PKD (Polish Classification of Business Activity)	Turnover amount (PLN '000) PLN	Portion of turnover (%)
<b>I. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITY</b>			
Acquisition and ownership of buildings	L68	897	0.32%
Collection and transport of non-hazardous waste in fractions segregated at source	E38.11	122	0.04%
<b>Total (I)</b>		<b>1,019</b>	<b>0.37%</b>
<b>II. I. TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITY</b>			
Turnover from Taxonomy non-eligible economic activity (II)		277,146	99.63%

<b>Total (I+II)</b>	<b>278,166</b>	<b>100.00%</b>
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The share of revenue from Taxonomy-eligible activity is PLN 1,019 thousand. The Company's Taxonomy-eligible activities include primarily acquisition and ownership of buildings.

### CapEx key performance indicators

The percentage of Taxonomy-eligible economic activity in SECO/WARWICK S.A.'s total capital expenditure was calculated by dividing the total capital expenditure meeting the conditions set out in Section 1.1.2.2. of Annex I to Regulation 2021/2178 by the total capital expenditure specified in SECO/WARWICK S.A.'s separate financial statements for 2021, including:

- acquisition of property, plant and equipment ("increase" in Note 9 *Property, plant and equipment*) and "Property, plant and equipment under construction" in the separate financial statements of SECO/WARWICK S.A. for 2021),
- acquisition of intangible assets ("increase" in Note 10 *Intangible assets* to the separate financial statements of SECO/WARWICK S.A. for 2021),
- increase in right-of-use assets ("increase" in Note 9 *Right-of-use assets* to the separate financial statements of SECO/WARWICK S.A. for 2021).

Table 2. Percentage of Taxonomy-eligible CapEx

<b>Economic activity</b>	<b>NACE/PKD (Polish Classification of Business Activity)</b>	<b>Turnover amount (PLN '000) PLN</b>	<b>Portion of turnover (%)</b>
<b>I. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITY</b>			
Installation, maintenance and repair of energy efficiency equipment	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12	760	11.68%
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	9	0.14%
Activity close to market research, development and innovation	M71.1.2, M72.1	60	0.92%
<b>Total (I)</b>		<b>829</b>	<b>12.74%</b>
<b>II. I. TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITY</b>			
Taxonomy non-eligible economic activity CapEx (II)		5,677	87.26%
<b>Total (I+II)</b>		<b>6,505</b>	<b>100.00%</b>

The share of Taxonomy-eligible economic activity CapEx is PLN 829 thousand. Taxonomy-eligible economic activity CapEx includes expenditure on installation, maintenance and repair of energy efficiency equipment, repair of instruments and devices for measuring, regulating and controlling energy performance of buildings, and activity close to market research, development and innovation.

### OpEx key performance indicators

In accordance with the definition contained in Regulation 2021/2187, operating expenditure included in the denominator of SECO/WARWICK's OpEx indicator and serving as the basis for calculating the OpEx indicator include operating expenditure on:

- non-capitalised costs that relate to research and development,
- repair of buildings,
- short-term rental,
- maintenance and repair,
- any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

The percentage of Taxonomy-eligible economic activities in total operating expenditure was calculated by dividing Taxonomy-eligible operating expenditure by total operating expenditure under the operating expenditure categories specified above in SECO/WARWICK S.A.'s separate financial statements for the year ended December 31st 2021.

**Table 3. Percentage of Taxonomy-eligible OpEx**

Economic activity	NACE/PKD (Polish Classification of Business Activity)	Turnover amount (PLN '000) PLN	Portion of turnover (%)
<b>I. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITY</b>			
Acquisition and ownership of buildings	L68	552	8.57%
<b>Total (I)</b>		<b>552</b>	<b>8.57%</b>
<b>II. I. TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITY</b>			
Taxonomy non-eligible economic activity OpEx (II)		5,885	91.43%
<b>Total (I+II)</b>		<b>6,436</b>	<b>100.00%</b>

Operating expenditure taken into account in the calculation of the OpEx indicator is disclosed in SECO/WARWICK S.A. separate financial statements for the year ended December 31st 2021 under cost of products, merchandise and materials sold, distribution costs, administrative expenses, and other expenses.

### **34. 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 2021 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 2021 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.

### **35. The Management Board's information on selection of the audit firm to audit the full-year financial statements for the financial year 2021**

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 2021 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.

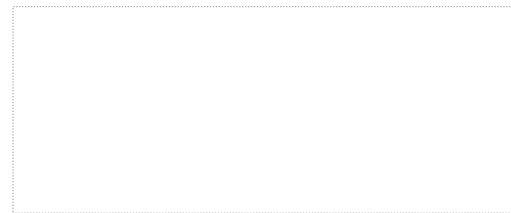
Date: April 21st 2022

President of the Management Board



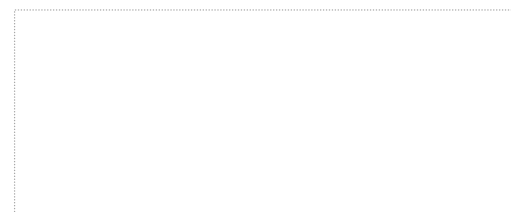
Sławomir Woźniak

Member of the Management Board



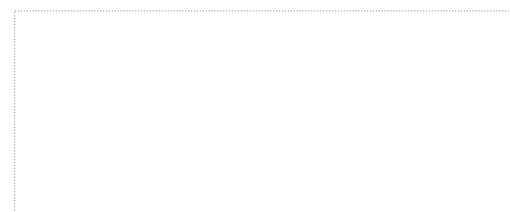
Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek