



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

**DIRECTORS' REPORT ON THE COMPANY'S OPERATIONS FOR THE YEAR ENDED  
DECEMBER 31ST 2022**

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 2022, 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 2022 and the comparative period January 1st–December 31st 2021.

## 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:

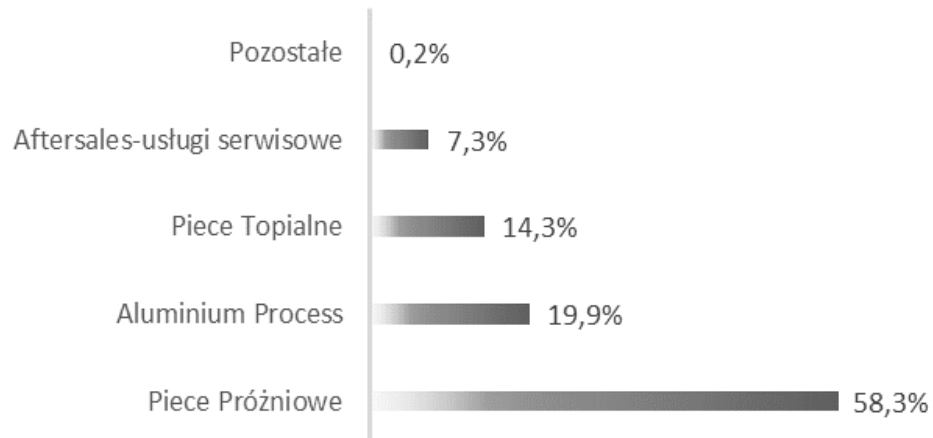
- Vacuum Furnaces,
- Aluminium heat treatment systems (Aluminium Process + Controlled Atmosphere Brazing),
- Melting Furnaces,
- Aftersales services.

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 2022) and in Section 32 of this Directors’ Report.

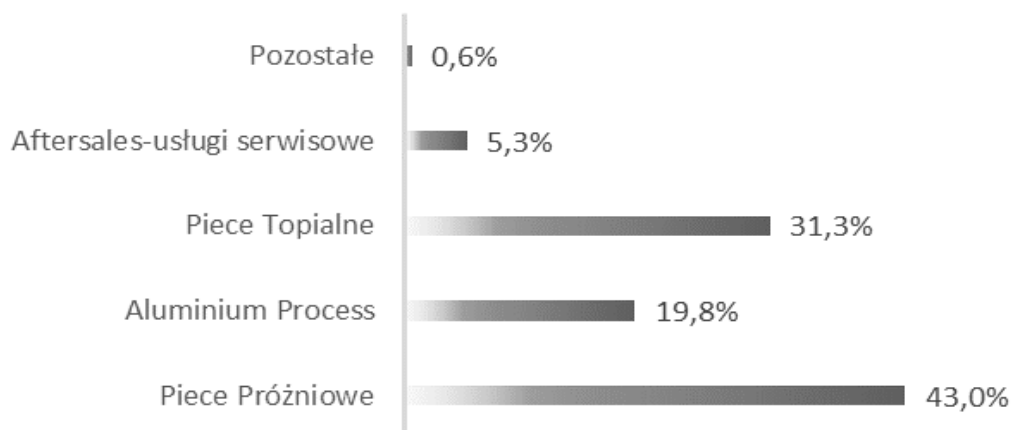
Table: Revenue (PLN ‘000)

<b>MAIN PRODUCTS JAN 1–DEC 31 2022</b>						
	<i>Vacuum Furnaces</i>	<i>Aluminium Process</i>	<i>Melting Furnaces</i>	<i>Aftersales services</i>	<i>Other</i>	<b>Total</b>
<b>Jan 1–Dec 31 2022</b>	154,914	52,786	37,929	19,444	576	<b>265,649</b>
<b>MAIN PRODUCTS JAN 1–DEC 31 2021</b>						
<b>Jan 1–Dec 31 2021</b>	118,236	54,456	86,256	14,623	1,655	<b>275,226</b>

## GŁÓWNE PRODUKTY 2022



## GŁÓWNE PRODUKTY 2021



## 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 2022 is presented below:

Company	Registered office	Principal business activity	Seco/Warwick'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%

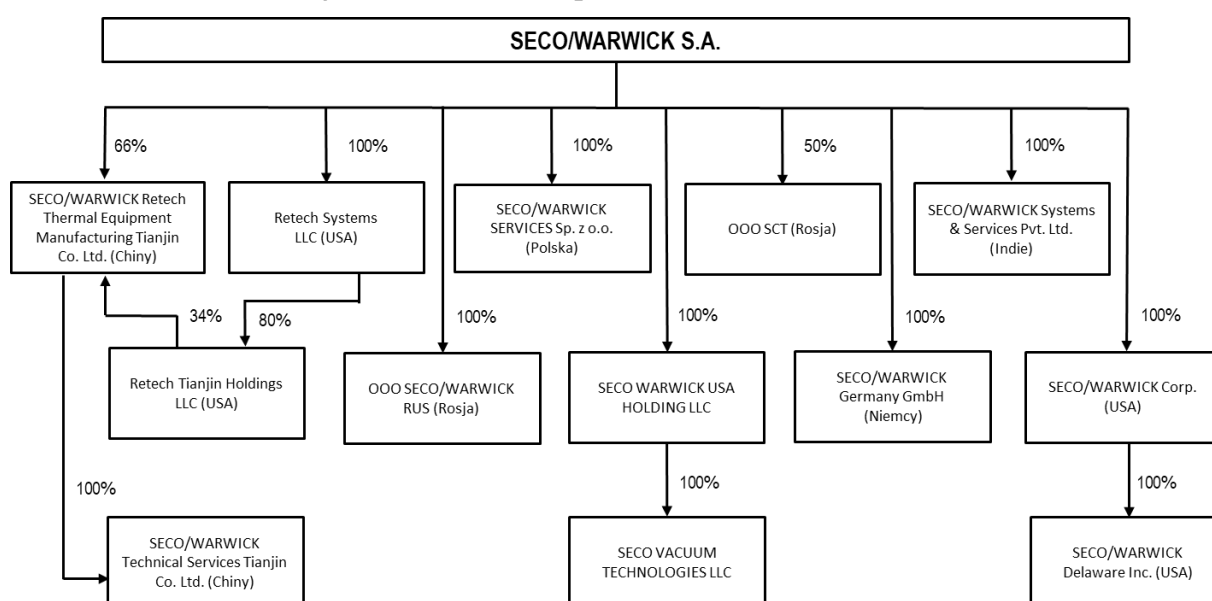
SECO/WARWICK Technical Services Tianjin Co. Ltd.	Tianjin (China)	Sale, repair and maintenance services	93%
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With the exception of OOO SCT, all Group entities are fully consolidated.

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

On May 20th 2022, SECO/WARWICK Technical Services Tianjin Co. Ltd (China), a wholly-owned subsidiary of SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd., was formed.

### Structure of the SECO/WARWICK Group as at December 31st 2022



### Composition of the SECO/WARWICK Group as at the issue date of these financial statements

There were no changes in the composition of the SECO/WARWICK Group between December 31st 2022 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 its 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 employment contracts and resolutions of the Supervisory Board. Severance or compensation payments are governed by the Labour Code. The amount of remuneration of the Management Board members for 2022 is defined in the resolutions passed by the Company's Supervisory Board of April 21st 2022.

Table: Remuneration of SECO/WARWICK S.A. Management Board members for 2022 (PLN '000)

Name and surname	Remuneration in the period	Other benefits	Accrued incentive scheme costs	Total remuneration in the period
Dec 31 2022	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
Sławomir Woźniak	548	549	444	1,541
Piotr Walasek	387	255	218	859
Earl Good (1)	1,104	250	223	1,578
Bartosz Klinowski	387	311	218	916
<b>Total</b>	<b>2,426</b>	<b>1,365</b>	<b>1,103</b>	<b>4,894</b>

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

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

##### 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 2022 (PLN '000)

Name and surname	Total remuneration Dec 31 2022
<b>Andrzej Zawistowski, including:</b>	332
- for his service as Chair of the Supervisory Board	212
- under contract for advisory services (1)	120
<b>Jeffrey Boswell, including:</b>	196
- under employment contract (2)	196
<b>Henryk Pilarski (3)</b>	22

<b>Marcin Murawski</b>	43
<b>Jacek Tucharz (4)</b>	17
<b>Robert Jasiński (5)</b>	25
<b>Maciej Karnicki (6)</b>	38
<b>Total</b>	<b>673</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 January 2nd 2020 is for the provision of technical and product development advisory services.

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

(3) Mr Henryk Pilarski served on the Supervisory Board until May 25th 2022.

(4) Mr Jacek Tucharz served on the Supervisory Board until May 25th 2022.

(5) Mr Robert Jasiński has been serving on the Supervisory Board since May 25th 2022.

(6) Mr Maciej Karnicki has been serving on the Supervisory Board since May 25th 2022.

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

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. On May 25th 2022, by Resolution No. 28, the Annual General Meeting adopted amendments to the Remuneration Policy for members of the Management Board and Supervisory Board of Seco/Warwick S.A.

## **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 2022:

	Jan 1 2022			Decrease/increase	Dec 31 2022			Total par value of shares (PLN)
	Number of S/W shares held	Ownership interest	% of total voting rights		Number of S/W shares held	Ownership interest	% of total voting rights	
<b>Management Board</b>								
Sławomir Woźniak	92,490	0.90%	0.90%	-	92,490	0.90%	0.90%	18,498
Bartosz Klinowski	121,753	1.18%	1.18%	-	121,753	1.18%	1.18%	24,351
Earl Good	26,225	0.25%	0.25%	-	26,225	0.25%	0.25%	5,245
Piotr Walasek	45,096	0.44%	0.44%	-	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
Marcin Murawski	-	-	-	-	-	-	-	-
Robert Jasiński (1)	-	-	-	-	-	-	-	-
Maciej Karnicki (2)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>360,340</b>	<b>3.50%</b>	<b>3.50%</b>	<b>-</b>	<b>360,340</b>	<b>3.50%</b>	<b>3.50%</b>	<b>72,068</b>

(1) Mr Robert Jasiński has been serving on the Supervisory Board since May 25th 2022.

(2) Mr Maciej Karnicki has been serving on the Supervisory Board since May 25th 2022.

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	Dec 31 2022	Dec 31 2021
Number of shares	10,298,554	10,298,554
Par value per share	0.20	0.20
<b>Share capital</b>	<b>2,059,710.80</b>	<b>2,059,710.80</b>

**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 16th 2021, by Resolution No. 1/2021 the Supervisory Board defined the individual targets for 2022 for the participants of the 2022–2024 Incentive Scheme, as announced by the Company in Current Report No. 21/2021 of December 17th 2021. 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 2022. 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 Scheme participant.

The framework terms of the 2022–2024 Incentive Scheme were adopted by the Extraordinary General Meeting on October 7th 2021, as announced by the Company in Current Report No. 15/2021 of October 7th 2021.

Costs incurred in 2022 in connection with the 2022–2024 Incentive Scheme amounted to PLN 1,460 thousand.

Costs incurred in 2022 in connection with the 2018–2020 Incentive Scheme amounted to PLN 65 thousand.

The total cost of option vesting recognised in 2022 was PLN 1,525 thousand (PLN 648 thousand in 2021).

## 9. Control systems for employee stock option plans

The 2022–2024 Incentive Scheme, adopted by the Extraordinary General Meeting by Resolution No. 7 of October 7th 2021, is overseen 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.

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 2022, the Company's revenue fell 3.5% year on year, to PLN 265.6m (2021: PLN 275.2m).

2022 saw a decrease in the Company's operating profit to PLN 2.9m (2021: PLN 13.8m). Net profit came in at PLN 12.3m, up PLN 4.0m on 2021, when it was PLN 8.3m.

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 2022. However, the net margin rose to 4.6% in 2022, up 1.6% year on year (2021: 3.0%), which confirms the Company's competitive edge.

## STATEMENT OF FINANCIAL POSITION

As at the end of 2022, the Company's total assets amounted to PLN 388.0m, having increased by PLN 43.6m (12.7%) year on year. Non-current assets included mainly investments in related entities and intangible assets, accounting for 18.3% and 12.1% of total assets, respectively. The largest items of current assets were contract assets and current trade and other receivables, representing 23.4% and 14.7% of total assets, respectively. The main items of equity and liabilities were equity and current liabilities: 49.7% and 44.3% of the total, respectively.

As at the end of 2022, the Company's non-current to current assets ratio was 0.8 and did not change compared with the end of 2021. 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 2022, current trade and other receivables fell by PLN 10.1m (15.0%), inventories rose by PLN 17.7m (58.9%), while contracts assets rose by PLN 24.7m (37.5%). The differences in the shares of other asset categories in total assets as at the end of 2022 compared with the end of 2021 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 2022 was 0.4, having changed only slightly relative to the end of 2021 (0.5).

The equity to liabilities ratio was 1.0, compared with 1.1 in 2021. However, the Company's debt grew by PLN 19.9m (43.4%). The share of borrowings in total equity and liabilities rose to 16.9% (2021: 13.3%).

The ratio of non-current assets to equity was 1.1 in 2022 and did not change from the end of 2021.

As at the end of 2022, the cash ratio was 1.3. The quick ratio was 1.0, slightly above the normally expected level. The current ratio came in at 0.1 at the end of 2022 also was close to the benchmark value. The ratios fell slightly relative to 2021.

The Company's debt ratios rose in 2022. The total debt ratio (total liabilities to total assets) was 50% in 2022 (2021: 48%). The ratio of total liabilities to equity rose to 101% at the end of 2022, from 92% in 2021. The long-term debt ratio (non-current liabilities to equity) as at the end of 2022 was 12%, down 5.0% year on year (2021: 17%).

Presented below are the Company's selected efficiency indicators:

- the average collection period decreased in 2022 to 89 days, from 95 days in 2021. 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 2022 was 74 days, compared with 72 days in 2021.

The asset turnover ratio and the current asset turnover ratio at the end of 2022 reached, respectively, 0.8 and 1.3, having fallen slightly from 0.8 and 1.5 in 2021.

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

In 2022, the Company's operations were materially affected by the war in Ukraine, while the COVID-19 pandemic had no material adverse effect.

### **WAR IN UKRAINE**

In the reporting period, the armed conflict in Ukraine did not materially affect 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 Group 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 Group 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 Group does not hold any assets (companies, non-current assets) situated in Ukraine or Belarus.

The Management Board regularly monitors the scope of the economic sanctions imposed on the Russian Federation and Belarus. The Group's business is in all respects conducted taking into account all direct and indirect economic sanctions. In the financial year 2022, as a result of the economic sanctions, work on completion of one contract in Russia was suspended.

In 2022, the Company and the other Group companies did not advance any loans to SECO/WARWICK Rus or OOO SCT. Furthermore, as at December 31st 2022:

- the net assets of SECO/WARWICK Rus amounted to PLN -1.2m,
- The Company had PLN 0.6m in outstanding security deposits placed with customers in the markets east of Poland.

As at the date of authorisation of this Report, SECO/WARWICK S.A. did not recognise any impairment losses on any of these assets as it does not expect that the payments will not be made.

The Management Board of SECO/WARWICK S.A. is monitoring the situation and, if justified, the assets will be remeasured in the reporting periods in 2023 or later.

The Company identifies the following areas of a potential impact of the war in Ukraine on the Company's and the Group's operations and financial condition:

- 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.

As the Company did not identify any material change in the timeliness of receivables collection, no material impairment losses on receivables or contract assets were recognised.

Based on its best knowledge, the Company's Management Board does not expect any rise in the number of court disputes, any penalties imposed for contract performance delays, contract

terminations, or insolvencies of the Company's customers. The Management Board regularly monitors and analyses the situation, the value of orders, and the stage of completion of contracts in order to take steps aimed at securing the Company's interests, if needed.

To date, the Company has not experienced any significant problems with the availability of feedstocks, materials or goods.

**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 areas are based on the Group's markets. The following areas have been identified:

- the EU market,
- the Russian market,
- the US market,
- the Asian market,
- other countries, including Ukraine and Belarus.

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 SECO/WARWICK Group is not dependent 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 2022, SECO/WARWICK S.A. did not enter into any significant insurance, partnership or cooperation agreements. All such agreements which have been concluded are agreements routinely executed as part of the Company’s operations in line with market standards. The Company is not aware of any other significant agreements made between the shareholders.

## 15. Related-party transactions concluded by the SECO/WARWICK Group other than arm’s length transactions

In 2022, 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 2022

Lender	Amount		Repayment date	Security	Interest rate	Type
	(PLN ‘000)	in foreign currency (‘000)				
mBANK S.A.	7,250	-	Mar 31 2025	mortgage, financial pledge over securities	1M WIBOR + 1.35% p.a.	Investment facility

mBANK S.A.	5,181	-	Sep 30 2026	mortgage, financial pledge over securities	1M WIBOR + 1.35% p.a.	Investment facility
mBANK S.A.	-	-	Jun 28 2024	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	1M WIBOR + 1.1% p.a.	Overdraft facility
mBank – credit card limit	76	-	None	None	-	Credit card limit
mBank – credit card limit	39	8.8 USD	None	None	-	Credit card limit
mBank – credit card limit	81	17.3 EUR	None	None	-	Credit card limit
SANTANDER S.A. – overdraft facility	8,080	-	Feb 28 2024	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	1M WIBOR + 1.0% p.a.	Overdraft facility
BNP Paribas S.A. – overdraft facility	21,622	-	Oct 25 2023	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	1M WIBOR + 1.1% p.a.	Overdraft facility
PEKAO – overdraft facility	23,356	-	Aug 31 2023	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	1M WIBOR + 1.25% p.a.	Overdraft facility
<b>Total</b>	<b>65,685</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. for 2022. In 2022, SECO/WARWICK S.A. did not take out any non-bank loans. No loan or credit facility agreements were terminated in 2022.

## 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 27,329 thousand as at the end of 2022, and PLN 44,317 thousand as at the end of 2021. The following guarantees were issued:

Item	Dec 31 2022	Dec 31 2021
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performance bond	855	749
stand-by letter of credit payments	5,722	9,338
bid bond	-	5,592
warranty obligations guarantee	2,110	2,070
	4,537	3,810
<b>Total</b>	<b>13,224</b>	<b>21,559</b>

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

Company	Bank	Surety in respect of	Currency	Dec 31 2022	(PLN '000)
S/W Retech (1)	HSBC BANK USA	Guarantee and credit facility	USD	2,750	12,105
SECO/WARWICK SERVICES	SANTANDER	Revolving loan	PLN	2,000	2,000
<b>TOTAL</b>					<b>14,105</b>

<sup>(1)</sup> As at December 31st 2022, SECO/WARWICK Retech used USD 263 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 2022, 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 2022.

## 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 2022, the Company repaid its liabilities under the credit facilities contracted to finance operating and investing activities in a timely manner.

As at December 31st 2022, debt outstanding under investment and overdraft facilities amounted to PLN 12,431 thousand and PLN 53,059 thousand, respectively.

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

The current and quick ratios were at 1.3 and 1.0, respectively, at the end of 2022, while the cash ratio (cash to current liabilities) was 0.1. All these figures are close to the model value.



The funds and credit facilities available to the Company were sufficient to finance investments and capital expenditure planned for and executed in 2022.

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

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

LIQUIDITY RATIOS	Dec 31 2022	Dec 31 2021
Current ratio	0.1	0.1
Quick ratio	1.0	1.2
Cash ratio	1.3	1.4

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

No such events occurred in 2022.







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



The SECO/WARWICK Management Board did not publish any forecasts of the Company's or the Group's financial results in 2022.

**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>home office for up to 10 days a month for office staff at SWSA</li> <li>the possibility of getting tested</li> </ul>	<ul style="list-style-type: none"> <li>risk of employee infection, downtimes at some or all of the Company departments</li> <li>disruptions in supply chains, especially of electrical components</li> <li>cost overruns for projects implemented in China, due to quarantine and closure</li> </ul>		

				of certain Chinese cities		
2.	<b>War in Ukraine</b>	Russia's military aggregation against Ukraine	<ul style="list-style-type: none"> <li>cooperation with reputable law firms on export control and sanctions</li> <li>ongoing monitoring of all ongoing projects in Russia</li> </ul>	<ul style="list-style-type: none"> <li>inability to collect receivables from ongoing Russian contracts</li> <li>the risk of sanctions breach</li> <li>SWIFT ban against Russian banks</li> </ul>	●●●	➔
3.	<b>Macroeconomic and geopolitical situation</b>	Inflation pressure, supply chain disruptions	<ul style="list-style-type: none"> <li>work on updating the Group's strategy</li> </ul>	<ul style="list-style-type: none"> <li>inflation pressure on salaries and wages</li> <li>significant rise in material and energy costs</li> <li>risk of potential US – China conflict over Taiwan</li> <li>increase in transport costs</li> </ul>	●●●	➔
4.	<b>Liquidity and financing risk</b>	Inadequate 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>securing additional credit facilities</li> </ul>	<ul style="list-style-type: none"> <li>lower efficiency of sales activities</li> <li>suspension or delay in the implementation of investment activities</li> </ul>	●●○	➔
5.	<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>	●●○	➔

6.	<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>		
7.	<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>		
<b>OPERATIONAL RISKS</b>						
8.	<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>		
9.	<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 skills, participation in open days, job fairs, etc.)</li> <li>▪ employer branding through presence in social and traditional media</li> <li>▪ building career paths and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>▪ scaling down of operations and financial performance</li> </ul>		

			<ul style="list-style-type: none"> <li>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>						
10.	<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 2022

### 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

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 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 at the General Meeting as at December 31st 2022**

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
<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>NNLife Otwarty Fundusz Emerytalny*</b>	577,470	5.61%	577,470	<b>5.61%</b>

\* formerly: MetLife OFE.

On February 3rd 2023, the Company received a notification from Generali Powszechne Towarzystwo Emerytalne S.A. (Generali PTE) given under Art. 69 in conjunction with Art. 87.1.2b of the Act on Public Offering, to the effect that the funds managed by Generali PTE exceeded the 5% threshold of total voting rights in the Company following the takeover of management of NNLife Otwarty Fundusz Emerytalny (formerly Metlife OFE) and NNLife Dobrowolny Fundusz Emerytalny.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the issue date of this Report

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,091,952	10.60%	1,091,952	10.60%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
NNLife Otwarty Fundusz Emerytalny*	640,798	6.22%	640,798	6.22%

\* formerly: MetLife OFE.

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

As at December 31st 2022, 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.

**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 Management Board consists of 2 (two) to 7 (seven) 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 zloty) requires two Management Board members acting jointly or a Management Board member acting jointly with a commercial proxy authorised to act individually, or a Management Board member acting jointly with a commercial proxy holding joint powers of proxy. 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 is not authorised to make decisions on share issue.

#### **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 2022, 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 Chair 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 Chair 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 2022, one formally convened General Meeting of SECO/WARWICK S.A. was held, on May 25th 2022. No requests to convene a General Meeting were submitted by the Company's Shareholders in 2022.

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 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. 4/2022 of April 29th 2022, 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 2022, 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 2021, allocation of profit for the financial year 2021, approval of the Directors' Report on the Group's operations and the consolidated financial statements of the SECO/WARWICK Group for the financial year 2021, 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 Resolution defining the Annual Targets for 2022, passed by the Supervisory Board in connection with the 2022–2024 Incentive Scheme.

The Chair 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 2022 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 2022 and 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

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

In the period from January 1st 2022 to the date of issue of these financial statements, there were no changes in the composition 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 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 7 (seven) 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 for Management Board members is determined in accordance with the Remuneration Policy for members of the Management Board and Supervisory Board of Seco/Warwick S.A., and is governed by resolutions of the Company's Supervisory Board of April 21st 2022. 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 date of authorisation of these financial statements for issue and as at December 31st 2022, the Supervisory Board of SECO/WARWICK S.A. consisted of:

- Andrzej Zawistowski – Chair of the Supervisory Board
- Maciej Karnicki – Deputy Chair of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Robert Jasiński – Member of the Supervisory Board

As at December 31st 2021, the Supervisory Board of SECO/WARWICK S.A. consisted of:

- Andrzej Zawistowski – Chair of the Supervisory Board
- Henryk Pilarski – Deputy Chair 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

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

On May 25th 2022, Mr Maciej Karnicki and Mr Robert Jasiński were appointed as members of the Supervisory Board, respectively by Resolution No. 23 and Resolution No. 25 of the Annual General Meeting of SECO/WARWICK S.A. At the same time, Mr Henryk Pilarski and Mr Jacek Tucharz were not re-appointed for a new term of office.

### **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 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 2022, 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 six 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.

Remuneration of Supervisory Board members is determined based on the Remuneration Policy for members of the Management Board and Supervisory Board of Seco/Warwick S.A. 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 2022, members of the Supervisory Board informed the Company's Management Board of their trades in SECO/WARWICK S.A. shares.

In 2022, 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 assessment of the operation of the Supervisory Board, for 2022, prepared in accordance with Best Practice for WSE-Listed Companies 2021, along with a report on the activities of the Supervisory Board in 2022, prepared in accordance with Art. 382.3(1) of the Commercial Companies Code.

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

In 2022, 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 2022, the Audit Committee held five 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) monitoring of the Company's relations with related parties and business risks of the companies operating abroad,
- d) 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,
- e) monitoring of the performance by the Company and other Group companies of the activities requested by the auditor,
- f) Monitoring of periodic reports intended for publication and supervision of the Company's and the Group's financial reporting process,
- g) monitoring of the adopted best practices, i.e., the recommendation that an effective internal control, risk management and compliance system be maintained,
- h) 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,
- i) monitoring of the process specified in the letter from the Polish Financial Supervision Authority to companies, concerning auditors, and in particular an annex to the agreement with the auditor and implementation of appropriate procedures,
- j) monitoring of the auditor's independence,
- k) supervision of the auditor appointment process,
- l) The Audit Committee adopted the presented internal audit plan for 2023.

As at December 31st 2022, the Audit Committee was composed of:

1. Marcin Murawski – Chair
2. Robert Jasiński – Secretary
3. Maciej Karnicki – Member

The following members of the Supervisory Board and the Audit Committee met the criteria of independence according to the applicable regulations: Marcin Murawski, Robert Jasiński and Maciej Karnicki.

Marcin Murawski and Robert Jasiński have the knowledge and skills in accounting. Marcin Murawski gained the knowledge of accounting when obtaining the statutory auditor's qualifications in the United Kingdom (ACCA Practicing Certificate), the Polish Institute of Statutory Auditors (Polish Statutory Auditor No. 90053), and as a Certified Internal Auditor (CIA). Robert Jasiński gained the knowledge of accounting at the University of Łódź and the Chartered Institute of Management Accountants.

Maciej Karnicki has extensive skills and knowledge of the industry in which the Company operates. He gained the industry knowledge at the Technical University of Dresden and during his long-standing professional career, especially while working for SECO/WARWICK S.A.

#### **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 Best Practice for WSE-Listed Companies applied by the Company.
  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 2022, SECO/WARWICK S.A. undertook the following activities and incurred the following expenses connected with its sponsorship and charitable activities:

- Construction of three containers for plastic caps – SECO/SERCA PLN 14,700
- Youth Sports Club Marina Niesulice PLN 9,225
- Fire Brigade of Świebodzin – donation of equipment PLN 7,500
- State Forests – organisation of an afforestation campaign PLN 7,000
- Sponsorship of an MTB Marathon and Grand Prix PLN 6,000
- DKMS Foundation PLN 6,000
- The MADA Foundation for Individuals with Autism PLN 2,500
- The Siepomaga Foundation – a person under the care of the Foundation PLN 2,000
- Polish Humanitarian Action PLN 1,000
- The Residential Home in Glińsk PLN 750

The expenses connected with sponsorship and charitable activities totalled PLN 56,675 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 (2021–2022), 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 2022, 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.
- 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 is 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.

The Management Board is currently working on a strategy for 2023-2025.

## **27. Major R&D achievements**

In 2022, the Research and Development division of the SECO/WARWICK Group worked on the following projects:

**In 2022, the following development projects were successfully completed:**

- Development of the Low Pressure Carbo-Nitriding (LPCN) technology;
- Introduction of new High Performance steel grades to SimVaC;
- Development of a low-emission burner for post-process gases.

**In 2022, a patent application was filed with the Patent Office of the Republic of Poland (UPRP) for the following invention:**

- Patent application No. P.440880 'Method and apparatus for directed crystallisation of castings with directed or monocrystalline structure'.

## **28. Environmental protection**

In 2022, 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. for 2022 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. for 2022.

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 the full-year financial statements,
  - other assurance services, including review of financial statements,
  - tax advisory services,
  - other services.

The agreement with the qualified auditor was executed on July 6th 2021 for a term of three years. KPMG Audyty 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 2022, 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 assessment of the report on remuneration of Supervisory Board and Management Board members.

On April 21st 2022, 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. 1/2022 under which KPMG Audyty 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 2022 and 2021.

Table: Total auditors' fees for 2022 and 2021

Service	Fees for 2022 (PLN '000)	Fees for 2021 (PLN '000)
Audit of full-year financial statements	205	180
Other assurance services, including review of financial statements	217	190
Other services	23	20
<b>Total</b>	<b>445</b>	<b>390</b>

## 32. Non-financial statement for 2022

### INTRODUCTION

Below is presented the SECO/WARWICK S.A. non-financial statement for 2022 (the "Statement"). It constitutes a separate part of the Directors' Report on the operations of SECO/WARWICK S.A. in 2022 and presents the Company's non-financial information for the period January 1st–December 31st 2022.

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).

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%), and power generation (20%) industries.

### **Main product groups**

As part of its operations SECO/WARWICK S.A. delivers end-to-end solutions in the following areas: aluminium heat treatment systems and CAB lines, 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.

#### **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.

SECO/WARWICK S.A.'s HR policy aims to build an organisational culture that supports autonomy, subjectivity and diversity in the organisation. The main aspects 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 Company 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. It also has in place a transparent remuneration policy which links remuneration to performance and competencies in line with the anti-discrimination policy.

The service relationship is based on integrity, mutual respect and clearly specified mutual expectations.

In addition, employees' right of free association and right to join political parties and associations is respected.

SECO/WARWICK S.A. supports and promotes innovation initiatives and employee independence, enabling the staff to refine their skills through practice.

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 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.

SECO/WARWICK S.A.'s HR policy is governed by internal procedures and instructions. The documents deal with the key soft HR areas, such as recruitment, employment, employee development and termination of relationship. The validity and relevance of the documents is verified on a regular basis. Based on the findings, the documents are modified and updated so that they best reflect the Company's actual HR policies.

## Employment

SECO/WARWICK hires employees based on their qualifications and skills and supports them in career development. The Group's anti-discrimination policy 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**

	2022		2021	
	Women	Men	Women	Men
Full-time	84	445	80	428
Part-time	1	5	2	4
Temporary	0	0	0	0

SECO/WARWICK cares for the stability and sense of security among its employees. Most of the staff are employed under permanent contracts (Table 2).

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

	2022		2021	
	Women	Men	Women	Men
Permanent contract	66	379	67	381
Fixed-term contract and employment for trial period	19	71	15	51

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

	2022		2021	
	Women	Men	Women	Men
Local (residing within 80 km of a company's head office)	82	422	77	402
Non-local (residing more than 80 km of a company's head office)	2	29	3	26

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

Benefits	S/W S.A.
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 2022, the additional arrangements, such as the home office option, flexible working hours 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

The Company's main initiatives in this respect are designed to support the professional development of the right talent so that the Company can remain a competitive and sustainable business with strong performance.

The initiatives aim to:

- develop specialist competencies (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),
- develop intra- and interpersonal competencies; key project: "Constructive Fridays" – regular open soft competence training for all employees,
- develop leadership skills; key projects: the Leadership Academy and First Time Manager,
- support project management competencies – Project Management Academy,
- support the sales function – Sales Academy.

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

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

2022		2021	
Women	Men	Women	Men
40 h	24 h	33 h	36 h

**Table 6. Average training time in hours in 2022, by employee category**

	Senior management	Lower-level management	Engineers	Administration	Production
2022	83 h	84 h	23 h	24 h	4 h
2021	7 h	22 h	16 h	15 h	9 h

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

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

To ensure that each employee's development path is best suited to their skills and needs, the employees undergo periodic performance reviews.

In 2021 and 2022, all employees were subject to such reviews.

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

	Senior management	Lower-level management	Engineers	Administration	Production
2022	100%	100%	79%	81%	77%
2021	100%	100%	96%	94%	96%

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:

- risks to employee health and life (staff working on machinery and equipment at production plants may be exposed),
- risk of breach of labour laws,
- risk of right talent shortage in the labour market (the Group seeks to prevent this risk by carrying out the SECO/GENERATION project aimed at building relations between high school and university students and the organisation already during their education),
- risk of departure of highly qualified staff (the Group counters this risk by organising internal training courses as well as succession and mentoring programmes to ensure the transfer of knowledge and skills between key professionals and less experienced staff),
- risk of lack of successors (to counter this risk the Group runs succession programmes, career growth paths and development programmes for high potentials),
- risk of departure of employees who have participated in complex development programmes and specialist training (to prevent the risk the Group signs with employees contracts on raising professional qualifications, obliging employees to stay with the organisation if they receive specific value training and training programmes; the Group also clearly defines the promotion criteria linked to salaries and development policies supporting employee development efforts).

## CORPORATE SOCIAL RESPONSIBILITY

For many years, SECO/WARWICK has been developing a coherent responsible business model. The Company focuses on supporting the local community, protecting the environment and building generations. For SECO/WARWICK, corporate social responsibility is primarily about the immediate environment – it is important to help, but it is crucial that the help is responsible, reliable, unbiased, fair and safe. Therefore, SECO/WARWICK has in place a global plan of social initiatives which it supports, organises and participates in.

The operations of the Parent and its subsidiaries have an effect on the business, human, environmental and other broadly understood aspects of social life. Guided by the ambition to be the

first choice provider of heat treatment and metallurgy solutions, SECO/WARWICK is aware of its effect on its immediate and wider environment.

SECO/WARWICK's CSR strategy has been designed to give a shape to the long-term vision of the Group's (current and future) CSR activities. Aware that business and social objectives should complement each other, SECO/WARWICK would like CSR to become an independent area of its activity, anchored in the mission and vision of the entire Group. This is why the SECO/WARWICK Group's CSR efforts are strictly aligned with SECO/WARWICK values and have been classified into three groups: SECO/ECO – SECO/GENERATION - SECO/COMMUNITY.

## **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 2022, the SECO/BIKE delivered on all its plans concerning participation in races in 2022, having competed in events such as Zachodnia Liga MTB, Kaczmarek Electric and Bike Adventure.

The team also won a gold medal in the individual category in the Grand Prix Kaczmarek Electric MTB general classification, and the bronze medal in the M3 category (men 31–40 years old) of the Zielona Góra Province Mountain Biking Cup.

The SECO/BIKE team represents the Company in all renowned competitions, reaching high positions. It is perceived as a strong and dedicated team that has become a brand in its own right – it is recognised by cyclists, customers, the Company's trading partners and local residents.

During the first Kaczmarek Electric competition organised in the Świebodzin area, SECO/BIKE racers took two positions on the podium in the Electrotechnical Industry category.

The four-day Bike Adventure competition with races in demanding mountain conditions was completed by three SECO/WARWICK cyclists in the PRO stage. Such competitions are accident-prone and one of the cyclists suffered a fall, but his cycling passion did not let him withdraw from further racing.

SECO/WARWICK became the main sponsor of the 14th 'For the Silver Cross of the Sovereign Military Order of Malta' MTB race, in which several hundred cyclists from all over Poland took part.

In the 2022 season, the riders covered a distance of 2,626.7 km and elevation gains of 49,269 metres, an equivalent of six times the height of Mount Everest.

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. SECO/RUN participated in local and international runs such as:

- the virtual international Siberia Memorial Run, in which also the cycling team took part,

- Grand Prix of the Świebodzin County, comprising four 10 km runs (Lubrza-Łagów-Zbąszynek-Niesulice),
- the Grape Harvest Team Run,
- the Zielona Góra Rollercoaster Run
- the Relay Race with the Swan team run
- the Wolf run around the Wilkowskie lake
- the Crane Half Marathon
- the Warsaw Marathon
- the Golden Nenuphar Lubrza Ten run
- the Night Bacchus Run,
- the Świebodzin Ten.

The Company was also the main sponsor of the Grape Harvest Team Run in Zielona Góra.

### **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.

SECO/WARWICK begins each year by supporting the finale of the Great Orchestra of Christmas Charity (WOŚP), one of the most important and globally recognised charity events. The launch of the virtual money box supported the entire event and demonstrated the full commitment of SECO/WARWICK staff to initiatives of this kind. The Company joined forces with WOŚP, collecting funds to be used to ensure the highest standard of diagnosis and treatment of vision disorders in children. Just like WOŚP as a whole, also SECO/WARWICK broke its previous year's record, having collected almost PLN 2,600 in the virtual money box.

SECO/WARWICK employees were deeply moved by what happened to Ukraine and Ukrainians after the armed conflict broke out, and organised a collection of items for the victims of the conflict. SECO/WARWICK was also engaged in local initiatives and supported the families of its employees.

As in the previous year, the Company supported the *Szlachetna Paczka* (Noble Package) campaign and fulfilled all the needs of a family from the Świebodzin municipality. Both the company as a whole and individual employees contributed to the collection.

In 2022, cooperation with the DKMS Foundation was started at the initiative of the employees. In addition to donations for the Foundation's statutory activities, the Donor Day was organised at the company's offices, during which employees could register as potential bone marrow donors and do the screening test.

SECO/WARWICK's responsibility is not limited to compliance with formal and legal requirements only. CSR efforts are considered an investment and growth driver not only for the company, but also its partners. One initiative aimed at improving the quality of the Company's products and services combines business and aid. Customer taking part in the Customer Feedback Loop support autistic children. For each completed survey, USD 10 is donated by the Company to the MADA Foundation. In 2022, PLN 2,500 was transferred to the Foundation to finance its statutory activities.

SECO/HEARTS is a flagship environmental and social project of SECO/WARWICK. 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. In 2022, the company built and provided three heart-shaped containers for plastic bottle caps (from the beginning of the campaign, it donated nine such containers). One can be filled with close to 80 kg of plastic caps. The containers are emptied and refilled several, and in some locations even more than a dozen, times a year. Last year the SECO/HEARTS were filled with nearly PLN 7,000 worth of plastic bottle caps.

In 2022, the Company supported the local Fire Service brigade by making structural components for firefighting equipment to celebrate the 30th anniversary of the brigade's service.

In 2022, employees of SECO/WARWICK S.A. and SECO/WARWICK Services again planted 3,000 trees in cooperation with the Świebodzin Forest District. The event has become a fixture in the calendar of SECO/WARWICK's CSR activities.

As part of the World Environment Day (June 5th), employees (and more precisely the SECO/CSR Group with the support of Marketing, HR, OHS and Integrated Management System staff) cleaned up the Łągów Nature Reserve. This event has become one of this group's regular social projects.

Employee commitment to charity work also led to organising the 'Give Books a Second Life' campaign. Employees could bring their old books from home, leave them at designated places and swap for other books. Books that were left after the campaign ended were donated to the local library.

There is a similar way to extend the useful life of other objects – employees can post notices for items they do not need on a special board. This initiative prolongs the life of items and helps reduce the amount of waste.

This green approach of SECO/WARWICK and its employees can be seen at every step. In addition to standard waste sorting, there is a year-round collection of batteries. Employees can also bring their own used batteries and the company takes care of their proper disposal.

In the SECO/SFERA weekly newsletter employees can put forward their ideas and needs for the 1% income tax donation. The campaign becomes increasingly popular each year as the need to jointly help and support others grows.

It should be noted that the activities selected by the Company are designed to engage employees so that they can identify with the activities and show that providing help is an important part of the Company's life because the Company is made of people who care.

### **Partnership with high schools and universities**

For years now, SECO/WARWICK has run the SECO/GENERATION project to show young people the vision of conquering the world with technology.

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.

As part of partnerships with secondary schools and 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.

SECO/WARWICK became a patron of the Vocational and Continuing Education Centres in Zielona Góra and Zbąszynek, with which the Company established cooperation as part of the SECO/GENERATION programme. To make studying more attractive, courses and practical classes are organised for students in classes run under the patronage of SECO/WARWICK, joint projects are conducted, study groups/science clubs are organised and talent development programmes are carried out under the supervision of experienced professionals and practitioners from SECO/WARWICK.

The SECO/GENERATION Programme also involves collaboration with the University of Zielona Góra. Collaborations with universities include 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.

2022 offered the possibility to renew full cooperation with secondary schools and universities and to conduct regular apprenticeship and practical vocational training programmes.

In the first two quarters of 2022, SWSA was visited two primary school eighth-grade classes (45 pupils in total) to find out about development opportunities on the local market. The pupils visited the Company's departments, in particular its production plant, where they could see remarkable projects and talk to people implementing them and developing technologies in the R&D laboratory.

SWSA entered into cooperation with CECH. The aim is to launch practical vocational training programmes for young would-be electricians.

Collaboration continues with the Świebodzin State School Complex, where students at metalworking classes receive practical vocational training.

Regular visits to the Vocational and Continuing Education Centres in Zbąszynek and Zielona Góra were resumed, where classes are held for students of mechatronic classes.

In May 2022, the SECO/DAY event was reactivated at the University of Zielona Góra. Students of two Faculties (Mechanical Engineering and IT, Electrical Engineering and Automation) were invited to the event.

In the fourth quarter of the year, it became possible to set up a stand at the job fair organised by the University of Zielona Góra.

At present, the Company has established collaborations with two universities, three secondary schools and two primary schools.

### **Innovation Action**

In 2022, another edition of 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 2022, only the autumn edition of the campaign was carried out, in which the Company encouraged its employees to put forward their ideas in the following categories: Organisation and SECO/ECO. 31 participants put forward 34 ideas, including 8 group ideas.

Award-winning ideas:

- a) 1st place – copper arc production station

A copper gas-water heat exchanger is one of the key components of vacuum furnaces with a high pressure gas quenching function. The heat exchanger consists of a set of fin tubes interconnected with arched copper tubes. At present, heat exchangers are entirely made by a subcontractor. However, due to changing market conditions, SECO/WARWICK S.A. is expected to become independent of its subcontractors in those areas where it has its own production capacities. As regards the heat exchangers, the subcontractor does not ensure the required quality of arcs, which increases the consumption of solder needed to connect the arcs to the fin tubes. The presented idea addresses the need to launch the production of heat exchangers at the Company, with a particular focus on optimising investment and production costs, as well as workmanship quality. The total



expenditure on the development, construction and commissioning of the station was approximately PLN 20,000, representing only 20% of the amount that would have to be spent to buy a standard bending machine with a plunger and a clamp. In addition, reduced consumption of solder translates into annual savings of PLN 50 thousand.

b) Robotic welding station

The manufacture of industrial furnaces inherently involves joining structural elements, especially by welding, which requires employing or training qualified personnel. As a consequence of developments in the labour market, welding has become one of the most sought-after skills in Europe, including Poland, due to the continuing shortage of qualified expert welders. It should also be added that hiring or training qualified welders is a high financial burden for the employer. To address this challenge, the authors of the idea developed a concept for introducing robotic welding at SECO/WARWICK S.A. The following steps were taken:

1. Identification and selection of areas where robotic welding could be applied.
2. Developing a welding technology using a welding robot.
3. Identification of welding robot suppliers.
4. Tests of welding robots at selected suppliers using structural elements supplied by SECO/WARWICK S.A.

The submitted concept, now in progress, is justified by the need to introduce automated and robotic processes in order to optimise production costs and increase production capacity, and to eliminate the Company's dependence on specialists, who are expensive and not easily available. The cost of implementing automated welding solutions is estimated at PLN 500 thousand. The effective use of a welding robot is expected not only to pay off in a relatively short time, but also to pave way for the Company's robotisation in other areas.

c) Dynamic storage system

Effective storage management is necessary for the proper and efficient flow and storage of materials. At present, the goods in SECO/WARWICK S.A.'s storage facility are placed as designated by its employees. Materials are stored in specific places and cannot be located by outsiders, i.e., only the warehouse staff know exactly where the goods are stored. Given the large number of stored goods (approximately 9,000 indices), the existing storage system is inefficient.

It was therefore proposed to switch from the existing storage system to dynamic storage, also known as free storage space or chaotic storage. The aim is to first assign storage places/locations, i.e., to number individual warehouses and shelving racks as well as places on those racks. This will represent a certain pool of storage locations permanently assigned to shelving racks.

The implementation of the new storage system is expected to bring the following benefits:

1. Shortening of the time needed to track a specific index, which is of particular importance when a given material must be quickly released to the production line. It is estimated that to find a specific index a new warehouse employee will need about 40–50% time less compared with traditional storage systems.

2. Rationalisation of the storage space by not having to store materials in specific material groups or in a group identified based on the supplier.
3. No need for paper documents if tablets are used, which will significantly reduce the consumption of paper, printer ink, etc.

Three distinctions were also awarded for the following ideas:

- a) A dock shelter in the ZPS facility to reduce gas consumption,
- b) Optimisation of the canteen's and locker room's heating system,
- c) Smart Heat – smart heating control.

## 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.

2022 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 (the choice of vehicles is largely determined by environmental aspects),
- initiating SECO/ECO in-house projects where employees are 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, waste segregation, phasing out bottled water, monitoring of the consumption of water and paper, 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,
- launch of a smart heating system in the office building at the Zachodnia street,
- low maintenance landscaping not requiring irrigation,
- installation of solar PV modules.

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 2022, the largest group of generated waste was iron and steel (94.2 Mg), followed by paper and cardboard packaging (11.4 Mg).

The total weight of waste generated in 2021-2022 are presented in the table below.

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

<b>Total weight of waste in 2022</b>	<b>Total weight of waste in 2021</b>	<b>Change</b>
116.95 Mg	155.01 Mg	-24.55%

As the reuse of waste is very important for SECO/WARWICK, out of the 116.95 Mg of waste generated by the Company in 2022 as much as 115.79 Mg was recycled, while the remaining 1.16 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. Moreover, in 2022 the Company installed PV solar panels which will help reduce the cost of energy consumption and make another step towards environmental protection through the use of renewables. Total electricity consumption in 2022 and 2021 is presented in Table 9.

**Table 9. Total electricity consumption**

<b>Electricity consumption in 2022</b>	<b>Electricity consumption in 2021</b>	<b>Change</b>
4.825 MWh	4.495,03 MWh	+7.34%

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**

<b>Water consumption in 2022</b>	<b>Water consumption in 2021</b>	<b>Change</b>
8.953 m <sup>3</sup>	6.498 m <sup>3</sup>	+37.78%

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**

<b>Water consumption in 2022</b>	<b>Water consumption in 2021</b>	<b>Change</b>
8.461 m <sup>3</sup>	5.961 m <sup>3</sup>	+41.94%

In 2022, 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 2022, 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 the Code of Ethics, the Anti-Corruption Policy, the Procurement and Supplier Supervision procedure, and the following instructions: Instruction No. 110 'Operating procedure for identifying and reporting tax schemes (MDR)', Instruction No. 111 'Procedure for anonymous reporting of misconduct at SWSA'.

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 2021 and 2022. 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 2022 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 information on how and to what extent SECO/WARWICK's activities are associated with taxonomy-eligible economic activities 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.

#### Technical screening criteria:

An assessment of alignment of economic activities with Taxonomy was carried out on the basis of the technical criteria set out in Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2022/1214. An analysis of the activities in terms of compliance with technical screening criteria was carried out taking into account the significant contribution to the environmental objectives of 'Climate Change Mitigation' and 'Climate Change Adaptation'.

#### Minimum safeguards:

SECO/WARWICK complies with the minimum safeguards referred to in Article 18 of Regulation (EU) No 2020/852. The assessment of compliance with minimum safeguards was made on the basis of requirements recommended for non-financial undertakings subject to the Corporate Sustainability Reporting Directive, in accordance with the report of the EU Platform on Sustainable Finance, published in October 2022.

Activities which qualify as Taxonomy-eligible, but which were immaterial in 2022 in terms of revenue, capital or operational expenditure, were not included by SECO/WARWICK S.A. 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.

The Company does not conduct, finance or have any exposure to the activities referred to in Sections 4.26 to 4.31 of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139 (nuclear energy-related activities and production of energy from fossil fuels).

#### KPI related to turnover (turnover KPI)

This is the proportion of total turnover from environmentally sustainable economic activities (Taxonomy-aligned) and Taxonomy-eligible economic activities, but not environmentally sustainable in the total revenue disclosed in the separate statement of comprehensive income of SECO/WARWICK S.A. for the year ended December 31st 2022.

**Assessment of compliance with EU Regulation 2020/852**

Different categories of SECO/WARWICK S.A.'s revenue were analysed in terms of their Taxonomy eligibility. The process involved an analysis of Taxonomy-eligible activities as defined in Regulation (EU) 2021/2139 and Regulation (EU) 2022/1214. Based on the analysis, one environmentally sustainable activity and one Taxonomy-eligible activity but not environmentally sustainable was identified. They were also checked based on the technical screening criteria set out for individual activities in Regulation (EU) No 2021/2139. The requirements of the various technical criteria were consulted with individuals with appropriate knowledge to confirm whether a technical criterion was met. The analysis of revenue from the activity 'Collection and transport of non-hazardous waste in source-segregated fractions' in terms of fulfilment of environmental objectives was entirely allocated to the objective of 'Climate Change Mitigation'. It therefore does not contribute to the achievement of several environmental objectives.

**Table 1. Proportion of Taxonomy-aligned turnover**

Economic activities (1)	Code or codes (2)	Absolute turnover (3) [PLNm]	Proportion of turnover (4)	Substantial contribution criteria							'Causes no significant harm' criteria							Proportion of Taxonomy-aligned turnover, year N (18)	Proportion of Taxonomy-aligned turnover, year N-1 (19)	Category (enabling activities) (20)	Category (transitional activities) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																					
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																					
Collection and transport of non-hazardous waste in source-segregated fractions	E38.11	82	0.03%	100%	0%	n.a.	n.a.	n.a.	n.a.	T	T	T	T	T	T	T	0.03%	n.a.			
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		82	0.03%	100%	0%	n.a.	n.a.	n.a.	n.a.	T	T	T	T	T	T	T	0.03%	n.a.			
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																					
Acquisition and ownership of buildings	L68	920	0.32%																		
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		920	0.32%																		
<b>TOTAL (A.1 + A.2)</b>		1,002	0.35%														0.03%	n.a.			
<b>B. TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES</b>																					
Turnover of Taxonomy-non-eligible economic activities (B)		285,584	99.65%																		
<b>TOTAL (A + B)</b>		<b>286,587</b>	<b>100.00%</b>																		

The share of revenue from Taxonomy-eligible activities is PLN 1,002 thousand. The Company's Taxonomy-eligible activities include primarily acquisition and ownership of buildings.

### **KPI related to capital expenditure (CapEx) (CapEx KPI)**

The percentage of Taxonomy-eligible economic activities 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 2022, including:

- acquisition of property, plant and equipment ("increase" in Note 9 "Property, plant and equipment" of SECO/WARWICK S.A.'s separate financial statements for 2022),
- acquisition of intangible assets ("increase" in Note 10 Intangible assets to SECO/WARWICK S.A.'s separate financial statements for 2022),
- increase in right-of-use assets ("increase" in Note 9 Property, plant and equipment – right-of-use assets to SECO/WARWICK S.A.'s separate financial statements for 2022).

### **Assessment of compliance with EU Regulation 2020/852**

Following an analysis, capital expenditure associated with the conducted Taxonomy-eligible activities and Taxonomy-aligned capital expenditure was identified. SECO/WARWICK S.A. does not have any capital expenditure plan as referred to in point 1.1.2.2. of Annex I to EU Regulation 2021/2178.

The analysis identified costs related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activity to become low-carbon or to lead to greenhouse gas reductions. The activities from which the output was purchased was analysed for compliance with the technical criteria set out in Regulation (EU) No 2021/2139. The results of the assessment were the basis for allocating costs to the numerator of the CapEx KPI.

Expenditure related to the activity 'Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings' and the activity 'Electricity generation using solar photovoltaic technology' was classified as Taxonomy-aligned. As regards the fulfilment of environmental objectives, both activities were entirely allocated to the 'Climate Change Mitigation' goal. It therefore does not contribute to the achievement of several environmental objectives.

CapEx of Taxonomy-eligible economic activities 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.

**Table 2. Proportion of Taxonomy-aligned capital expenditure (CapEx)**

Economic activities (1)	Code or codes (2)	Absolute CapEx (3) [PLNm]	Proportion of CapEx (4)	Climate change mitigation (5)	Substantial contribution criteria					'Causes no significant harm' criteria							Proportion of Taxonomy-aligned capital expenditure, year N-1 (19)	Proportion of Taxonomy-aligned capital expenditure, year N (18)	Category (enabling activities) (20)	Category (transitional activities) (21)
					Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)				
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
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	20	0.27%	100%	0%	n.a.	n.a.	n.a.	n.a.	T	T	T	T	T	T	T	0.27%	n.a.	E	
Electricity generation using solar photovoltaic technology	D35.11, F42.22	1,077	14.62%	100%	0%	n.a.	n.a.	n.a.	n.a.	T	T	T	T	T	T	T	14.62%	n.a.	E	
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>1,097</b>	<b>14.89%</b>	<b>100%</b>	<b>0%</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>T</b>	<b>T</b>	<b>T</b>	<b>T</b>	<b>T</b>	<b>T</b>	<b>T</b>	<b>14.89%</b>	<b>n.a.</b>		
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</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	445	6.04%																	
Renewal of water collection, treatment and supply systems	E36.00, F42.99	31	0.42%																	
Activity close to market research, development and innovation	M71.1.2, M72.1	366	4.96%																	
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>842</b>	<b>11.43%</b>														<b>0%</b>			
<b>TOTAL (A.1 + A.2)</b>		<b>1,939</b>	<b>26.32%</b>														<b>14.89%</b>		<b>1,097</b>	
<b>B. TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES</b>																				
CapEx of Taxonomy non-eligible economic activities (B)		5,430	73.68%																	
<b>TOTAL (A + B)</b>		<b>7,370</b>	<b>100.00%</b>																	

SECO/WARWICK S.A.'s capital expenditure of Taxonomy-eligible economic activities is PLN 1,939 thousand, which represents a small portion of the Group's total capital expenditure.

#### **KPI related to operating expenditure (OpEx) (OpEx KPI)**

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 proportion 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 separate financial statements for the year ended December 31st 2022.

#### **Assessment of compliance with EU Regulation 2020/852**

Following an analysis, no OpEx of Taxonomy-eligible activities or Taxonomy-aligned OpEx was identified. SECO/WARWICK S.A. does not have any capital expenditure plan as referred to in point 1.1.2.2. of Annex I to EU Regulation 2021/2178. An analysis identified costs related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activity to become low-carbon or to lead to greenhouse gas reductions. As a result of the analyses, no amount was allocated to the numerator of the key performance indicator.

As regards Taxonomy-eligible OpEx, it was based on the costs of the activities related to the acquisition and ownership of buildings.

**Table 3. Proportion of Taxonomy-aligned OpEx**

Economic activities (1)	Code or codes (2)	Absolute turnover (3) [PLNm]	Proportion of turnover (%)	Substantial contribution criteria							'Causes no significant harm' criteria							Category (enabling activities) (20)	Category (transitional activities) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned turnover, year N (18)		
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	-	-																
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
Acquisition and ownership of buildings	L68	764	9.51%																
<b>A.2. OpEx of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>	L68	764	9.51%																
<b>TOTAL (A.1 + A.2)</b>		764	9.51%																
<b>B. TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES</b>																			
OpEx of Taxonomy non-eligible economic activities		7,265	90.49%																
<b>TOTAL (A + B)</b>		<b>8,029</b>	<b>100.00%</b>																

Operating expenditure included in the KPI is disclosed in SECO/WARWICK S.A.'s separate financial statements for the year ended December 31st 2022 under cost of products, merchandise and materials sold, distribution costs, administrative expenses.



### **34. 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 2022 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 2022 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.

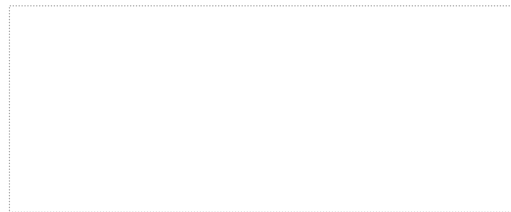
### **35. The Management Board's information on selection of the audit firm to audit the full-year financial statements for the financial year 2022**

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 2022 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.

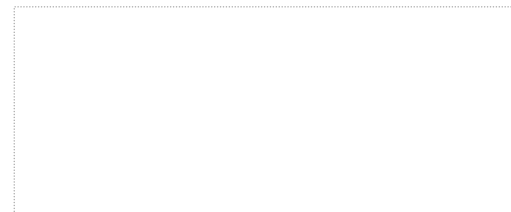
Date: April 27th 2023

President of the Management Board



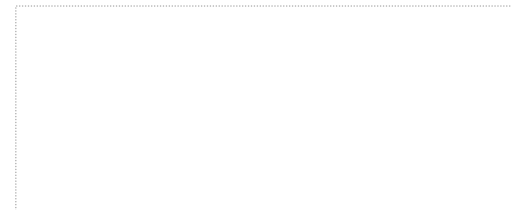
Sławomir Woźniak

Member of the Management Board



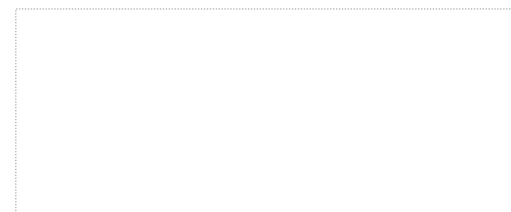
Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek