



Management Board's report on the Group's activities for the year ended 31 December 2023

This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

TABLE OF CONTENTS

1. General information.....	4
1.1. Characteristics of the Parent Company	4
1.2. Management Board of the Parent Company	4
1.3. Supervisory Board of the Parent Company	5
1.4. Supervisory Board Committees of the Parent Company	5
1.5. Key products and services	7
1.6. Distribution markets	8
1.7. Group composition, related parties and equity investments	8
1.8. Key developments	15
1.9. Development of R&D operations	16
1.10. Key investments	17
1.11. Description of risks and threats	17
1.12. Expected development of the Group	19
1.13. Investment plans	19
2. Financial position	21
2.1. Financial performance	21
2.2. Asset and financial position	22
2.3. Debt	23
2.4. Cash flows	24
2.5. Loans received	24
2.6. Guarantees and off-balance sheet items	24
2.7. Financial instruments and financial risk management principles	25
2.8. Deposits and investments	25
2.9. Assessment of financial resources management	25
3. Other information	27
3.1. Significant agreements	27
3.2. Related party transactions	27
3.3. Issue of securities	27
3.4. Acquisition of own shares	28
3.5. Delivery of forecasts	28
3.6. Litigations	28
3.7. Unusual events and factors	28
3.8. Remuneration of the Management Board and the Supervisory Board	28
3.9. Equity-based remuneration programmes	28
3.10. Shareholdings by executive and non-executive directors	28
3.11. Agreements affecting changes in the proportion of shareholdings	28
3.12. Control of Employee Share Programmes	28
3.13. Information on the audit of the financial statements	28
3.14. Compliance with the EU Taxonomy for Sustainable Activities	29
4. Corporate Governance Principles	40
MANAGEMENT BOARD'S ASSURANCE STATEMENT ON RELIABILITY OF THE FINANCIAL REPORT	41



Information about the Group

1. General information

1.1. Characteristics of the Parent Company

The Group's parent company is Selena FM S.A. (Parent Company, Company) having its registered office at Legnicka 48A Street in Wrocław, entered in the business register of the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register under KRS no. 0000292032. The Company was established and registered in 1993 as a limited liability company under the name Przedsiębiorstwo Budownictwa Mieszkaniowego in Wrocław. In 2006, the Extraordinary General Meeting of the Parent Company approve the renaming of the Company to Selena FM Sp. z o.o., which in 2007 was converted into a joint stock company (S.A.), as approved by the Extraordinary General Meeting on 26 September 2007. Selena FM S.A. was registered on 31 October 2007. The Company was assigned the statistical number REGON 890226440. On 18 April 2008, the Company debuted on Warsaw Stock Exchange.

Its duration is indefinite (it is a going concern). Selena FM S.A. has no branches. The Company operates in Poland.

1.2. Management Board of the Parent Company

As at 31 December 2022, the Parent Company's Management Board was composed of:

- Jacek Michalak – CEO;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Roman Dziuba – Chief Operating Officer;
- Krzysztof Ościłowicz – Chief Financial Officer;
- Andrzej Zygadło – Chief HR Officer.

On 19 May 2023, Jacek Michalak, CEO of the Company, resigned from his role with immediate effect. Krzysztof Ościłowicz, CFO, was appointed by the Company's Supervisory Board to coordinate the work of the Management Board as of 19 May 2023 pending election of a new Management Board President.

On 30 June 2023, the Company's Supervisory Board adopted resolutions based on which, as of 1 July 2023, it appointed Sławomir Majchrowski as the President of the Company's Management Board (CEO) and Michał Specjalski as the Company's Management Board Member responsible for products and innovation – Chief Product & Innovation Officer.

As at 31 December 2023, the Parent Company's Management Board was composed of:

- Sławomir Majchrowski – CEO;
- Roman Dziuba – Chief Operating Officer;
- Krzysztof Ościłowicz – Chief Financial Officer;
- Michał Specjalski – Chief Product & Innovation Officer.
- Andrzej Zygadło – Chief HR Officer.

On 23 February 2024, the Company's Supervisory Board adopted a resolution appointing Walter Brattinga to the Company's Management Board as Chief Commercial Officer (CCO). The appointment became effective as of 1 March 2024.

As at 1 March 2024, the Parent Company's Management Board was composed of:

- Sławomir Majchrowski – CEO;
- Walter Brattinga – Chief Commercial Officer;
- Roman Dziuba – Chief Operating Officer;
- Krzysztof Ościłowicz – Chief Financial Officer;
- Michał Specjalski – Chief Product & Innovation Officer.
- Andrzej Zygadło – Chief HR Officer.

In the period from 1 March 2024 to the date of publication of this report, no changes took place in the composition of the Company's Management Board.

1.3. Supervisory Board of the Parent Company

As at 31 December 2022, the Parent Company's Supervisory Board was composed of:

- Andrzej Krämer – Chairman of the Supervisory Board;
- Borysław Czyżak – independent Supervisory Board Member;
- Czesław Domarecki – Supervisory Board Member;
- Łukasz Dziekan – Supervisory Board Member;
- Mariusz Warych – independent Supervisory Board Member;
- Paweł Wyrzykowski – independent Supervisory Board Member.

In the period from 1 January 2023 to the date of publication of this report, there were no changes in the composition of the Supervisory Board of the Parent Company.

1.4. Supervisory Board Committees of the Parent Company

Audit Committee

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

- Mariusz Warych – Chairman of the Audit Committee;
- Borysław Czyżak – Audit Committee Member;
- Paweł Wyrzykowski – Audit Committee Member.

On 5 December 2022, Borysław Czyżak resigned from his function on the Audit Committee with effect from 31 December 2022, and on the same day, the Company's Supervisory Board adopted a Resolution appointing, as of 1 January 2023, Łukasz Dziekan to the Audit Committee.

As at 1 January 2023, the Audit Committee was composed of:

- Mariusz Warych – Chairman of the Audit Committee;
- Łukasz Dziekan – Audit Committee Member;
- Paweł Wyrzykowski – Audit Committee Member.

In the period from 1 January 2023 to the date of publication of this report, there were no changes in the composition of the Audit Committee.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight.

In the period from 1 January 2023 to 31 December 2023, the Supervisory Board's Audit Committee held 8 meetings, i.e.

- on 13 February 2023;
- on 6 April 2023;
- on 20 April 2023;
- on 15 May 2023;
- on 24 May 2023;
- on 11 September 2023;
- on 15 November 2023;
- on 13 December 2023.

Below are details of the qualifications in the field of accounting or financial statements audit, as well as knowledge and skills in the industry in which the Company operates which resulted from education, experience and professional practice in relation to the persons who, as at the date of publication of this report, were Members of the Audit Committee.

Mariusz Warych has a Master's degree in foreign trade obtained from the University of Łódź, Faculty of Economics and Sociology, and has a diploma in Finance and Accounting from Hogeschool van Utrecht, Netherlands. He participated in the ACCA (Association of Certified Chartered Accountants) program, and holds the Certified Internal Auditor (CIA) designation. He specializes in management, oversight, assessment of business efficiency, identification and resolution of financial and operational weaknesses, management of the risks related to delivery of business objectives, internal audit, business training and independent membership in supervisory boards and audit committees. Since June 2013, he has been an independent member of the Supervisory Board of BNP Paribas Bank Polska S.A., where he also chairs the Audit Committee and sits on the Risk Committee. Since June 2020, he has been an independent member of the Supervisory Board at JSK Ukrsibbank in the Ukraine, where he also chairs the Audit Committee, the Nominations and Remuneration Committee and sits on the Compliance Committee. Since May 2021, he has been an independent member of the Supervisory Board of Signal Iduna Polska TU and Signal Iduna Życie Polska TU, where he is also a member of the Audit Committee. In the years 2011–2012, he sat on the Supervisory Board and the Audit Committee of JSW. In his previous career, he held the position of Internal Audit Director for Europe at KBC, Aviva, Allianz, PZU, and served as Financial Director at Citileasing and Handlowy-Leasing. He also worked as Risk Management Director at Deloitte, and as External Auditor hired by Ernst & Young's flagship offices around the world, specializing in financial services and high-techs – in Warsaw, London, Toronto, Vancouver and New York. Since 2009, he has chaired the Heads of Audit Club in Poland. In addition, he was a financial advisor to the Canadian Polish Congress in Vancouver, where he also hosted a program at Polish Radio NOFA.

Łukasz Dziekan graduated from the Faculty of Mathematics and Information Sciences of the Warsaw University of Technology, majoring in applied computer science. He started his career at Deloitte Advisory, where he dealt with mathematical modeling of financial risk for the largest Polish financial institutions (2008–2010). In 2011, he worked for Deloitte in New York, where he was responsible for credit risk management of American Express. Then he joined ZocDoc, a provider of healthcare services, a “unicorn” in the startup terminology. In 2013–2016, he worked with PwC Advisory, where over 3 years he built a 50-strong advisory team dealing with advanced data analytics and machine learning. He was a pioneer in implementing such models in the retail and financial industries on the Polish market. Since 2019, he has been working with Allegro.pl and AllegroPay, serving as Senior Manager for AI and technology in financial services and a member of the management board for risk and technology at AllegroPay - Allegro's fintech arm. He gives presentations on artificial intelligence and machine learning at many industry conferences, including Data Science Summit, PyData, Azure Day, Infoshare and others.

Paweł Wyrzykowski graduated from the Faculty of Foreign Trade of the Warsaw School of Economics. In 1992–1998, he worked in the Creditanstalt Bank Group in Vienna and Warsaw. In 1998–2011, he continued his professional career in the Pfeleiderer AG Group, a leading global manufacturer of wood-based boards and floors (materials for the furniture industry), first as CFO, and from 2003 as CEO of Pfeleiderer Grajewo Group. In 2009–2011 he was a Member of the Management Board of Pfeleiderer AG in Neumarkt, Germany. In 2012–2019, he served as CEO of Seco/ Warwick S.A. – one of the world's leading manufacturers of furnaces for chemical and thermal treatment of metals. Paweł Wyrzykowski also served on the supervisory bodies of: Rockwool Polska (2002–2011), Pergo AB in Sweden (2009–2012), Uniboard Canada (2009–2012), Pergo LLC USA (2009–2012) and Amica S.A. (since 2013).

Strategy and Innovation Committee

As at 31 December 2022, the Strategy and Innovation Committee was composed of:

- Andrzej Krämer – Chairman of the Strategy and Innovation Committee;
- Borysław Czyżak – member of the Strategy and Innovation Committee;
- Czesław Domarecki – member of the Strategy and Innovation Committee;
- Łukasz Dziekan – member of the Strategy and Innovation Committee.

In the period from 1 January 2023 to the date of publication of this report, there were no changes in the composition of the Strategy and Innovation Committee.

Nominations and Remuneration Committee

As at 31 December 2022, the Nominations and Remuneration Committee was composed of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee;
- Andrzej Krämer – member of the Nominations and Remuneration Committee;
- Paweł Wyrzykowski – member of the Nominations and Remuneration Committee.

On 25 May 2023, Andrzej Krämer resigned from his position in the Nomination and Remuneration Committee with effect from 1 June 2023. On 31 May 2023, the Company's Supervisory Board adopted a resolution whereby, as of 1 June 2023, it appointed Czesław Domarecki to the Nominations and Remuneration Committee.

As at 31 December 2023, the Nominations and Remuneration Committee was composed of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee;
- Czesław Domarecki – member of the Nominations and Remuneration Committee;
- Paweł Wyrzykowski – member of the Nominations and Remuneration Committee.

In the period from 1 January 2024 to the date of publication of this report, there were no changes in the composition of the Nominations and Remuneration Committee.

1.5. Key products and services

Selena FM Group (Selena Group, Group) is an international producer and distributor of construction chemicals. The Group's Parent Company is Selena FM S.A. with its registered office in Wrocław.

The core business of the Group includes production, distribution and sale of construction chemicals and general building accessories. Selena Group's product range includes:

- gun and straw foams;
- high-yield and low-pressure foams;
- summer, winter and multi-season foams;
- specialist foams;
- foam adhesives;
- sealants;
- mounting and industrial adhesives, chemical anchors;
- flooring systems;
- WINS window insulation and sealing systems;
- thermal insulation systems (ETICS);
- systems for finishing interior walls;
- systems for ceramic tiles;
- mortars;
- waterproofing products;
- passive fire protection solutions;
- building accessories.

The products on offer include solutions addressed to both professionals and individual users. The Group's leading brands include Tytan, Quilosa, Artelit, COOL-R® and Matizol.

The Group's production plants are located in Poland, China, Brazil, Romania, Turkey, Spain, Kazakhstan, South Korea, Hungary and Italy, and its products are available on the markets of nearly 100 countries in the world. Selena also carries on research activities in Poland, Romania, Turkey, Spain and Italy.

1.6. Distribution markets

For management purposes, Selena Group has identified 7 geographic segments: Parent Company; Distribution in Poland; Production in Poland; Western Europe; Eastern Europe and Asia; Americas, and Others.

See Note 1.7.1 for a detailed structure of the individual segments, and Note 2.1 for a share in sales of the individual segments in the Group sales.

Due to the nature and geographic scale of the business, both the Group's suppliers and buyers are diversified – the share of individual entities in the Group's total purchasing or sales does not exceed 10%.

1.7. Group composition, related parties and equity investments

1.7.1. Group structure

The table below shows the ownership and organizational structure of the Group and division into reportable segments. The data are presented as at 31 December 2023 and 31 December 2022.

All the companies in the table are consolidated using the full (line-by-line) method, except the associated entities Hamil-Selena Co. Ltd., Biogazownia Przybroda Sp. z o.o., PIMCO Kft, and the joint venture: House Selena Trading Company Ltd., which are consolidated using the equity method.

The "owner" column specifies the owner as at 31 December 2023:

REPORTABLE SEGMENT	COUNTRY	ENTITY	REG. OFFICE	ACTIVITY	GROUP'S SHARE		OWNER
					31.12.2023	31.12.2022	31.12.2023
Parent Company	Poland	Selena FM S.A.	Wroclaw	Group's headquarters, distributor	-	-	-
Distribution in Poland	Poland	Selena S.A.	Wroclaw	Distributor	100.00%	100.00%	FM
Production in Poland	Poland	Selena Industrial Technologies Sp. z o.o.	Dzierżoniów	Manufacturer of sealants; production management	100.00%	100.00%	FM
Western Europe	Spain	Selena Iberia slú	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
	Portugal	Imperialum–Sociedade de Revestimentos e Impermeabilizações,	Montijo	Manufacturer of bituminous membranes, distributor	100.00%	-	FM
	Portugal	Revestimentos Universais e do Continente, S.A	Vila Nova de Gaia	Manufacturer of bituminous membranes	100.00%	-	IMP
	Italy	Uniflex S.R.L.	Mezzocorona	Manufacturer of sealants, distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Kazakhstan	Selena CA-Селена ЦА TOO	Almaty	Distributor	100.00%	100.00%	FM
	Kazakhstan	Selena Insulations TOO	Nur-Sultan	Manufacturer of insulation systems and dry mortars	100.00%	100.00%	FM
	Kazakhstan	Selena Production Center TOO	Shymkent	Manufacturer of insulation systems and dry mortars	100.00%	100.00%	FM
	Russia	Selena Vostok	Moscow	Distributor	99.00%	99.00%	POL
	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	FM
	Turkey	POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istambul	Distributor	100.00%	100.00%	SA 2
Americas	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 2
	Mexico	Selena Mexico S. de R.L. de C.V.	Zapopan	Distributor	100.00%	100.00%	FM 2
	USA	Selena USA, Inc.	Fort Worth	Distributor	100.00%	100.00%	FM
Other	Poland	Carina Silicones Sp. z o.o. *	Siechnice	Manufacturer of sealants, provider of production services	- *	100.00%	-
	Poland	Selena Marketing International Sp. z o.o.	Wroclaw	Intellectual property management	100.00%	100.00%	SA
	Poland	Selena Digital Distribution Sp. z o.o	Wroclaw	E-commerce	100.00%	100.00%	SA
	Poland	Taurus Sp. z o.o. **	Dzierżoniów	Lease of plant and machinery	- **	100.00%	-
	Poland	Selena ESG Sp. z o.o.	Wroclaw	Making electrical systems	100.00%	100.00%	FM
	Poland	Selena Green Investments Sp. z o.o.	Wroclaw	Activities of central companies	100.00%	100.00%	FM 3
	Poland	SGI 1 Sp. z o.o.	Wroclaw	Generation of electricity	100.00%	100.00%	SGI
	Poland	Establishment of SGI 2 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI 3 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI 4 Sp. z o.o.	Wroclaw	Generation of gaseous fuels	94.59%	94.59%	ASI
	Poland	SGI 5 Sp. z o.o.	Wroclaw	Generation of gaseous fuels	94.59%	94.59%	ASI
	Poland	SGI 6 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI 7 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI 8 Sp. z o.o.	Wroclaw	Generation of gaseous fuels	94.59%	94.59%	ASI
	Poland	SGI 9 Sp. z o.o.	Wroclaw	Generation of gaseous fuels	94.59%	94.59%	ASI
	Poland	SGI 10 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI 11 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI 12 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI 13 Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	SGI Świdnica Sp. z o.o.	Wroclaw	Generation of gaseous fuels	94.59%	94.59%	ASI
	Poland	SGI Świebodzice Sp. z o.o.	Wroclaw	Generation of gaseous fuels	94.59%	94.59%	ASI
	Poland	Selena Green Investments ASI Sp. z o.o.	Wroclaw	Fund management activities	94.59%	94.59%	FM 4
	Poland	BTB Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	94.59%	ASI
	Poland	Biogazownia Przybroda Sp. z o.o.	Poznań	Generation and supply of electricity, gas	47.30%	47.30%	ASI1
	Poland	BTB Sp. z o.o.	Wroclaw	Generation of electricity	94.59%	-	ASI
	Poland	Fandla Faktoring Sp. z o.o.	Wroclaw	Other service-based financial activity	100.00%	-	SMI
	Poland	ONPV Sp. z o.o.	Częstochowa	Generation of electricity	85.13%	-	ASI2
	Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM
	Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM

Bulgaria	Selena Bulgaria Ltd.	Gurmazovo	Distributor	100.00%	100.00%	FM
Romania	Selena Romania SRL	Ifov	Distributor	100.00%	100.00%	FM
Romania	Selena Euro Mga srl	Ifov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	FM
Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 1
Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM
Hungary	PIMCO Kft	Szerencs	Manufacturer of glass fiber	50.00%	-	FM 5
China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
China	Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
China	Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
China	House Selena Trading Co.Ltd	Shanghai	Distributor	40.00%	40.00%	NAN
United Arab Emirates	Selena Gulf Building Materials LLC	Dubai	Distributor	100.00%	-	FM
S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3

Explanations to the "Owner" column

FM – 100% shares owned by Selena FM (SFM)

FM 1 – shares owned by Selena FM (99%) and Selena S.A. (1%)

FM 2 – shares owned by Selena FM (95%) and Selena S.A. (5%)

FM 3 – shares owned by Selena FM (95%) and Selena ESG (5%)

FM 4 – shares owned by SFM (94.59%), other shares are owned by Krzysztof Domarecki (5.41%)

FM 5 – shares owned by Selena FM (50%) with other shares (50%) outside the Group

SIT – 100% shares owned by Selena Industrial Technologies

SGL – 100% shares owned by Selena Green Investments

ASI1 – 50% shares are owned by Selena Green Investments ASI Sp. z o.o.; the remaining shares are outside the Group

ASI2 – 90% shares are owned by Selena Green Investments ASI Sp. z o.o.; the remaining shares are outside the Group

SA – 100% shares owned by Selena S.A.

SA 1 – shares owned by Selena S.A., the remaining shares are held outside of the Group

SA 2 – shares owned by Selena S.A. (85%) and Selena Malzemeleri (15%)

SA 3 – associate – shares owned by Selena S.A.

NAN – joint venture – owned by Selena Nantong Building Materials

POL – the owner of 99% of shares is POLYFOAM; the remaining shares are outside the Group

SGL – 100% shares owned by Selena Green Investments ASI Sp. z o.o.;

IMP – 100% shares are owned by Imperialum–Sociedade de Revestimentos e Impermeabilizações, S.A.

SMI – 100% shares owned by Selena Marketing International Sp. z o.o.

* On 4 September 2023, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Carina Silicones Sp. z o.o. (acquired company).

* On 3 July 2023, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Taurus Sp. z o.o. (acquired company).

1.7.2. Changes in the Selena Group structure

Increasing the share capital of Biogazownia Przybroda Sp. z o.o.

On 15 February 2023, the Registry Court registered an increase of PLN 855 thousand in the share capital of Biogazownia Przybroda Sp. z o.o. based in Poznań, i.e. to PLN 1,710 thousand. All new shares in the increased share capital of Biogazownia Przybroda Sp. z o.o., with a total nominal value of PLN 855 thousand were acquired by Selena Green Investments ASI sp. z o.o. for PLN 5,000 thousand in total. Since the date of registration of the increase in the share capital of Selena Green Investments ASI Sp. z o.o. has held 50% stake in the share capital of Biogazownia Przybroda Sp. z o.o.

Merger of subsidiaries: Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Taurus Sp. z o.o (acquired company).

On 3 July 2023, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Taurus Sp. z o.o (acquired company) in the procedure of merger by acquisition. On that date the merger was recorded in the Register of Entrepreneurs of the National Court Register. As a result of the merger of Selena Industrial Technologies Sp. z o.o. acquired all the rights and obligations of the acquired company. 100% of shares in the share capital of Selena Industrial Technologies Sp. z o.o. is entitled to Selena FM S.A. The merger of the companies is economically and economically justified; it is primarily organizational in nature, resulting in simplification of the Group structure. Going forward, depending on the needs, the merger will help harmonize and organize internal procedures so as to ensure more effective operation of the business and continuous improvement of product quality.

Establishment of SGI 9–SGI 13

On 11 July 2023, agreements were signed to form limited liability companies: SGI 9, SGI 10, SGI 11, SGI 12 and SGI 13. The shareholder of all those companies is Selena Green Investments ASI Sp. z o.o. (100% shares with a value of PLN 5,000 in each of the companies). SGI 10 and SGI 13 were entered into the register of entrepreneurs of the National Court Register on 19 October 2023.

Signing an investment agreement with Masterplast Nyilvánosan Működő Részvénytársaság

On 28 June 2023, Selena FM S.A. and Masterplast Nyilvánosan Működő Részvénytársaság based in Sárszentmihály, Árpád u. 1/A. ("Masterplast") agreed on strategic cooperation consisting in investing in a joint glass wool production plant. The Hungarian Masterplast is a leading manufacturer and distributor of insulating materials and products for the construction industry in the Central and Eastern European region, listed on the Budapest Stock Exchange. The alliance will take the form of PIMCO Kft., a company which will be 100% owned by Masterplast, in which both parties will ultimately hold 50% stake each.

On 24 July 2023, Selena FM S.A. and Masterplast entered into a conditional investment agreement regarding their alliance in the form of the company PIMCO Kft. The agreement was signed subject to conditions precedent, in particular obtaining the consent of the Hungarian antitrust authority (or confirmation that it is not required) and providing PIMCO with debt financing, which will then be converted into PIMCO's equity.

On 6 November 2023, Selena FM S.A. and Masterplast finally confirmed the fulfillment of the conditions precedent of the investment agreement concluded by the parties on 24 July 2023. As the conditions precedent were met, the Parties increased the share capital of Pimco Kft. from HUF 153,000,000.00 (PLN 1.798.362,00 which based on the average exchange rate of the National Bank of Poland as of 6 November 2023, i.e. [100 HUF = 1.1754 PLN]) to HUF 3,627,942,000.00 (PLN 42.642.830,27 at the average exchange rate of the National Bank of Poland as of 6 November 2023). The total amount of contributions made by Parties will be as follows:

- from the Parent Company: EUR 9,686,132.00 (PLN 43,214,677.92 at the average exchange rate of the National Bank of Poland of 6 November 2023) and
- from Masterplast: EUR 4,207,575,000.00 (PLN 49,455,836.55 at the average exchange rate of the National Bank of Poland of 6 November 2023).

As a result of the increase in the share capital of Pimco Kft. Selena FM S.A., in return for the contribution, directly acquired 50% of the shares in Pimco Kft. (constituting 50% of the voting power). As at 31 December, the paid up share of the Parent Company in Pimco Kft was PLN 23 million. After the balance sheet date, Selena FM S.A. paid up another PLN 9.9 million share in the share capital of Pimco Kft.

Taking over control of Imperialum – Sociedade de Revestimentos e Impermeabilizações, S.A. – final settlement

On 26 July 2023, Selena FM S.A. and Regratópico, SGPS, S.A. – Portuguese HoldCo entered into a conditional agreement to purchase shares in Imperialum – Sociedade de Revestimentos e Impermeabilizações, S.A. based in Portugal (Imperialum).

Imperialum is a manufacturer of APP membranes made using bitumen modified with atactic polypropylene, which gives it a high softening point. Established in 1968, today Imperialum has a significant share of the Portuguese bituminous membrane market. The transaction is intended to complement Selena Group's range of roofing felt and liquid waterproofing products and strengthen its Waterproofing division in Western Europe. This is another step towards the Group's international geographic expansion.

On 31 August 2023, the final agreement for the purchase of shares in Imperialum was signed with a preliminary price of EUR 10.6 million (PLN 47.3 million at the average NBP exchange rate of 31 August 2023 [EUR 1 = PLN 4.4684]). In this way, Selena Group directly acquired 90.1% stake giving it 100% control of capital and voting rights (as Imperialum holds treasury shares representing the remaining portion of the share capital).

The transaction means increasing the Group's product portfolio and strengthening its foothold in the waterproofing segment and in other product groups in Portugal. The increase in production capacity, but above all the acquisition of a group of new experts and a brand recognizable on the Portuguese market, ensures that the Group will be even better positioned to respond to industry market trends.

On 19 October 2023, the final purchase price for shares in Imperialum was determined in accordance with the settlement mechanism provided for in the Conditional Agreement, namely at EUR 10.8 million (PLN 48.1 million at the average NBP exchange rate of 19 October 2023 [EUR 1 = PLN 4.4529]). The above price adjustment was included in the final settlement of the company's purchase price.

Selena Group made a final identification of the assets and liabilities of the acquired business and included them in the consolidated financial statements at fair value. The accounting data were adopted on the basis of the consolidated financial statements of Imperialum as of 31 August 2023, i.e. as of the date of taking over control.

Details of the final fair value of the acquired net assets and the gain on the bargain purchase as at the date of taking over control are presented below (in PLN thousand):

Figures in PLN thousand as at 31.08.2023	Book value in accordance with the consolidated financial statements of the acquired business	Fair value adjustment	Final fair value
Property, plant and equipment	27,627	7,959	35,586
Intangible assets	853	21,692	22,545
Other long-term financial assets	37	0	37
Inventories	7,914	0	7,914
Trade and other receivables	19,202	0	19,202
Cash and cash equivalents	6,603	0	6,603
Total assets	62,236	29,651	91,887
Obligations in respect of borrowings	11,837	0	11,837
Deferred tax liability	3,091	7,072	10,163
Trade and other liabilities	10,623	0	10,623
CIT tax payable	1,918	0	1,918
Other non-financial liabilities	4,973	0	4,973
Total liabilities	32,442	7,072	39,514
Purchase price settlement			
Final purchase price			- 48,306
Net assets			52,373
Gain on bargain purchase			4,067

The costs related to the acquisition of the company incurred until 31 December 2023 were included in the consolidated income statement of Selena Group in general and administrative expenses at PLN 3,787 thousand.

Revenues of Imperialum included in the consolidated income statement of Selena Group for the period from the acquisition to 31 December 2023 were PLN 24,829 thousand, and net profit for the same period was PLN 1,827 thousand. Had Imperialum been acquired on 1 January 2023, the consolidated income statement of Selena Group would show revenues of PLN 1,828,507 thousand and net profit of PLN 60,680 thousand.

Taking over control of EK-WIND Sp. z o. o. – final settlement

Under an agreement of 4 September 2023, Selena Green Investments ASI Sp. z o.o acquired 100% of shares with a value of PLN 1 million in EK-WIND Sp. z o.o.o. based in Koszalin, entered into the Register of Entrepreneurs of the National Court Register under KRS no. 0000393416 from Dynamic Biogas Sp. z o.o. Sp. K. based in Poznań for PLN 231 thousand.

When preparing the consolidated financial statements for 2023, Selena Group made a preliminary identification of the assets and liabilities of the acquired business and included them in the consolidated financial statements at fair value. The accounting data were adopted on the basis of the financial statements of EK-WIND Sp. z o. o. as at 31 August 2023. In the opinion of the Management Board of Selena FM S.A. there are no significant differences in the accounting data between the date of preparation of the financial statements by EK-WIND Sp. z o.o. and the date of taking over control, i.e. 4 September 2023.

Details of the final fair value of the acquired net assets based on the book values determined as at the date of acquisition of the company, as well as the gain the bargain purchase, are presented below (in PLN thousand):

Figures in PLN thousand	As at 31.08.2023
Property, plant and equipment	1,755
Other short-term non-financial assets	30
Total assets	1,785
Obligations in respect of borrowings	429
CIT tax payable	40
Other non-financial liabilities	18
Total liabilities	487
Final purchase price settlement	
Acquisition price	- 231
Non-controlling interests	- 70
Net assets	1,298
Gain on bargain purchase	997

Net loss of EK-WIND Sp. z o. o. recognized in the consolidated income statement of Selena Group for the period from the moment of acquisition to 31 December 2023 was PLN 181 thousand. Had EK-WIND been acquired on 1 January 2023, the consolidated income statement of Selena Group would show revenues of PLN 1,778,405 thousand and net profit of PLN 57,060 thousand.

Merger of subsidiaries: Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Carina Silicones Sp. z o.o (acquired company).

On 4 September 2023, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Carina Selena Industrial Technologies Sp. z o.o. (acquired company) in the procedure of merger by acquisition. On that date the merger was recorded in the Register of Entrepreneurs of the National Court Register. As a result of the merger of Selena Industrial Technologies Sp. z o.o. acquired all the rights and obligations of the acquired company. 100% of shares in the share capital of Selena Industrial Technologies Sp. z o.o. is entitled to Selena FM S.A. The merger of the companies is economically and economically justified; it is primarily organizational in nature, resulting in simplification of the Group structure. Going forward, depending on the needs, the merger will help harmonize and organize internal procedures so as to ensure more effective operation of the business and continuous improvement of product quality.

Purchase of shares in Fandla Faktoring Sp. z o.o.

Under an agreement of 20 October 2023, Selena Marketing International Sp. z o.o. acquired 100% of shares with a value of PLN 1,641.4 thousand in Fandla Faktoring Sp. z o.o. based in Warsaw, entered into the Register of Entrepreneurs of the National Court Register under KRS no. 0000706157 from Fandla Holding S.A. based in Wrocław for a price of PLN 10 thousand. On 27 October 2023, the Extraordinary General Meeting of Fandla Faktoring Sp. z o.o. adopted a resolution on increasing the company's share capital to PLN 4,871.4 thousand.

Registration of Selena Gulf Building Materials

On 5 October 2023, Selena Gulf Building Materials LLC was registered in Dubai. The company is a distributor. The business license granted to the company expires on 4 October 2024.

Purchase of shares in ONPV Sp. z o.o.

Under an agreement of 20 December 2023, Selena Green Investments ASI Sp. z o.o acquired 90% of shares with a value of PLN 9 thousand in ONPV Sp. z o.o. based in Częstochowa, entered into the Register of Entrepreneurs of the National Court Register under KRS no. 0000845715 for EUR 578.1 thousand.

1.7.3. Financing investments

Investments were funded from equity, subsidies and bank loans. See Note 2.5 for details.

1.7.4. Branches

Selena FM S.A. has no branches.

1.8. Key developments

1.8.1. Goals and development directions of Selena Group in 2023

In 2023, Selena Group worked on preparation of the goals and directions for its development in the following years.

1.8.2. Distribution of profit for 2022

On 25 May 2023, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2022 of PLN 90,328,023.02 as follows:

1. pay a dividend of PLN 1.40 per share, i.e. to allocate a total of PLN 30,294,832.40;
2. allocate PLN 60,033,190.62 to the Company's supplementary capital.

The record date was set to 7 June 2023, while the dividend payment date was set to 30 June 2023.

1.8.3. Group promotion

In 2023, Selena Group's promotional activities were focused on continued strengthening the sales of its products and solutions and publicizing new ones through promotional campaigns, participation in events and conducting training. In addition, a greater emphasis was placed on publicizing the Group's growing product range resulting from such projects as: the acquisition of Imperalum, a Portuguese leader in bituminous products and the plan to build a glass wool production plant with the Hungarian Masterplast. The importance the Group attaches to sustainable development was also highlighted in many activities.

Representatives of the Company and its subsidiaries actively participated in large fair events, including: in Poland, Germany, Spain, Brazil, Colombia and Hungary. At the largest construction fair in Europe – BAU in Munich – the Company presented the Group's environmentally friendly products and solutions to customers from Western Europe, and for each email address left at the stand it promised to plant a tree. A few days later, approx. 1000 trees were planted in the Osobowicki Forest in Wrocław.

The Company was the first manufacturer in Europe to obtain the renowned International Sustainability and Carbon Certification (ISCC) Plus for its mounting polyurethane foams. The certification confirms the content of biocomponents in the products and the 30% carbon footprint reduction, which initiated the process of cutting the carbon footprint of the Group's products.

The Company strengthened its position as one of the leaders among domestic companies operating on a global scale by becoming a founding member of the Polish Global Entrepreneurs Council. The main objective of the Polish Global Entrepreneurs Council is to protect Polish economic interests by increasing the competitiveness of the Polish economy, increasing the number of Polish global companies and building good image of Poland and Polish economy world-wide.

As part of consolidating its position, the Group also participated in prestigious events. The main shareholder Krzysztof Domarecki appeared in a live interview from the CC Talks series arranged by Corporate Connections, an organization that brings together owners of the largest companies in individual countries. The then CEO of the Company Jacek Michalak took part in the Polish-Ukrainian Economic Forum at the invitation of the

Entrepreneurship Council of the President of the Republic of Poland. The company became a partner of the PRECOP 28 conference, preceding the UN Climate Summit, and Ewa Kosmala, Global Sustainability Director, participated in two panel discussions during the conference. Representatives of Selena CA in Kazakhstan participated in the Astana International Forum, the largest event of this type in the region, where state leaders and chairs of international organizations discussed contemporary problems.

Selected awards and recognitions:

- During the 2023 Restart forum, Selena was awarded by the *Rzeczpospolita* daily as the Most Innovative Company. Selena was recognized among the companies included in the prestigious “List 2000” ranking.
- In Polityka Insight’s report “National Champions”, the Company placed fourth and opened the list of National Champions (next to three International Champions). The Company received the highest rating for its activity in foreign markets and its dominant position in the industry. Out of all top 50 companies, Selena advanced most in each of the five editions of the ranking.
- Selena was recognized among the Best Managed Companies in Poland for the second time. Deloitte, the organizer of the program, analyzes the participants’ activities in terms of applying the highest standards of strategy, innovation, organizational culture and finance.
- Selena received the platinum ESG Innovator 2023 award in category E – “Environmental Innovation”. The evaluation panel noted in particular the Tytan Professional® Low-Ex Green, a product for door and window insulation developed as part of the continuing process of reducing the carbon footprint of Selena’s products.
- The Company received an award of the Wrocław Mayor in the Socially Responsible Business category. The evaluators recognized our activities in recent years, in particular: supporting the fight against the Covid-19 pandemic and its aftermath, helping those affected by the war in Ukraine, supporting our own employees, and our involvement in local community activities and developing sporting talent.
- During the Economic Forum in Karpacz, Selena Group received the “Most Credible in the Polish Economy” award in the category Company of the Year 2022. The award from ISBnews is intended to honor companies and institutions operating with transparency and honesty towards customers and partners, while embracing the principles of corporate social responsibility.
- The 1st ranking of the *Gazeta Wroclawska*’s Golden Hundred of Lower Silesia included two companies from our group: Selena FM S.A. and Selena Industrial Technologies sp. z o.o. This list includes the 100 companies with the highest net revenues in the Lower Silesian Voivodeship in 2022.
- During the Builder Awards gala, the distribution company Selena S.A. was awarded as the Construction Company of the Year in the building materials supplier category, and the then CEO Andrzej Ulfig was recognized as the Personality of the Year.
- At the VIP Stolarka [Joinery] Convention, the Low-Ex Green foam won an award in the “Innovative solutions for the ECO joinery industry” competition, and the Technical Manager at Selena S.A. Beata Strzelczyk was recognized in the 2023 Women of the Joinery Industry Plebiscite.
- In the Spanish Premios C de Ferretería y Bricolaje plebiscite, nearly 1,000 points of sale in the DIY, equipment and related products channels chose the product brands characterized by the highest quality and innovation. The Quilosa brand won in 2 categories: Polyurethane Foams – in the category of Innovation, while and Silicones and Sealants – in the category of Quality.
- Selena’s main shareholder Krzysztof Domarecki won the 2023 Key to Success accolade for Most Influential Figure in Promoting Lower Silesia in the 27th Lower Silesian Key to Success Awards. The jury stressed the total of Krzysztof Domarecki’s accomplishments and, in particular, his actions towards fulfilling his public duties.

1.8.4. Other significant events

In 2023, no significant events occurred for the Group other than those described in this report or in the Group’s consolidated financial statements for 2023.

1.9. Development of R&D operations

Selena Group’s R&D activity is primarily carried out by Selena Industrial Technologies Sp. z o.o. Branch 3 (previously, i.e. before the merger registered on 1 March 2022, trading as Selena Labs Sp. z o.o.) (“SIT Branch 3”)

and laboratories in Spain, Romania, Turkey and Italy. In 2023, SIT Branch 3 carried out intensive work on development of new products and technologies in all product groups alongside a steady product testing and cost-optimization process.

1.10. Key investments

In 2023, Selena Group's capital expenditures were PLN 58 million. As in the previous year, it carried out necessary development investments, mainly modernizations, at most production facilities including: expansion of the foam production line in Turkey, purchase of static mixers, mixers, automation in production, implementations of ERP systems (Microsoft AX). The Group also invested in the energy sector: a PV system was installed at two factories; a biogas CHP plant and a photovoltaic farm.

1.11. Description of risks and threats

The key factors that in the Management Board's opinion may affect the Group's performance in the following periods are described below.

The macroeconomic situation in Poland and world-wide. The updated forecast of the International Monetary Fund (IMF) published in January 2024 shows that in 2023 the global economy's GDP grew by 3.1%. 2024 is expected to see the same growth rate at 3.1%. Most importantly, highly developed countries are to experience a GDP growth of 1.5% in 2024 (vs a growth of 1.6% in 2023). The GDP of developing markets is projected to grow by 4.1% (vs a growth of 4.1% in 2023). For most of Selena Group's markets, GDP growth is forecast to grow compared with 2023. Importantly, European Union countries are to achieve a growth of 0.9% in 2024 (vs 0.5% in 2023). For the USA, the IMF forecasts an increase of 2.1% in 2024 (2.5% in 2023), an increase of 4.6% for China (+5.0% in 2023) and an increase of 2.6% for Russia. (3.0% in 2023). For Poland, a GDP growth of 0.6% in 2023 was noted with an increase to 2.8% in 2024.

Inflation. According to the forecasts published by the International Monetary Fund (IMF) in January 2024, the global average annual inflation reached 6.8% in 2023 and is expected to remain at an elevated level in 2024, with a forecast of 5.8%. Particularly important for Selena Group markets will be inflation rates in the eurozone countries, which are expected to see inflation of 2.8 in 2024. Notably, Poland is forecast to see an average price increase of 6.4% in 2024.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Bank Association, in January 2024 the market sentiment improved slightly (for 6-month forecasts): 33% of bankers point to an increase, 44% to stabilization, and 22% to a decrease in housing loans.

Situation in the construction sector. Demand in the construction chemicals market is and will be influenced by the situation in the residential construction segment, where these materials are used to the highest degree. Data published by the Central Statistics Office (GUS) for Poland for 2023 point to a drop of 7.2% in house completions year-on-year. At the same time, the number of construction permits fell by 19.0%, while the number of commenced housing investments decreased by 5.6%.

FX rates. According to the currency forecasts consensus of Thomson Reuters of March 2024, the coming months may see a slight appreciation of the zloty vs euro. At the end of the year, the expected EUR/PLN exchange rate is 4.2970. Towards the year-end, the following currency rates are expected for the Group's main markets: EUR/CZK 24.90 EUR/HUF 389.50 EUR/RON 5.00 EUR/RUB 106.40 and EUR/TRY 39.40. Major fluctuations in exchange rates have an impact on currency risk.

The risk of a different assessment by tax authorities of transactions between Selena Group companies. The Parent Company and Selena Group companies enter into intercompany transactions that may be subject to inspection by the tax authorities. The main purpose of the inspection is to check whether these transactions are entered into on an arm's length basis and whether the tax payable on such transactions is not understated. The companies of Selena Group have an obligation to prepare transfer pricing documentation and perform comparative

data analyses as and when required. It should be noted that in 2017 extended transfer pricing obligations were imposed on Selena Group companies (including, e.g. new documentation obligations or extension of the scope of data indicated in the transfer pricing documentation). In 2019, these obligations were modified to a large extent, which was reflected in the approach used within Selena Group. The parent company is of the opinion that all transactions that the Company and the Selena Group companies make with related entities were and are concluded only on an arm's length basis. However, it cannot be ruled out that tax authorities may have a different assessment of the Company's transactions with related entities, which could result in a need for adjustment of taxable income and thus the need to pay an additional tax along with default interest, which could have an impact on the Company's and the Selena Group's financial result.

Risk related to changes in legal and tax regulations. Frequent changes in legal provisions and their inconsistent interpretations, which is typical of the Polish legal system, may impair the financial position of the parent company or Selena Group companies (e.g. as a result of a need to bring the operations of the Company or Group companies in line with the resulting changes). Any amendments to or introduction of new local and EU laws may affect the situation and development prospects of the Company or Group companies. In consequence, they might have to incur additional costs to adapt their operations to such new or amended legal provisions. The above considerations relating to variability of laws and regulations and their inconsistent interpretation also apply to tax law. In particular – in addition to changes in substantive tax law – it should be noted that 15 July 2016 was the effective date of the Tax Ordinance, notably the General Anti-Avoidance Rule (GAAR), which is intended to prevent the creation and use of artificial legal structures designed to thwart tax avoidance. The above provisions apply to tax benefits arising from artificial legal structures that were achieved after the effective date of the GAAR clause (irrespective of when the structure was created). As a consequence, the determination of tax liabilities may require a significant degree of judgment, including in relation to the transactions that have already occurred, and the tax charges presented and disclosed in the financial statements may change in the future as a result of inspections by tax authorities. Given the existence of the GAAR, and the variable nature of the substantive tax law and its interpretations, it should be noted that there is an inherent uncertainty regarding qualification of operations of the individual entities by Selena Group companies in the context of their recognition under tax law, which may affect the ability to use deferred tax assets in future periods and a need to pay additional tax for past periods (alongside additional penalties provided for under tax law and default interest). Polish tax authorities may inspect books of account and tax settlements within five years after the end of the calendar year in which the obligation to pay the tax became past-due, and assess an additional tax to be paid by Group companies, along with penalties and default interest.

Operational risk. Operational risk is the risk of loss as a result of ineffective or failed internal processes, people, systems, or external events (operational risks related to internal processes, products, logistics, raw materials and IT, legal risk). In 2023, no significant events in this risk category were recorded Selena Group that would affect the Group's production or sales activities.

Detailed information on the Group's activities in the area of **Health & Safety risk** is described in the non-financial statement attached to this report.

Detailed information on the Group's activities in the area of **combating climate change** is described in Note 3.14 and in the non-financial statement attached to this report.

The **geopolitical risk** related to the current situation in Ukraine is described in Note 7.2 to the consolidated financial statements for 2023, and the impact of this situation on the going concern assumptions is presented in Note 1.2 to the consolidated financial statements for 2023.

Financial risks (currency, interest rate, credit and liquidity risks as well as other (specific) risks, including commodity price risk) are described in Note 7.2 to the consolidated financial statements for 2023.

To ensure an enhanced response to crisis situations, the Group has BCMS (Business Continuity Management System) in place. Detailed information on BCMS is disclosed in the non-financial statement attached to this report.

1.12. Expected development of the Group

In 2024, the growth of Selena Group will continue to be driven by boosting sales in mature markets, especially in Western Europe and Americas, while taking advantage of the economic situation in other markets.

The priority areas for the next years are as follows:

- Focus on users by engaging them in building advanced product co-development processes; preparing appropriate contacts database and embedding this approach in the company's culture;
- Delivering new generation products and solutions for modern construction, developed for and with professional builders;
- Increasing the scope of core areas of activity and launching new ones;
- Sustainable development, including development of new technologies and products;
- Development on a global scale;
- Modern approach to divisional structures with further strengthening of their linkage with application segments and end users.

1.13. Investment plans

In 2024, Selena Group expects to spend capital expenditures on projects focused on energy efficiency, modernization of process infrastructure as well as automation and robotization designed to improve the efficiency of production processes. There are plans to continue to implement the ERP class IT system based on Microsoft Dynamics AX 2012 in other foreign affiliates as well as an automatic printing process. Their value and implementation will depend on the results of economic analyses carried out in Selena Group.



Financial position

2. Financial position

2.1. Financial performance

The tables below show selected items of the consolidated income statement and selected financial ratios.

Figures in PLN thousand	from 01.01.2023 to 31.12.2023	from 01.01.2022 to 31.12.2022	Change	Change %
Revenue from contracts with customers	1,778,405	1,963,305	-184,900	-9.4%
Cost of sales	1,228,338	1,372,570	-144,232	-10.5%
Gross profit	550,067	590,735	-40,668	-6.9%
Selling and marketing costs	306,884	308,178	-1,294	-0.4%
General and administrative expenses	153,256	144,716	8,540	5.9%
Other operating income (loss)	27,066	21,302	5,764	27.1%
Impairment of non-financial fixed assets	6,675	200	6,475	-
Impairment of financial assets	2,189	5,322	-3,133	-58.9%
EBITDA (operating profit + depreciation + amortization)	148,526	199,243	-50,717	-25.5%
Operating profit (EBIT)	108,129	153,621	-45,492	-29.6%
Net financial income (loss)	-49,712	-22,492	-27,220	121.0%
Impairment of loans and guarantees	8,062	0	8,062	-
Share in net profit/loss of the associate	4,921	3,022	1,899	62.8%
Profit/ loss before tax	55,276	134,151	-78,875	-58.8%
Profit/loss after tax	50,342	112,581	-62,239	-55.3%
Other net comprehensive income	-38,964	-3,686	-35,278	957.1%
Total comprehensive income	11,378	108,895	-97,517	-89.6%

	from 01.01.2023 to 31.12.2023	from 01.01.2022 to 31.12.2022	Change in p.p.
Gross profit margin	30.9%	30.1%	0.8
Selling costs/ Revenue from contracts with customers	17.3%	15.7%	1.6
General and administrative expenses/ Revenue from contracts with customers	8.6%	7.4%	1.2
EBITDA margin %	8.4%	10.1%	-1.7
Operating profit margin (EBIT %)	6.1%	7.8%	-1.7
Net profit margin	2.8%	5.7%	-2.9

EBIT% – operating profit/ revenue from contracts with customers

EBITDA% – (operating profit + depreciation/amortization)/ revenue from contracts with customers

Revenue from contracts with customers

In 2023, the Group's consolidated revenue from contracts with customers amounted to PLN 1,778 million, which is by 9.4% (PLN 185 million) lower than last year. The decrease is mainly caused by a lower sales volume and currency rate fluctuations compared to 2022.

Segment	Segment's share in the Group's revenues		Revenue change
	from 01.01.2023 to 31.12.2023	from 01.01.2022 to 31.12.2022	2023/2022
Parent company	12.0%	10.6%	2%
Production in Poland	0.6%	0.4%	24%
Distribution in Poland	20.5%	20.4%	-9%
Western Europe	23.9%	21.2%	2.2%
E.Europe and Asia	27.2%	28.0%	-12%
Americas	6.9%	8.6%	-28%
Others, including:	8.9%	10.8%	-24%
Poland – other affiliates	0.8%	1.0%	-33%

The Group's revenue from sales is presented with a split into seven reportable segments: Parent Company; Distribution in Poland; Production in Poland; Western Europe; Eastern Europe and Asia; Americas, and Others. The key segments in terms of external revenues are:

- Western Europe – a 2.2% increase in the contribution to the Group's revenues (2023 compared to 2022);
 - Parent Company – a 2% increase in the contribution to the Group's revenues (2023 compared to 2022);
- The Production segment in Poland noted the highest increase in the contribution to the Group's revenues (2023 compared to 2022): 24%.

Gross profit

In 2023, Selena Group generated gross profit of PLN 550 million, i.e. PLN 40.7 million down year-on-year.

Gross profit margin was 30.9%, up 0.8 p.p. year-on-year. This growth resulted from a steady increase in the share of sales of innovative products with a higher margin.

Selling costs in 2023 were PLN 306.9 million, down PLN 1.3 million (0.4%) year-on-year.

General and administrative expenses in 2023 increased by PLN 8.5 million (5.9%) year-on-year. The increase in general and administrative expenses results mainly from M&A projects (PLN 5.3 million) and the annualization of salaries. The ratio of general and administrative expenses to revenue from contracts with customers was 8.6%.

The ratio of selling, general and administrative expenses to revenue from contracts with customers was 17.3% in 2023, up 1.6 p.p. year-on-year.

The **result on other operations** was positive at PLN 27.1 million, taking into account the impairment loss on financial and non-financial assets.

The value of this line item was mainly affected by the receipt of compensation of PLN 26.2 million for the relocation of the Selena Nantong production plant from the Zone. In addition, the Group posted gain on bargain purchase of Imperialum (PLN 4.1 million).

Operating profit (loss)

In 2023, the Group generated operating profit of PLN 108.1 million versus PLN 153.6 million in the previous year.

Profit /loss after tax

In 2023, Selena Group generated net profit of PLN 50.3 million vs PLN 112.6 million posted a year before, down 55.3%. The Group's bottom line was primarily influenced by the net financial income with an increase of PLN 31.7 million in financial costs vs 2022.

For the 12 months of 2023, EBITDA was PLN 148.5 million (including depreciation/amortization: PLN 40.4 million), which was by PLN 50.7 million lower year-on-year.

2.2. Asset and financial position

The table below shows selected figures of the consolidated statement of financial position as at 31 December 2023 and 31 December 2022.

Figures in PLN thousand	As at 31.12.2023	As at 31.12.2022	Change	Change %
Non-current assets	597,279	407,359	189,920	47%
Property, plant and equipment	393,706	287,792	105,914	37%
Intangible assets	52,286	36,847	15,439	42%
Other long-term assets	151,287	82,720	68,567	83%
Current assets	688,695	763,736	-75,041	-10%
Inventories	202,873	262,185	-59,312	-23%
Trade and other receivables	298,072	276,286	21,786	8%
Cash	75,875	100,363	-24,488	-24%
Other current assets	111,875	124,902	-13,027	-10%
Equity	701,078	718,252	-17,174	-2%
Liabilities	584,896	452,843	132,053	29%
Bank and other loans	162,747	89,994	72,753	81%
Trade and other liabilities	224,284	208,120	16,164	8%
Other liabilities	197,865	154,729	43,136	28%
	As at 31.12.2023	As at 31.12.2022		
Current ratio*	1.4	2.1		
Quick liquidity**	1.0	1.4		

*Current ratio – current assets / current liabilities

**Quick ratio – current assets less stocks / current liabilities

As at 31 December 2023, the Group's asset position, with an increase in total assets of PLN 114.9 million vs 31 December 2022, was mainly affected by an increase in the value of property, plant and equipment and other long-term assets.

As at 31 December 2023, the current and quick liquidity ratios (1.4 and 1.0 respectively) point to the Group's ability to meet its obligations in a timely manner.

2.3. Debt

Interest-bearing debt figures and debt ratios are presented in the table below.

Figures in PLN thousand	As at 31.12.2023	As at 31.12.2022
Bank and other loans	162,747	89,994
Lease liabilities	73,298	44,548
Less cash and cash equivalents	-75,875	-100,363
Net interest-bearing debt	160,170	34,179
Equity attributable to the shareholders of the parent	697,926	715,064
Equity and net interest-bearing debt	858,096	749,243
Total debt ratio (liabilities/ total assets)	45%	39%
Interest-bearing debt ratio (interest-bearing debt/ total assets)	18%	11%
Net interest-bearing debt/ EBITDA*	1.08	0.17

* net interest-bearing debt as at the balance sheet date; EBITDA for the last 4 quarters

As at the balance sheet date, the debt on bank and other loans increased vs. 31 December 2022 to PLN 162.7 million. The Net Interest-Bearing Debt/EBITDA ratio (bank covenant) increased from 0.17 in 2022 to 1.08 at the end of 2023. As at the end of 2023, the interest-bearing debt ratio amounted to 18% and was 7 p.p. higher than at the end of 2022.

2.4. Cash flows

The table below shows selected items of the consolidated cash flow statement.

Figures in PLN thousand	from 01.01.2023 to 31.12.2023	from 01.01.2022 to 31.12.2022	Change
Net cash flows from operating activities	83,621	189,777	-106,156
Net cash flows from investing activities	-117,058	-37,761	-79,297
Net cash flows from financing activities	7,368	-90,534	97,902
Change in cash and cash equivalents:	-26,069	61,482	-87,551

In 2023, net cash flows were PLN -26.1 million vs PLN 61.5 million in 2022.

Net cash flows from operating activities were PLN 83.6 million vs PLN 189.8 million in 2022. The level of cash flows from operating activities was mainly affected by a decrease in the Group's pre-tax profit.

Net cash flows from investing activities were negative at PLN -117.1 million compared to PLN -37.8 million recorded in 2022. This figure was mainly driven by investment in subsidiaries.

Net cash flows from financing activities amounted to PLN 7.4 million. This balance was mainly affected by loan proceeds (PLN 66.8 million net), interest paid (PLN -14.1 million) and finance lease payments (PLN -15.1 million). In 2023, the Parent Company paid dividend to its shareholders of PLN 30.3 million.

2.5. Loans received

The balance of bank borrowings as at 31 December 2023 and 31 December 2022 is presented in the table below.

As part of the loan agreements signed by the Parent Company separately or jointly with its subsidiaries, the Company undertook to maintain certain financial ratios at the levels agreed with banks. As at 31 December 2023, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

Ref.	Loan type	Maturity date	As at 31.12.2023		As at 31.12.2022	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	2023	0	0	0	1,398
2	Working capital loan	2024	0	77,768	8,648	18
3	Working capital loan	2025	5,831	0	0	0
4	Non-renewable loan	2023-2024	0	24,000	24,000	36,401
5	Investment loan	2033	12,500	0	0	0
6	Other	2023-2029	10,832	31,816	5,816	13,713
Total in PLN thousand			29,163	133,584	38,464	51,530

2.6. Guarantees and off-balance sheet items

The Group companies did not give any material guarantees to non-Group members. Specification of the guarantees provided by the Parent Company to Group companies is contained at Note 7.1 of the standalone financial statements of the Parent Company for 2023.

2.7. Financial instruments and financial risk management principles

Details of the Group's financial instruments are presented in Note 6.1 of the Group's consolidated financial statements for 2023. The Group's risk financial risk management principles (covering FX risk, interest rate risk, credit risk and liquidity risk) are presented in detail in Note 7.2 of the Group's consolidated financial statements for 2023.

2.8. Deposits and investments

In 2023, the Group used bank deposits.

2.9. Assessment of financial resources management

As at 31 December 2023, the Group's cash position was PLN 75.9 million. The Group also had undrawn committed credit limits of PLN 328.4 million, which in the opinion of the Management Board ensure financial liquidity and stable funding for the Group entities.

The Company has no problems maintaining liquidity. In the Management Board's opinion, there are no risks to the Company's capacity to service its obligations in a timely manner.



Other information

3. Other information

3.1. Significant agreements

Material agreements concluded by the Group in 2023 include bank loan agreements (Note 2.5).

As deliveries and sales take place on an ongoing basis, no single agreements that would be material from the Selena Group's point of view were concluded in the ordinary course of business.

The table below shows material insurance agreements signed by Selena Group companies in 2023.

Contracting company	Insurance	Sum insured (million)	Ccy	Insurance period
All companies established in Poland	All-risk, electronic equipment and loss of profit insurance	605.6	PLN	16/06/2023 - 15/06/2024
	Motor insurance	Different	PLN	12 months
	Insurance against accidents and cost of medical service during foreign business trips	20.0	USD	11/06/2023 - 10/06/2024
	Insurance against penalties imposed by tax authorities	5.0	PLN	04/09/2023 - 03/09/2024
	Liability insurance for firms providing accounting services to third parties (Selena FM SA)	0.5	PLN	02/02/2023 - 01/02/2024
Global agreements	Trade credit insurance	16.0	EUR	1/11/2023 - 31/10/2024
	General liability insurance (for the conducted business and property held)	25.0	PLN	16/06/2023 - 15/06/2024
	D&O insurance	150.0	PLN	1/07/2023 - 30/06/2024
Other foreign affiliates		28.4	RON	16/06/2023 - 15/06/2024
		161.8	TRY	16/06/2023 - 15/06/2024
	Insurance of assets against all risks, loss of profit	7,064	KZT	different
		47.9	EUR	16/06/2023 - 15/06/2024
		28.8	TRY	16/06/2023 - 15/06/2024
	General liability insurance (for the conducted business and property held)	5.0	RON	16/06/2023 - 15/06/2024
		1.0	EUR	16/06/2023 - 15/06/2024
		478.9	KZT	16/06/2023 - 15/06/2024
	Motor insurance	Different	Different	12 months
	Goods-in-transit insurance	0.2	EUR	01/01/2023 - 01/01/2024
Liability insurance for natural environment	3.0	EUR	31/12/2023 - 30/12/2024	

3.2. Related party transactions

The companies from Selena Group did not enter into any unusual transactions or transaction made on non-commercial terms whose total value would meet the materiality criteria (10% of equity).

A detailed description of loans granted by the Parent Companies to the companies of the Selena Group was presented in Note 5.1.3 and in Note 7.2 of the Company's standalone financial statements for 2023.

3.3. Issue of securities

In 2023, no securities were issued.

3.4. Acquisition of own shares

As at 31 December 2022, the Company had 1,194,834 own shares with a nominal value of PLN 0.05 per share, representing 5.23% of the Company's registered capital and carrying 4.45% of the total number of votes at the Company's General Meeting (with the note that in accordance with Article 364 § 2 of the Commercial Companies Code voting rights attached to the Company's own shares cannot be exercised).

In the period from 1 January 2023 to the date of publication of these financial statements, there were no changes in the number of own shares held.

3.5. Delivery of forecasts

The Company did not publish its consolidated forecasts for 2023.

3.6. Litigations

At the date of approval of this report, neither the Parent Company nor any company from Selena Group was a party to any undisclosed court proceedings where the claim value would exceed 10% of the Parent Company's equity.

3.7. Unusual events and factors

Other key factors affecting the Group's performance in 2023 were described in Note 1.11 of this report.

3.8. Remuneration of the Management Board and the Supervisory Board

The remuneration of the Management and the Supervisory Board members of the Parent Company is described in Note 8.4 of the Group's consolidated financial statements for 2023.

3.9. Equity-based remuneration programs

In 2023, no equity based remuneration programs were in operation.

3.10. Shareholdings by executive and non-executive directors

The Company's executive and non-executive directors did not hold any shares of the Company as at the date of publication of this report.

3.11. Agreements affecting changes in the proportion of shareholdings

The Company has no other information on any agreements that in the future might affect the proportion of shareholdings of the existing shareholders.

3.12. Control of Employee Share Programs

In 2023, no employee shares programs were in place in Selena FM S.A.

3.13. Information on the audit of the financial statements

On 15 March 2021, the Supervisory Board resolved to appoint Ernst & Young Audyt Polska Sp. z o.o. Sp. k. as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2021–2023. The audit agreement was concluded on 22 June 2021.

Remuneration of the auditor of the Company's standalone financial statements and the Group's consolidated financial statements as well as standalone financial statements of selected subsidiaries for the years 2022–2023 is presented in Note 8.5 of the consolidated financial statements for 2023.

On 31 March 2024, the Supervisory Board resolved to appoint UHY ECA AUDYT Sp. z o.o. as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2024–2026. As at the date of publication of this report, the audit agreement had not been concluded yet.

The selection of the audit firm for the audit of the annual financial statements and the annual consolidated financial statements was carried out in accordance with the regulations, including the selection and procedure for the selection of the audit firm.

The audit firm and members of the auditing team met the conditions for preparing an impartial and independent audit report on the annual financial statements and the annual consolidated financial statements in accordance with applicable laws, professional standards and professional ethics;

The applicable laws related to the rotation of the audit firm and the key statutory auditor and the mandatory cooling off period are complied with. The Parent Company has an auditor selection policy in place as well as a policy on the provision of non-audit services by the audit firm, including services conditionally excluded from the range of prohibited services.

3.14. Compliance with the EU Taxonomy for Sustainable Activities

Introduction

It is for the second time that Selena Group discloses information in this report regarding compliance with the EU Taxonomy of Environmentally Sustainable Activities. The obligation in this regard was introduced by the European Parliament and of the Council No 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. The Regulation, in short called the EU Taxonomy, transposes the climate and environmental objectives of the European Union into technical criteria designed to assess whether a given activity can be considered sustainable in relation to six environmental objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

In this context, the taxonomy is a classification system used to test and disclose the extent to which Selena Group's activities are environmentally sustainable.

Selena Group's all activities can be assigned to one of three categories:

- Taxonomy eligible activity for which it was found that the Technical Screening Criteria and Minimum Safeguards are met – this is an environmentally sustainable activity;
- Taxonomy eligible activity for which the Technical Screening Criteria were not tested or in the case of which it was found that at least one of the criteria is not met, or the Minimum Safeguards have not been met – this is a taxonomy eligible activity not qualifying as environmentally sustainable activity;
- Taxonomy non eligible activity, for which no Technical Screening Criteria exist (this category includes, among others, those types of activities for which the criteria will be established in the future and then this activity will be taxonomy eligible).

Technical Screening Criteria (TSCs) are detailed criteria that make it possible to unequivocally determine whether a given activity can make a substantial contribution to one of the climate objectives while avoiding significant harm to the other environmental objectives. TSCs are contained in two pieces of legislation:

1. Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 (“Climate Delegated Act”), which, since its ratification has been amended twice by the following:
 - Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, which introduced requirements for energy generation activities using gaseous fuels and nuclear energy;
 - Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, which introduced new activities and amendments to certain technical qualification criteria.
 Regulation 2021/2139 includes criteria for a significant contribution to two environmental objectives (climate change mitigation and climate change adaptation) and the criteria of avoiding significant harm to the other objectives (do no significant harm, DNSH).
2. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 ¹ (Environmental Delegated Act).
 This regulation sets out the TSCs for substantial contribution and not doing significant harm to the other four environmental objectives: water and marine resources (WTR), circular economy (CE), pollution prevention and control (PPC) and biodiversity and ecosystems (BIO).

Minimum Safeguards (MSs), specified in Article 18 of Regulation 2020/852 are procedures used to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

All undertakings that are subject to the obligations arising from Regulation 2020/852 is required by Article 8 of the Regulation to disclose three metrics:

- The proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable;
- The proportion of their capital expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable;
- The proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable.

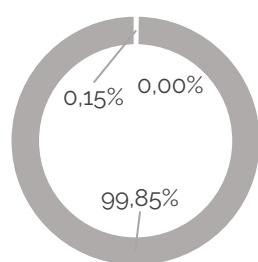
Detailed requirements for the calculation and disclosure of the above metrics are specified in Commission Delegated Regulation (EU) 2021/2178², the delegated act to Article 8.

Alignment of Selena Group's activities with the taxonomy

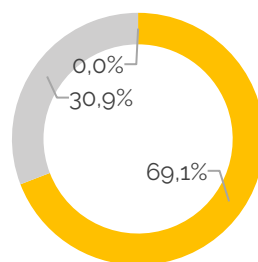
As a result of the analyzes carried out, the following proportion of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) were determined as taxonomy-aligned.

¹ Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

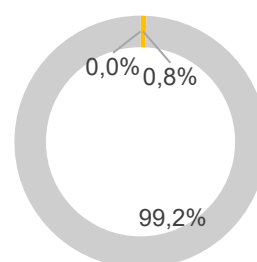
² Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.



- Environmentally sustainable activity
- Taxonomy eligible but not environmentally sustainable activity
- Taxonomy non eligible activity



- Environmentally sustainable activity
- Taxonomy eligible but not environmentally sustainable activity
- Taxonomy non eligible activity



- Environmentally sustainable activity
- Taxonomy eligible but not environmentally sustainable activity
- Taxonomy non eligible activity

The assessment of alignment of Selena Group's activities with the taxonomy showed that:

- Sustainable activities of Selena Group in 2023 generated: 0.00% turnover, 0.00% CapEx and 0.00% OpEx.
- Activities that were taxonomy eligible but not taxonomy aligned (environmentally non-sustainable) in 2023 generated: 0.15% turnover, 69.14% CapEx and 0.76% OpEx of the Group.
- Taxonomy non eligible activities in 2023 generated: 99.85% turnover, 30.86% CapEx and 99.24% OpEx of the Group.

	Turnover	CapEx	OpEx
Value in 2023 [PLN m]	1,778.41	58.16	1,696.77
sustainable activity (taxonomy aligned)	0.0%	0.0%	0.0%
non-sustainable activity (taxonomy eligible but not taxonomy aligned)	0.15%	69.14%	0.76%
neutral activity (taxonomy non eligible)	99.85%	30.86%	99.24%

The following part of the chapter describes the process of testing alignment with the Taxonomy, the applied accounting principles and a detailed discussion of three metrics together with tables prepared in accordance with the delegated act to Article 8, i.e. Commission Delegated Regulation (EU) 2021/2178. It should be noted that the zero share of environmentally sustainable turnover is due to the Group's failure to meet the Minimum Safeguards in 2023.

Taxonomy alignment testing

The assessment of alignment with the taxonomy was based on a four stage process:

1. Identification

As part of this stage, a review was conducted of the entire operations of Selena Group in order to determine whether its activity types are taxonomy eligible, and if so, which types specifically. The assessment looked at turnover, capital expenditure and operating expenditure. Individual types of activity were identified on the basis of their descriptions contained in the annexes to Commission Delegated Regulation (EU) 2023/2486 and 2021/2139, which were compared to the actual activity. In the event of absence of sufficient unambiguity in the description of activities, the NACE statistical classification of economic activities was used as an auxiliary measure³.

2. Allocation

At this stage, the values of turnover, capital expenditure and operating expenditure were allocated to individual activities identified in the first stage. Details of the allocation methods used are described in the Accounting Policy chapter.

3. Verification

At this stage, two types of examinations were made:

³Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains.

- for all identified types of activities, the criteria of significant contribution and non-major harm were tested using the TCSs set out in the annexes to Commission Delegated Regulation (EU) 2021/2139 and 2023/2486. Details of the assessment are presented in the Verification of compliance with the Technical Screening Criteria section.
- An assessment was made as to whether the Minimum Safeguards are met. Details of the assessment are presented in the Minimum safeguards section.

4. Calculation

This stage involved using the outputs from the second and third stages to draw up tables containing the required information, and developing supplementary information in accordance with the requirements of Annexes I and II to Commission Delegated Regulation (EU) 2021/2178.

The process was carried out by a team consisting of Selena Group companies' representatives, supervised by the Global Sustainability Director.

Minimum safeguards

According to Article 18 of Regulation 2020/852:

"The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the **OECD Guidelines for Multinational Enterprises** and the **UN Guiding Principles on Business and Human Rights**, including the principles and rights set out in the **eight fundamental conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work** and the **International Bill of Human Rights**."

Compliance with the Minimum Guarantees was tested in accordance with the recommendations included in the *Final Report on Minimum Safeguards*⁴ by Platform On Sustainable Finance. According to the recommendations, the following four criteria should be considered as signs of non-compliance with Minimum Safeguards:

1. Inadequate or non-existent corporate due diligence processes on human rights, including labour rights, bribery, taxation, and fair competition.
2. The entity faces final liability in respect of or has been found to be in breach of labour or human rights law in certain types of labour or human rights lawsuits.
3. The lack of collaboration with a National Contact Point (NCP) with regard to a notification received by the NCP.
4. The Business and Human Rights Resource Center (BHRRC) has raised allegations against the entity and the entity failed to respond within 3 months.

In the verification process at Selena Group, non-compliance with the above criteria was tested as follows:

- **Criterion 1:** Verification of completeness of due diligence processes took place on the basis of internal verification of the existence and functioning of elements of the due diligence process resulting from the framework of these processes included in the documents specified in the definition of Minimum Safeguards. Due diligence processes, as defined in Article 3(c) of Regulation (EU) 2020/852, are primarily affected by the provisions of the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. Compliance was verified by means of a compliance assessment tool using the assessment methodology proposed by the Platform on Sustainable Finance: World Benchmark Alliance Core UNGP indicators. As a result of the analysis, it was determined that the due diligence process at the organization is incomplete in the context of the guidelines.
- **Criterion 2:** The second criterion was verified in the process of supplementing the responses to Criterion 1 by checking whether any persons listed in the description of the criterion were finally convicted during the period covered by the verification. The verification found that there was no information qualifying the Group to meet the conditions of Criterion 2.
- **Criterion 3:** The database of OECD NCP reports was verified, which showed that there were no reports in relation to the Group in the period covered by the verification [<http://mneguidelines.oecd.org/database/>].
- **Criterion 4:** The database of Business and Human Rights Resource Centre (BHRRC) reports was verified, which showed that there were no reports in relation to the Company or the Group in the period covered by the verification [<https://www.business-humanrights.org/en/companies/>].

⁴ https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

As a result of the verification process, it was established that SELENA Group's activities are not carried out in accordance with the Minimum Safeguards.

Verification of compliance with the Technical Screening Criteria

Verification of compliance with the Technical Screening Criteria was carried out for all types of taxonomy eligible activities and consisted of analyzing the individual criteria of substantial contribution and causing no significant harm (DNSH), as well as checking whether the specified type of activity is compliant with the TSCs specified in Delegated Regulation Commission (EU) 2021/2139.

Among the activities listed in Regulation 2021/2139, Selena Group has identified the following taxonomy-eligible activities:

- 3.5 Manufacture of energy efficiency equipment for buildings, which includes the production of the COOL-R system (it is a liquid waterproofing coating that lowers the temperature inside buildings);
- 4.1 Electricity generation using solar photovoltaic technology – this applies to the installation mounted on the building that is the headquarters of SIT Branch 3 and produces energy for the operation of this facility;
- 4.20 Cogeneration of heat/cool and power from bioenergy – energy produced in biogas plants owned by Selena Group;
- 5.7 Anaerobic digestion of bio-waste – this activity is used to produce biogas for biogas plants belonging to the Selena Group;
- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles;
- 7.6. Installation, maintenance and repair of renewable energy technologies – this relates to the projects put together and run by Selena Energy.

Technical eligibility criteria were analyzed for each type of activity, focusing on those for activities that make substantial contribution to mitigating climate change. Due to the fact that the identified activities were not carried out taking into account the requirements arising from the TSCs, appropriate documentation was not systematically collected as evidence to clearly demonstrate compliance with the TSCs.

Accounting policies

The following rules were used to calculate the percentage of taxonomy eligible and taxonomy aligned turnover, capital expenditure (CapEx) and operating expenditure (OpEx).

Turnover

With regard to turnover, the denominator was the consolidated revenue of Selena Group in 2023, except revenues from incidental sale of tangible assets, disclosed in the consolidated financial statements in Note 3 "Operating segments and information on revenues". Revenues from taxonomy eligible and at the same time taxonomy aligned activities were included in the numerator.

Capital expenditure (CapEx)

With regard to capital expenditure (CapEx), the denominator was capital expenditure primarily on purchase of tangible assets and intangible assets. CapEx is included in the consolidated financial statements under "Acquisition" and described in Note 6.2.1 "Changes in the value of tangible and intangible assets" and in Note 6.2.3 "Intangible assets". The numerator included the part of CapEx relating to the types of taxonomy eligible and taxonomy aligned activity.

Operating expenditure (OpEx)

With regard to operating expenditure (OpEx), the denominator was all costs used to maintain the company's assets and keep them in good repair. OpEX included, among others, the costs related to maintenance, installation, repair, security, rental and lease costs and other costs associated with maintaining the proper functioning of the buildings, equipment and vehicles used by the Group. The numerator included the part of CapEx relating to the types of taxonomy eligible and taxonomy aligned activity.

The data used for the calculations were extracted from the financial and accounting system of Selena FM S.A. and the financial and accounting systems of individual subsidiaries of Selena Group.

The Group avoided double counting when allocating turnover and CapEx by making appropriate consolidation eliminations in accordance with the applicable accounting regulations. In the case of operating expenditure, which

are defined in Commission Delegated Regulation (EU) 2021/2178 in a way that does not refer to international financial reporting standards, all accounts in the Group's accounting system were reviewed, and then the identified items meeting the definition of OpEx were assigned each time to a given type of taxonomy eligible activity or to group of other operating expenditure (not taxonomy eligible).

The Group discloses in this report for the second time the share of taxonomy aligned activities, and for the second time the share of taxonomy eligible activities. The disclosure in this report relates to the most recent financial year, i.e. the period from 01.01.2023 to 31.12.2023.

During the analysis, no types of activities contributing to more than one environmental objective were identified. Accordingly, no special procedures need to be applied to avoid double counting.

Verification of compliance with the TSCs was carried out for all types of taxonomy eligible activities and consisted of analyzing the individual criteria of substantial contribution and causing no significant harm. In the case of other types of activity, not exceeding the materiality threshold, the analysis was not conducted, and this type of activity was included as taxonomy eligible but not taxonomy aligned.

The analysis showed that there was no need for detailed disaggregation of key performance indicators between individual operating units of the Group in accordance with point 1.2.2.3. of Annex I to Commission Delegated Regulation (EU) 2021/2178. For more information, see the comments on each KPI.

Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Row	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

The Group does not conduct, finance or have exposure to the activities referred to in Sections 4.26 – 4.31 of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139 (activities related to the generation of energy as part of nuclear processes and energy production from gaseous fossil fuels). In view of the above, this report dispenses with the reporting of tables for the volumes referred to in Article 8(6) and (7) of the Regulation on the content and presentation of taxonomic disclosures.

Turnover

In 2023, Selena Group generated revenue of PLN 1,778.41 million. The vast majority of the revenue (PLN 1,775.82 million) concerned taxonomy non eligible activities. The other part of the revenue constituted taxonomy eligible turnover, including: (the activities are listed starting from those having the largest share in the company's turnover):

- turnover related to activity 3.5 Manufacture of energy efficiency equipment for buildings, amounted to PLN 1.75 million (0.10% of total turnover),
- turnover related to activity 4.20 Cogeneration of heat/cool and power from bioenergy was PLN 0.84 million (0.05% of the total turnover).

For activity 3.5, it was determined that the criteria for a substantial contribution were met, but not all the DNSH criteria were met. For activity 4.20, it was determined that the criteria for substantial contribution to climate change mitigation were not met, so the turnover associated with these activities was considered taxonomy eligible, but not taxonomy aligned.

The share of turnover from environmentally sustainable activities (taxonomy aligned) in total turnover was 0.00% in 2023, and the share of turnover from taxonomy eligible but taxonomy aligned activities was 0.15%. The total share of turnover from taxonomy eligible activity was 0.15%. The remaining 99.85% of the turnover comes from

taxonomy non eligible activities, i.e. activities for which the regulator has not established any TSCs in the annexes to the delegated act.

Capital expenditure (CapEx)

In 2023, Selena Group incurred capital expenditure of PLN 58.16 million. Most of the expenditure concerned taxonomy eligible activities, including: (the activities are listed starting from those having the largest share in capital expenditure):

- capital expenditure related to activity 4.20 Cogeneration of heat/cool and power from bioenergy was PLN 32.06 million (55.12% of the capital expenditure)
- capital expenditure related to activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles was PLN 8.16 million (14.02% of the total capital expenditure).

For activity 4.20, it was determined that the criteria for substantial contribution to climate change mitigation were not met. For activity 6.5, it was determined that the criteria for a substantial contribution were met, but not all the DNSH criteria were met, so the capital expenditure related to this activity was considered taxonomy eligible, but not taxonomy aligned.

In addition, Selena Group incurred capital expenditure of PLN 17.95 million (30.86% of the total capital expenditure) related to taxonomy non eligible activities.

The share of capital expenditure related to environmentally sustainable activities (taxonomy-aligned) in total turnover was 0.00% in 2023, and the share of capital expenditure related to taxonomy eligible but taxonomy aligned activities was 69.14%. The total share of CapEx related to taxonomy eligible activities was 69.14%. The remaining 30.86% of the capital expenditure was related to taxonomy non eligible activities, i.e. activities for which the regulator has not established any TSCs in the annexes to the delegated act.

Operating expenditure (OpEx)

In 2023, Selena Group incurred operating expenditure of PLN 1,696.77 million, only a small part of which related to taxonomy eligible activities, including: (the activities are listed starting from those having the largest share in operating expenditure):

- operating expenditure related to activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles was PLN 7.36 million (0.43% of the total operating expenditure);
- operating expenditure related to activity 4.20 Cogeneration of heat/cool and power from bioenergy was PLN 3.47 million (0.20% of the total operating expenditure);
- operating expenditure related to activity 3.5 Manufacture of energy efficiency equipment for buildings was PLN 2.09 million (0.12% of the total operating expenditure); Electricity generation using solar photovoltaic technology was PLN 0.01 million (0.00% of total operating expenditure).

For activity 4.20, it was determined that the criteria for substantial contribution to climate change mitigation were not met. For activity 6.5, it was determined that the criteria for a substantial contribution were met, but not all the DNSH criteria were met, so the operating expenditure related to this activity was considered taxonomy eligible, but not taxonomy aligned. For activity 3.5, it was determined that the criteria for a substantial contribution were met, but not all the DNSH criteria were met.

The share of operating expenditure related to environmentally sustainable activities (taxonomy aligned) in total capital expenditure was 0.00% in 2023, and the share of capital expenditure related to taxonomy eligible but taxonomy aligned activities was 0.76%. The total share of operating expenditure related to taxonomy eligible activities was 99.24%.

Percentage of taxonomy aligned turnover

Financial year of 2023	Year		DNSH criteria ("Do no significant harm")										Minimum safeguards	Percentage of taxonomy aligned turnover, 2021	Category (supporting activity or)	Category (transition activity)		
	Code or codes	Turnover (absolute value)	Part of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources					Circular economy	Pollution
Business activity	Code or codes	PLN m	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y	
	Turnover (absolute value)			N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	E	
	Part of turnover			Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N		
A. TAXONOMY ELIGIBLE ACTIVITY																		
A.1. Types of environmentally sustainable activities (taxonomy aligned)																		
Turnover from environmentally sustainable activities (taxonomy aligned) (A.1)		0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%
Incl. enabling activity				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		E
Incl. transitional activity				0.00%														Y
A.2. Taxonomy eligible activity, but not environmentally sustainable (taxonomy non aligned)																		
Manufacture of energy efficiency equipment for buildings	CCM 3.5	1.75	0.10%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL		0.00%
Cogeneration of heat/cool and electricity from bioenergy	CCM 4.20 / CCA 4.20	0.84	0.05%	Y	N	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL		0.00%
Turnover from taxonomy eligible, but not environmentally sustainable activity (taxonomy non aligned) (A.2)		2.59	0.15%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		1.03%
Total (A.1.+A.2.)		2.59	0.15%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		1.03%
B. TAXONOMY NON ELIGIBLE ACTIVITY																		
Turnover from taxonomy non eligible activity (B)		1,775.82	99.85%															
Total (A+B)		1,778.41																

Percentage of taxonomy aligned capital expenditure (CapEx)

Financial year of 2023	Year		Substantial contribution criteria						DNSH criteria ("Do no significant harm")						Category (supporting activity or)	Category (transition activity)			
	Code or codes	CapEx in absolute terms	Percentage of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution			Biodiversity and ecosystems	Minimum safeguards	Percentage of taxonomy eligible CapEx 2022
Business activity		PLN m	%	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N	%		
A. TAXONOMY ELIGIBLE ACTIVITY																			
A.1. Types of environmentally sustainable activities (taxonomy aligned)																			
CapEx from environmentally sustainable activities (taxonomy aligned) (A.1)		0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%		
Incl. enabling activity				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				E	
Incl. transitional activity				0.00%															Y
A.2. Taxonomy eligible activity, but not environmentally sustainable (taxonomy non aligned)																			
Cogeneration of heat/ cool and electricity from bioenergy	CCM 4.20 / CCA 4.20	32.06	55.12%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL			1.15%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	8.18	14.02%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL			0.00%		
CapEx from taxonomy eligible, but not environmentally sustainable activity (taxonomy non aligned) (A.2)		40.22	69.14%	69.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			1.79%		
Total (A.1.+A.2.)		40.22	69.14%	69.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			1.79%		
B. TAXONOMY NON ELIGIBLE ACTIVITY																			
CapEx from taxonomy non eligible activity (B)		17.95	30.86%																
Total (A+B)		58.16																	

Percentage of taxonomy eligible operating expenditure (OpEx)

Financial year of 2023	Year		Substantial contribution criteria								DNSH criteria ("Do no significant harm")						Percentage of taxonomy eligible OpEx 2022	Category (supporting activity or)	Category (transition activity)
	OpEx in absolute terms	Percentage of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards				
Business activity	Code or codes	PLN m	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%			
A. TAXONOMY ELIGIBLE ACTIVITY																			
A.1. Types of environmentally sustainable activities (taxonomy aligned)																			
OpEx from environmentally sustainable activities (taxonomy aligned) (A.1)		0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
A.2. Taxonomy eligible activity, but not environmentally sustainable (taxonomy non aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	2.08	0.12%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.00%			
Electricity generation using solar photovoltaic technology	CCM 4.1 / CCA 4.1	0.01	0.00%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.00%			
Cogeneration of heat/ cool and electricity from bioenergy	CCM 4.20 / CCA 4.20	3.47	0.20%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.01%			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	7.36	0.43%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.11%			
OpEx from taxonomy eligible, but not environmentally sustainable activity (taxonomy non aligned) (A.2)		12.93	0.76%	0.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.12%			
Total (A.1.+A.2.)		12.93	0.76%	0.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.12%			
B. TAXONOMY NON ELIGIBLE ACTIVITY																			
OpEx from taxonomy non eligible activity (B)		1,683.84	99.24%																
Total (A+B)		1,696.77																	



Corporate Governance Principles

4. Corporate Governance Principles

Corporate governance principles are presented in relevant notes to the Report on the Company's activities for 2023.

MANAGEMENT BOARD'S ASSURANCE STATEMENT ON RELIABILITY OF THE FINANCIAL REPORT

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the consolidated financial statements for 2023 and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM Group and its financial performance and that the Management Board's annual consolidated report on activities gives a true picture of the Group's development, achievements and standing, including description of the key risks and threats.

**Management Board President
Sławomir Majchrowski**

**Management Board Member
Chief Commercial Officer
Walter Brattinga**

**Management Board Member
Chief Operating Officer
Roman Dziuba**

**Management Board Member
Chief Financial Officer
Krzysztof Ościłowicz**

**Management Board Member
Chief Product & Innovation Officer
Michał Specjalski**

**Management Board Member
Chief HR Officer
Andrzej Zygałło**



Appendix 1

Group's Non-Financial Information Statement

TABLE OF CONTENTS

I. BASIC INFORMATION	45
II. MANAGEMENT AREA	47
1. Description of the business model as well as development goals and directions	47
2. Corporate Governance	50
3. Social/ employee and environmental risk management	52
4. Ethics management	55
III. Environmental area	57
1. General	57
2. Direct and indirect impact: raw materials and consumables	57
3. Direct and indirect impact: fuel and energy	57
4. Direct and indirect impact: water	58
5. Direct and indirect impact: biodiversity	58
6. Direct and indirect impact: carbon emissions	58
7. Direct and indirect impact: waste and wastewater	60
8. Other aspects of direct and indirect environmental impact	61
9. Extended environmental responsibility: products and services	61
10. Compliance	62
11. Complaint mechanisms regarding environmental issues	62
IV. SOCIAL AND EMPLOYEE AREA	64
1. Use of public aid and public procurement	64
2. Employment and salaries	64
3. Industrial relations and freedom of association	66
4. Occupational Health & Safety	66
5. Development and education	69
6. Diversity management	70
7. Human rights	71
8. Local communities and social involvement	72
9. Prevention of corruption	73
10. Product and consumer safety	74
11. Marketing communication	75
12. Privacy protection	77
13. Product labelling	77
14. Other social and market-related matters	78



Basic information

I. BASIC INFORMATION

Selena FM S.A. is not required to prepare a non-financial information statement. Such a statement needs to be drawn up for Selena FM Group (hereinafter also: Selena Group, Group) as a whole.

This non-financial information statement of Selena Group has been prepared based on the Non-Financial Information Standard 2017 (SIN), using the Company's own methodology.

The procedures and policies described in this Statement do not contain any quantified objectives for the Group – they merely set lines of action and main operating principles. This model has been adopted due to the wide geographical span of the Group's operations and the diversified business profit of its individual companies.

II. MANAGEMENT AREA

1. Description of the business model as well as development goals and directions

1.1. Business model

Selena Group is a group of companies which produce and distribute construction chemicals. The Group is based on Polish capital. The Group's Parent is Selena FM S.A. of Wrocław, which on 18 April 2008 debuted on the main market of the Warsaw Stock Exchange.

Selena Group is an international producer and distributor of construction chemicals. The Group's product range includes foams, sealants, adhesives, waterproofing products, insulation systems, fastenings and complementary products. The Group's portfolio is topped by such outstanding brands as: Tytan, Quilosa, Artelit, Cool-R® and Matizol.

The Group comprises 57 Polish and foreign companies (as at 31.12.2023) in 11 countries. The Group's headquarters, from which the entire international activity is managed, are located in Wrocław.

For management purposes, Selena Group has identified 7 reportable segments: Parent Company; Distribution in Poland; Production in Poland; Western Europe; Eastern Europe and Asia; Americas, and Others. See Note 1.7.1 for a detailed structure of the individual segments, and Note 2.1 to the consolidated Management Report for 2023 for a share in sales of the individual segments in the Group sales.

The Group's production plants are located in Poland, China, Brazil, Romania, Turkey, Spain, Kazakhstan, South Korea, Hungary and Italy, and its products are available on the markets of nearly 100 countries in the world. Selena also carries on research activities in Poland, Romania, Turkey, Spain and Italy. In April 2019, the Group officially opened a modern R&D center in Dzierżoniów to coordinate the activities of the international team.

1.2. Goals and development directions

In its activities, Selena Group focuses primarily on cooperation with the End-Users of its solutions, including products, by trying to effectively respond to their needs. Due to the wide and diversified range of activities of the entire Group, its main goal is to prepare tailor-made products and complete construction chemical systems and services while ensuring the highest quality of solutions used in different climate zones and at different latitudes.

Selena Group's mission is to **deliver reliable, modern and environmentally sustainable construction solutions that ensure comfortable living conditions while catering for the needs of all our stakeholders**. The mission is underpinned by many years of experience gathered in cooperation with Users – builders and contractors across the world. In its products and system solutions, the Group primarily focuses on innovation – understood as added value for the User, notably with respect to speed and convenience of application; durability; energy efficiency; pro-environmental aspects; weather resistance in various geographical regions; efficiency, comprehensiveness and user safety.

One of the most important directions of the Group's development is Selena's close cooperation with builders in many countries of the world. This will only be possible by careful listening to Users' needs and designing the right products. That is why Selena constantly develops its portfolio of innovative products, and achieving an increase in their sales is one of the main challenges for Group companies in all countries. These activities are correlated with changes in work technology resulting from digitalization and higher level of customer service.

In response to megatrends of the modern world, when creating solutions in the area of construction chemicals, Selena Group takes into account aspects such as special care for the environment and sustainable development. The Group's R&D unit develops products that improve the efficiency of buildings by reducing the building's heat losses and energy demand for heating and cooling. These solutions include, for example, COOL-R®, the highly

reflective, waterproofing roof coating, the WINS window insulation and sealing standard, and the Tytan Energy2020 foam, which is characterized by high thermal insulation, reducing heat losses by up to 60%. The R&D department also developed (as part of cooperation under the Horizon 2020 program) new components from renewable sources – biopolymers, the so-called bioselenols, used as a component of the new low-pressure door mounting foam Tytan Low-Es Green. Each year the offer developed under these projects respond to the needs of investors and users, while being consistent with the pillars of Selena Group's sustainable development strategy IFEEC.

1.3. Implications of the business model

Thanks to its consistently implemented business model, Selena Group, operating for more than 30 years in the market, is now one of the four largest producers of polyurethane foams for construction and is the leader in the segment of traditional adhesives in Poland. The Group employs 1,770 people (as at 31 December 2023). Its products are distributed to nearly 100 markets on 5 continents: in Europe, Asia, South America and North America, and Africa.

1.4. Adopted goals and development directions

Selena Group is constantly working on improvement of its existing and introduction of innovative solutions to the market – thanks to the exchange of knowledge and professionalism of the teams located in many countries. Diversification of sales markets allows the Group to pursue stable and balanced development.

The Group's main driver is cooperation with end Users. As an experienced organization with more than 30 years of market experience, own know-how, robust R&D function and extensive distribution network, Selena concentrates its business activities around even closer identification of Users' needs. Thanks to close cooperation with builders, the company designs innovative solutions that will significantly change or positively affect the User's work. With an international team of specialists and experts, Selena is able to identify the needs and flexibly respond to changes. As a result, its solutions cater to specific expectations and improve the work of the builder. This makes Selena a trusted partner in business (as it builds its leadership position), and Users are fully satisfied with the products offered.

A part of the Group's development directions is also to improve work ergonomics and internal performance, and deliver products tailored to global trends while respecting fundamental values such as human rights, equal employment opportunities, counteracting corruption or environmental protection.

With consistent implementation of its adopted development directions and commitment, both by individuals and teams, the Group believes it is able to deliver on its goals.

Selena Group's priorities and values are reflected in its commitment to deliver products for climate-neutral construction, while applying the highest standards of sustainable corporate governance. We develop products that are environmentally friendly and increase the energy efficiency of buildings.

In 2023, Selena Group elaborated its sustainable development pillars: IFEEC (I – Investors; F – Finance; E – End Users; E – Employees; C – Climate).

Selena Group supports the UN Sustainable Development Goals introduced by the 2015 General Assembly Resolution, taking a holistic approach to assessing the environmental impact of its activities.

The main goal of Selena Group's activities is to reduce the carbon footprint by reducing resource consumption and CO₂ emissions into the atmosphere. A comprehensive life-cycle assessment (LCA) of Selena Group's products is a way to ensure responsible environmental management without transferring reduction effect between individual stages.

Transparent and comparable information on Selena Group's products and their environmental impact is provided by the EPDs (Environmental Product Declarations). The environmental impact of the Group's products at each

stage of their life cycle, “from cradle to grave”, is continually examined using the LCA methodology. The information is published in the EPD. The EPD is an independent, authoritative summary, issued in accordance with international standards (ISO 14025, EN 15804) that identifies the environmental impact of a product throughout its life cycle, as measured by the standardized LCA.

1.4.1. Environmental aspects

When implementing its strategic goals and development directions, Selena Group always takes due account of environmental matters.

It is production plants that have the biggest impact on the environment. They have a leading role in ensuring that the highest environmental standards are maintained. With constant monitoring and proper planning of activities, the production plants’ environmental impact is gradually mitigated.

Environmental requirements are implemented through continuous formal and legal supervision at the Group level and implementation of the required measures at the Group companies as well as implementation of the obligations set out in environmental decisions. Compliance is verified by regular local environmental audits and Group-level environmental audits.

In the R&D area, Selena Group was an active partner of the Horizons 2020 Programme, whose one of the main goals is to contribute to the protection of natural environment.

To drive its production growth, Selena Group uses only certified raw materials. In addition, Selena Group’s factories operate special programs designed to save energy and reduce carbon emissions and waste.

In terms of products, Selena Group not only cares about expanding the range of its products, but also focuses on innovation. An example is the continuous development of the COOL-R® technology, which helps reduce roof temperature by nearly 70%, which in turn contributes to the reduction of carbon dioxide emissions to the atmosphere, as no cooling installation is needed. Another example is the innovative Tytan WINS warm window installation system, which has been expanded with new products. In 2023, Green Low-Ex polyurethane foam with 30% MDI of natural origin was developed and put on the market.

1.4.2. Social/ employment aspects

At present, no major employment downsizing is planned at the Group level. However, due to the noticeable reduction in the number of qualified employees, actions have been taken aimed at automation of production processes thus reducing the demand for workforce.

1.5. Market

Selena Group operates in the construction chemicals market and sells its products in nearly 100 local markets and on 5 continents. The construction chemicals market is sensitive to changes in the macro environment, i.e. legal, social and technological changes. Particularly important are changes in regulations regarding the use, collection and disposal of chemical products and waste as well as the expectations of customers. This is also important due to the size of Selena Group.

Therefore, Selena Group has specialized units responsible for ensuring efficient operations in the areas of R&D, chemical substances, ISO, labels and environmental management.

The Group’s current market comprises four main application segments:

- finishing and renovation works;
- windows & doors installation;
- waterproofing products;
- walls & facades, including ETICS (External Thermal Insulation Composite System).

The proposition addressed to professional contractors from these segments is based on products and systems from the following product categories:

- polyurethane foams and foam adhesives;
- adhesives and sealants;
- insulation systems;
- waterproofing systems.

1.6. Products and services

Selena Group executes orders from almost 100 countries. Such a large scale of the Group's operations results from the fact that at each stage of product development Selena Group guarantees innovative and competitive solutions that respond to specific needs of Users from different countries/ geographical regions. At the same time, these solutions are offered with adherence to the highest global standards, confirmed by awards and international quality certificates.

At present, Selena Group is one of the four largest producers of mounting foam in the world. The Group's portfolio includes a wide range of those products tailored to different customer needs and applications. The foams on offer include in particular:

- gun and straw foams;
- high-yield and low-pressure foams;
- summer, winter and multi-season foams;
- specialist foams.

In addition, Selena Group produces:

- foam adhesives;
- sealants;
- mounting and industrial adhesives and chemical anchors;
- floor systems;
- WINS window insulation and sealing systems;
- thermal insulation systems (ETICS);
- systems for finishing interior walls;
- systems for ceramic tiles;
- mortars;
- waterproofing materials;
- passive fire protection solutions;
- building accessories.

The Group's production range was expanded in 2023 to include new bitumen products through the acquisition of Imperialum, a trading and manufacturing company from Portugal.

Selena Group's products are catalogued according to the application segments (to make it easier for customers to choose between the products). The online version of the catalogue is available at <https://www.flipsnack.com/selenagroup/selena-group-product-catalogue/full-view.html>. It contains a detailed description of the products, with information on their technical parameters and application areas.

1.7. Competitive environment

Selena Group's competitive market can be divided into three groups:

- foams, adhesives and sealants — the main competitor group is large international/ global enterprises including such brands as Soudal, Bostik, Henkel and Mapei;
- insulation systems – competition depends to a large extent on local markets and enterprises selling their products in those markets; there is no clear competitor in the global market;

- waterproofing systems – as in the case of insulation systems, competition mainly exists in individual local markets, without a clear competitor in the global market.

As the Group has observed, there is a consolidation trend in the construction chemicals market.

1.8. Supply chain

Selena Group's activity covers all stages of product creation: from advanced research to production, distribution, marketing and sales worldwide. To achieve the right flexibility in the supply chain, Selena Group has the following units responsible for individual elements of the supply chain:

- Product Life Cycle Management (e.g. registration of basic product and counterparty data, and supervision over their correctness)
- S&OP (sales and distribution plans; order execution; control of deviations from the plan and budget; identification of risks related to the shortage of production capacity and raw materials)
- Customer Service (e.g. contact with customers, entering orders, building customer relations)
- Transport & Warehousing (including handling and delivery of transports to customers; customs services; handling of warehouse processes; supervision over transport and warehouses in the group)

Works is constantly under way on optimization of entire supply chains: from raw material suppliers to end customers. The changing prices of transport services and their availability represented the biggest challenge for the Group in 2023. Thanks to the intervention measures introduced, we were able to deliver products to our customers as expected.

2. Corporate Governance

2.1. The Group's management structure

The Group comprises 57 Polish and foreign companies (as at 31.12.2023) in 11 countries on 5 continents, including production plants located in 11 countries. The Group's headquarters, from which the entire international activity is managed, are located in Wrocław.

For management purposes, Selena Group has identified 7 reportable segments: Parent Company; Distribution in Poland; Production in Poland; Western Europe; Eastern Europe and Asia; Americas, and Others.

See Note 1.7.1 for a detailed structure of the individual segments, and Note 2.1 to the consolidated Management Report for 2023 for a share in sales of the individual segments in the Group sales.

2.2. Instruments supporting effective management

Effective management in Selena Group is ensured by high-class managerial personnel. To facilitate their work, Selena Group has an Objectives and Performance Management System for Managers, whose overarching goal is to ensure a high level of motivation of managers. This system is covered by the *Rules for Objectives and Performance Management System for Management Personnel*, which lays down the principles of bringing managerial personnel together around joint implementation of the Selena Group strategy, communication and dissemination of the Group's long-term business goals; creating a favorable environment for joint goal-setting and objectives and performance management; the process of managing goals and results and the system of bonuses for management personnel. Bonuses for management personnel are linked to the IES index (Group/Company/Unit Efficiency Index) and achievement of individual MBO objectives. The MBO scheme for management personnel is subject to annual analysis aimed at verifying its effectiveness and adapting it to the organization's external conditions.

In addition to the above Rules, the Group has *Rules for the system of performance management and granting bonuses to specialists at Selena Group's headquarters*. The purpose of these Rules is to motivate people by granting additional benefits to those who achieve their objectives, designated as IES. The objectives and degree of their achievement are measured and recorded using a dedicated HR tool – a corporate platform – in the

objectives management module. Such a solution contributes to ensuring transparency, greater objectivity, as well as the possibility of comparing the employee's development with previous periods.

In 2023, Selena Group again carried out a formalized performance evaluation process covering all employees of Selena Group. The purpose of the process is to evaluate employee performance and to give them feedback to help their further development.

The variability of the business environment and the increasing customer requirements force Selena's production plants to maintain high flexibility combined with high quality products. To cope with this challenge, the management system at the Selena Group plants is based on a process approach with embedded risk analysis and assessment. The correct implementation and, above all, the effectiveness of the management system is confirmed by the ISO 9001:2015 certification. In addition, it should be emphasized that some of the Group's production plants have implemented and maintain an integrated system that takes into account aspects of occupational health, safety and environmental management.

2.3. Information management at Selena Group

As a listed company, Selena FM S.A. is required to comply with certain rules in communicating with various stakeholder groups, including regulatory and supervisory institutions and market organizers (KFN, Warsaw Stock Exchange) and Investors. It is a priority for Selena Group as an entity listed on the Warsaw Stock Exchange to operate an active and transparent information policy based on the following principles:

- **transparency** – as required by law, on its corporate website www.selena.com the company publishes, in the form of current and financial reports, all legally required information as well as stock exchange quotations, terms of reference of the governing bodies of the parent company, information about upcoming general meetings, events and news;
- **reliability** – business-related content is prepared using reliable information based on public data;
- **equal access** – all interested entities have access to public information, published by the company on, e.g. its corporate website at www.selena.com, in the dedicated Investor Relations tab;
- **credibility** – the company provides reliable information on events which are important for the organization and engages in regular communication through media that are key for the company. The company ensures that its employees, as experts, take part in industry and economic events, conferences and forums. Such credible communications have an influence on the company's share price;
- **quality care** – Selena makes sure that its communications (current and financial reports, press releases, stock quotes) contain high-quality content and information.

Selena Group's information policy is focused on protecting and respecting the Group's stakeholders. For this reason, Selena Group also follows the principles enshrined in Best Practice of GPW Listed Companies 2021 – a statement of the Company's compliance with the Best Practice can be found at: <https://selena.com/relacje-inwestorskie/lad-korporacyjny>.

In addition, to ensure correct implementation of the information policy, information about the Group is verified in terms of compliance with the requirements relating to inside information within the meaning of Article 7 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("MAR").

2.4. Internal Control System

The Group's Internal Control System is based on the *Policy on the Internal Control System in Selena Group* and the *Procedure of Internal Control in Selena Group*. The system consists of functional control and institutional control. Functional control concerns all the aspects of Selena Group's operations and is carried out on an ongoing basis by each employee in relation to their respective activities and by employees responsible for supervising identified operations. This type of control also includes control performed by expert units which supervise individual areas of the Group: compliance, health and safety, taxes, etc. (1st and 2nd line of defense). The controls were developed

taking into account the risks observed in each Company. Risks are identified and regularly assessed by the companies within the Group. Institutional control is carried out by the Audit Department based on the Annual Internal Audit Plan (3rd line of defense). The system has been designed in a way to ensure its regular assessment according to the COSO model. The system includes:

- procedures, instructions and practices supporting workers in effective and abuse-free performance of duties, which create a “control environment”;
- risk identification, assessment, classification and management mechanisms were implemented both at the level of individual companies in the Group and at the Company;
- control activities in the form of standard control activities carried out by all companies in the Group, as well as customized mechanisms adapted to individual markets, the performance of which is confirmed by regular reports submitted to the Company;
- information and communication circulation mechanisms, starting from standard reports on performed control activities, through a standardized form of reporting results, to the Selena Group’s Risk Response Procedure, which defines the procedure to be followed in the event of identification of fraud and critical risk materialization at the Group level;
- monitoring, in the form of a standard risk review, of the status of the implementation of control activities and implementation of remedial programs.

The Internal Control System is subject to an annual assessment by the Company’s Management Board and the Audit Department, and the opinion is provided to the Audit Committee of the Supervisory Board.

In order to support compliance with law, internal policies, procedures and business ethics, the Group implemented the Procedure of Internal Audit in Selena Group. The Procedure applies to all areas of the Group’s operations and to all personnel and is in addition to the Internal Audit Charter.

3. Social/ employee and environmental risk management

3.1. Business Continuity Management System (BCMS) of Selena Group

In 2020, the Group introduced the Crisis and Continuity Management Plan. In the first step, it was implemented at all Polish companies. In 2021, the Group continued development of its business continuity procedures, as it set up two contingency plans (for key foreign production plants in Spain and Turkey). In line with the system development plan, refresher training was carried out and exercises were conducted to test the operation of the BCMS.

The main goal of the BCMS is to:

- protect the life and health of employees, agents and guests of Selena Group units;
- ensure appropriate response to a crisis, and take appropriate decisions and actions;
- restore critical processes within the shortest possible time; prepare the Group’s companies and production plants for longer interruptions in operation, caused by internal and external factors that are beyond their control and that are characterized by low likelihood and serious adverse impact;
- minimize losses and adverse effects of a crisis.

The occurrence of an event resulting in the disruption of critical processes at Selena Group companies may result in the limitation of activities by stopping/ limiting the implementation of individual functions. The main response decisions, including with regard to the scope of activities of units in emergency mode, are taken – depending on the severity of the situation – by local Response Teams or in consultation with the Central Response Team.

3.2. List of identified social or environmental risks

The significance of risks was determined using the risk management methodology at Selena Group. Based on the risk assessment applied, significant non-financial risks that may affect the Group’s operations include:

- In the area of natural environment:
 - force majeure:

- natural disasters, whose risk of occurrence has been mitigated at the stage of planning plant locations (e.g. elimination of hurricanes risk by siting plants in areas where there is a low risk of their occurrence) or at the plant design and construction stage (e.g. by raising the permitted load on roofs to mitigate the risk of collapse, e.g. due to heavy snow);
- non-natural events (e.g. power outages throughout the country or locally) – this risk is mitigated by having two power sources in key plants, or installing additional power generators, as well as by distributing the manufacture of product lines between at least two locations);
- soil and waste water pollution, which is minimized by rational waste management and cooperation with reliable waste collectors;
- noise, which is regularly reduced by introducing new equipment and installations, and where appropriate, by noise barriers;
- leakage of raw materials into soil and waters – minimized e.g. by having leakage trays at the place of unloading and storage of hazardous materials and through systems blocking rainwater drainage systems or through portable ecological pharmacies (sorbent sets) in places where there is a risk of leakage;
- fires and explosions – mitigated, among others by installing new and improving existing fire alarm systems and gas detection systems, as well as connecting them with visualization systems.
- Social area:
 - Damage to image resulting from ordinary activities – Selena Group has anti-crisis procedures in place under the Business Continuity Management System (BCMS) and is in the process of developing an anti-crisis policy. In cases that have the traces of crisis situations, a crisis management team is appointed, consisting of representatives of the management board, head of the board office, head of the legal department, and a representative of the corporate communication department cooperating with the PR agency. Coordinated actions are taken by the people involved, which ensure immediate response keep the crisis situation under control. To respond as quickly as possible to situations related to potential reputational damage, the corporate communication department – via the PR agency – carries out ongoing monitoring of the media.
 - sudden legal implications resulting from core operations – the Company has a legal department whose responsibilities include monitoring the legal environment. All significant legal changes which might affect the functioning of Group companies are subject to a detailed analysis, and actions are proposed to implement/ adapt the Group to new requirements. In addition, all issues related to legal risk are also addressed on an ongoing basis by the Company's Legal Department;
 - crisis resulting from a sudden deterioration of financial position – the Company has a specialized unit responsible for dealing with financial institutions and ongoing monitoring of the Group's financial position, and how it is impacted by the existing debt and security level.
 - serious defect of a product put on the market – Selena Group prevents this risk by implementing a quality management system in accordance with ISO 9001:2015. The system uses a process approach based on risk management. Effective implementation of system requirements allows risk to be identified and managed through integration with the organization's strategic direction (focus on meeting the expectations of both internal and external customers).
- Employee area:
 - plant or production line failure – in order to prevent potential failures, devices and installations used in production plants are subject to periodic reviews and overhauls, which significantly minimize the risk of failure. In addition, plants classified as facilities at high risk of a major industrial accident, have accident prevention programs in place, as required by SEVESO.
 - lack of raw materials needed to carry out core operations – Selena Group has a specialized unit for market monitoring in the area of key raw materials (defined based on demand and value). Arrangements are made with suppliers to guarantee raw material supply dates and prices, and all possible measures have been taken to avoid reliance on a single source of supply.
 - sudden increase in raw material prices – as above
 - sudden loss of suppliers – as above

To ensure best possible management of environmental risk, in addition to in-house specialists dealing with environmental protection, Selena Group companies constantly cooperate with specialized third parties.

In the human rights and anti-corruption areas, no risks have been identified that would significantly (in accordance with the adopted assessment methodology) affect the functioning of Selena Group.

3.2.1. Environmental risk management

Selena Group prevents the emergence of environmental risks already at the stage of choosing a place for its production activities. In consequence, virtually all the Group's production plants are located at a safe distance from valuable natural areas (also see point II section 5). In addition, in order to reduce the occurrence of environmental risk to the minimum, all the Group companies maintain constant production supervision, including monitoring the consumption of raw materials, installing new and improving existing fire warning systems and gas detectors, and carry out regular environmental checks and audits.

In 2023, 158 internal checks and audits were carried out at production plants. Furthermore, 11 external inspections were held by Environmental Protection Inspectors, and 11 inspections by fire brigade units.

The production plants of Orion PU Sp. z o.o., classified as plants at high risk plants of a major industrial accident, meet the highest environmental protection standards and hold the Integrated Management System Certificate (including for Environmental Management). The certified Environmental Management System is also held by Euro MGA plant in Romania.

To ensure best possible management of environmental risk, in addition to in-house specialists dealing with environmental protection, Selena Group companies constantly cooperate with specialized third parties.

In 2023, Selena Group did not experience any accidents or breaches in the scope of environmental risk. Likewise, no fines related to a breach of environmental regulations were imposed on any Group company.

3.2.2. Social/ employee risk management

In order to efficiently manage social/ employee risk, including with regard to the respect for human rights and counteracting corruption, a number of policies and procedures have been developed for Selena Group to govern the related issues.

Currently, the Group has a Selena Group's anti-corruption policy, which covers all employees and persons cooperating with the Group, and which regulates matters related to corruption and gift policy.

Another policy operated by the Group is inside information protection policy, which addresses issues related to ensuring security of information owned by Selena Group and applies to all employees and persons cooperating with the Group and all partners and stakeholders.

The Group also has a procedure for reporting breaches and dealing with cases related to the application of policies and security at Selena Group, which defines internal breaches, specifies escalation paths and lays down the rights of whistleblowers.

Issues related to competitive activity, conflicts of interest and responsibilities of Selena Group, as well as all employees and collaborators are governed by and defined in the document: Guidelines for implementation and operation of security policies in Selena Group and the Policy on non-competition and conflicts of interest.

These documents comprehensively regulate both guidelines and procedural issues related to identifying, monitoring, preventing and combating the related risks. The Group undertakes activities aimed at promoting behaviors consistent with the relevant policies and disseminating knowledge about their functioning using e-learning tools.

4. Ethics management

Selena Group undertook a number of steps to improve the quality of operations in the area of ethics management and to increase the awareness of both employees and entities cooperating with the Group:

- identification and assessment of awareness of compliance and ethical issues;
- operation of the Group's *Anti-corruption Policy*;
- operation of the Code of Conduct ("CoC") and the Code of Ethics, which regulates behaviors related to ethical issues.

Becoming familiar with the set of above documents is one of the key elements of the staff induction process, in which – in addition to training – the new employee also receives and is required to read those documents.

The CoC regulates employees' conduct in relation to the respect of the rights of personnel, suppliers and offtakers. It lays down details of behaviors understood as corruption and conflict of interest, as well as the measures of preventing their occurrence and possible consequences. The "CoC" also provides for the possibility of reporting any (identified) breaches of its provisions. The method of notifying breaches guarantees full anonymity and prevents negative consequences for whistleblowers.



Environmental area

III. Environmental area

1. General

When conducting its industrial activities, Selena Group is primarily focused on avoiding any damage to the natural environment. Therefore, we make sure that our activities comply with environmental protection laws, and its plants have all permits required for their business.

In 2022, the Group set up and published its Environmental Protection Policy and updated its EHS Road Map, a long-term plan to improve health & safety conditions and environmental protection at Selena Group companies.

Due to the diversification of the activities of individual Group companies, including distribution, production, management and research and development, no single system is or is planned to be in place related to the environmental impact of Group entities. At the same time, it should be noted that subsidiaries, in particular those conducting manufacturing activity, carry out their own respective environmental policies, including prevention of breaches and ongoing monitoring of environmental aspects.

In the next sections of this chapter, we present the most important indicators related to the functioning of Selena Group and environmental impact.

2. Direct and indirect impact: raw materials and materials

2.1. Rational use of raw materials and consumables

Selena Group consists of companies with a very diversified business profile and very diversified production, which leads to a major diversity of raw materials and consumables. The Group, however, makes sure that only proven raw materials are used in its production processes.

The raw materials used in the Selena Group do not come from renewable sources with the exception of MDI, which comes from renewable sources in 30%. Raw materials and the products manufactured using them are ISCC Plus certified.

No raw materials come from recycling.

3. Direct and indirect impact: fuel and energy

3.1. Energy in numbers

Total energy consumption	61,869,210 kWh
Energy consumption per unit of income	34.79 kWh

Total energy consumption is expressed as the sum of electricity from renewable and non-renewable sources, and heat energy.

The energy consumption per unit of income is calculated as the total energy consumption to the Group's total revenue expressed in PLN and multiplied by PLN 1,000.

3.2. Efficiency of fuel and energy consumption

The basic sources of energy for the Selena Group companies are electricity, natural gas and heating oil. Two Group companies: Selena Iberia SLU and Uniflex S.p.A. and trading companies: Selena Sulamericana and Selena Italia buy 100% of their energy from renewable sources. In addition, a project was completed to install a photovoltaic system on the roof of SIT Branch 3. Green energy consumption in 2023 was 2,845,047 kWh, which amounts to 22% of total energy consumption. The Group makes efforts to increase the use of energy from renewable sources and constantly minimise fuel and energy consumption through a gradual upgrade of the production plants. Selena

Group continues investments consisting in the installation of photovoltaic panels on the roofs of production plants in Poland. Those and other activities embody Selena's ambition to support the protection of the natural environment even better and have a real impact on reducing greenhouse gas emissions.

Selena Group also has an agreement with Tauron Polska Energia S.A. for the purchase of an EKO Biznes product that guarantees electricity from a low-emission source: high-efficiency cogeneration. In order to reduce electricity consumption, many companies have implemented LED lighting. In addition, awareness-raising training is provided to personnel in energy saving methods, e.g. people are reminded to switch off devices not used at a given moment.

4. Direct and indirect impact: water

4.1. Sources of water

At Selena Group companies water is obtained mainly from water supply systems. This is with the exception of EURO MGA Product SRL from Romania, which has its own groundwater intake.

At some Group companies water is used in closed circuits for cooling the production process, as referred to in Section 4.3.

4.2. Water in numbers

Water consumption	18,547.31 m ³
Water consumption per unit of income	0.01 m ³

The water consumption per unit of income is calculated as the total water consumption to the Group's total revenue expressed in PLN and multiplied by PLN 1,000.

4.3. Efficiency of water consumption

The water used at Izolacja Matizol Sp. z o.o. and Foshan Chinuri-Selena Chemical Co. o. is reused in closed circuits for cooling the production process.

5. Direct and indirect impact: biodiversity

Selena Group's production activities are conducted away from natural areas. In consequence, no special environmental monitoring is required.

6. Direct and indirect impact: carbon emissions

6.1 GHG emissions

Greenhouse gas emissions have been converted into a unit of CO₂ equivalent on the basis of data from the last three years, i.e. since the time they started to be monitored.

6.1.1 Direct GHG emissions in numbers

Group	Year
	2023
Direct GHG emissions	5,752,150 kg CO ₂ -e
Volume of direct emissions per unit of income	3.23 kg CO ₂ -e

Indirect emissions result from the consumption of electricity purchased by the Group based on contracts with suppliers.

The volume of GHG emissions was calculated as the product of the consumption of energy carriers based on meters or invoices and CO₂e emission factors from the KOBiZE methodology. The heat energy purchased by two units from the CHP plant was omitted due to the lack of data on the CO₂e emission factor for the CHP plant. The volume of indirect emissions per unit of income is calculated by dividing GHG emissions by the Group's total revenue expressed in PLN and multiplied by 1,000 PLN.

6.1.2 Indirect GHG emissions in numbers

Group	Year
	2023
Indirect GHG emissions	11,001,280 kg CO ₂ -e
Volume of indirect GHG emissions per unit of income	6.19 kg CO ₂ -e

Indirect emissions result from the consumption of electricity purchased by the Group based on contracts with suppliers.

The volume of GHG emissions was calculated as the product of the consumption of energy carriers based on meters or invoices and CO₂e emission factors from the KOBiZE methodology. The heat energy purchased by two units from the CHP plant was omitted due to the lack of data on the CO₂e emission factor for the CHP plant. The volume of indirect emissions per unit of income is calculated by dividing GHG emissions by the Group's total revenue expressed in PLN and multiplied by 1,000 PLN.

6.1.3 Rationalization of Greenhouse Gas (GHG) emissions

The Selena Group is constantly striving to reduce GHG emissions. An example of measures to reduce GHG emissions is the regular replacement of traditional lighting with energy-saving lighting, as well as the efforts to use renewable energy and reduce the amount of water and wastewater. In addition, recurring training is provided to personnel in energy saving methods, e.g. people are reminded to switch off devices not used at a given moment.

6.2. Emissions of nitrogen oxides, sulfur oxides and other significant atmospheric emissions in figures

Type of substance	Emissions volume
Carbon dioxide	17.744 Mg
NM VOC	2.710 Mg
Total dust	4.145 Mg
Hydrocarbons	8.686 Mg
Nitrogen oxides	0.503 Mg
Tar substances	0.177 Mg
Organic compounds	0.644 Mg
Other substances	4.858 Mg
Total	39.466 Mg

Amount of pollutants emitted into the atmosphere	39.466 Mg
Emission of pollutants into the atmosphere per unit of income	0.000009504 Mg

The emission of pollutants into the atmosphere per unit of income is calculated as the amount of pollutants emitted to the atmosphere in production plants to the Group's total revenue expressed in PLN and multiplied by PLN 1,000. The intensity of pollutant emissions into the atmosphere is the same as in 2022.

6.2.1. Efficiency of atmospheric emissions

In its activities, Selena Group is constantly striving to minimize pollutant emissions into the air. The measurements of pollutant emissions into the air, as carried out in the reporting period by the Group companies, do not show any limit breaches and are consistent with the decisions issued and the limits set in those decisions.

7. Direct and indirect impact: waste and wastewater

7.1. Wastewater in numbers - water discharge

Total volume of wastewater	22,137.96 m ³
Discharge of wastewater per unit of income	0.01 m ³

The emission of sewage per unit of income is calculated as the total amount of sewage to the Group's total revenue expressed in PLN and multiplied by PLN 1,000.

7.2. Efficiency in wastewater management

Selena Group makes every effort to ensure that the wastewater discharged to water meets all parameters required by applicable law. To this end, most of the Group companies carry out quality checks on the wastewater they discharge. Noteworthy is also the on-site sewage treatment plant at Selena Iberia SLU.

7.3. Waste by type and management method in numbers

Waste management method	Weight of non-hazardous waste	Weight of hazardous waste
Reuse	1358.508 Mg	0.290 Mg
Recovery (including energy recovery)	293.63 Mg	276.426 Mg
Recycling	13,118.632 Mg	160.051 Mg
Stored in landfills	1,448.878 Mg	96.827 Mg
Combustion	7.050 Mg	84.336 Mg
Other	109.566 Mg	47.391 Mg
Total	16,336.26 Mg	665.32 Mg

* includes municipal waste

Emission of hazardous waste per unit of income	0.00016 Mg
Emission of non-hazardous waste per unit of income	0.0039 Mg

Hazardous waste produced per unit of income is calculated as the weight of hazardous waste generated to the Group's total revenue expressed in EUR and multiplied by 1,000 EUR.

Non-hazardous waste produced per unit of income is calculated as the weight of non-hazardous waste generated to the Group's total revenue expressed in EUR and multiplied by 1,000 EUR.

7.4. Efficiency in waste management

Selena Group companies undertake regular measures to minimize the amount of waste, including through procedures for checking raw materials, semi-finished products and products as well as constant supervision over the production process.

A good example of an idea aimed, inter alia, at reducing the amount of plastic waste (but also at building awareness about waste management) is the initiative introduced by most production and trading companies to buy water dispensers instead of bottled water. In addition, the Company installed filters in the taps, which made tap water fit for drinking directly – this helped completely eliminate plastic bottles.

In order to mix the volume of waste, as a good practice, selected companies of Selena Group promote: sending correspondence by email instead of traditional letters; giving up paper invoices for utilities and services in favor of

electronic documents, double-sided printing and re-use of paper printed on one side. In 2021, the Group implemented a procedure for municipal waste management and increased the intensity of employee training, which helped improve waste segregation processes at most Group companies. Waste is segregated by dividing it into municipal and production waste, in accordance with the local legislation.

Subsidiaries ensure that all waste is transferred to authorized third parties which hold relevant permits. Recycling is the key treatment method for industrial waste.

Solutions are being sought to ensure waste can be reused in own production processes.

8. Other aspects of direct and indirect environmental impact

8.1. Direct and indirect impact: noise

The activities of Selena Group's production plants substantially do not cause noise emissions. Most production plants are located outside residential areas, in particular in economic zones and industrial areas. The exception is the EURO MGA Product SRL production plant, which, despite being located in an industrial zone, has residential houses in the immediate vicinity – to reduce noise, appropriate acoustic screens were installed and regular noise measurements are taken there.

9. Extended environmental responsibility: products and services

9.1. Disposal of Selena Group's products purchased by customers

Selena Group's responsibility for its products does not end with their manufacturing and marketing. In practice, this means that every effort is made to place necessary information on products about their correct and safe use and the method of their segregation. To this end, as regards product labelling, all Selena Group companies comply with Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures.

In addition, the Group continues the project to introduce the correct labeling of product packaging to comply with Directive 94/62/EC of the European Parliament and of the Council on packaging and packaging waste and European Commission Regulation 97/129/EC. The labelling applies not only to unit packaging, but also to transport and collective packaging. The aim of the project is to facilitate the correct segregation of waste originating from our products used by consumers.

9.2. Introducing packaged products

At Selena Group, packaged products put on the market are monitored in terms of legal requirements in order to maintain appropriate levels of recovery and recycling of packaging. Group companies meet their packaging-related obligations in accordance with local legal requirements. Polish companies fulfill this obligation through agreements with waste recovery organizations and with relevant institutions in the case of hazardous substance packaging.

9.3. Packaged products put on the domestic market - in numbers

The number of packaged products marketed in 2023	239,249 Mg
Packaged products per unit of revenue	0.13 Mg

The number of packaged products put on the domestic market includes the quantity of packaged products sold and the imports of production inputs.

Packaged products put on the domestic market per unit of revenue are calculated as the weight of hazardous waste generated to the Group's total revenue expressed in PLN and multiplied by PLN 1,000.

10. Compliance

A total of 11 audits by the Inspection for Environmental Protection took place in the reporting period at the companies from Selena Group. No financial penalties or non-financial sanctions were imposed on Selena Group companies for non-compliance with environmental protection regulations.

In order to ensure compliance, internal inspections are carried out at most production plants. The findings are reported, and each irregularity is covered by corrective and preventive measures.

11. Complaint mechanisms regarding environmental issues

In the reporting period, the Selena Group companies did not receive any complaints regarding environmental impact under formal complaint mechanisms arising from law. Likewise, we have not received any complaints from local authorities in the locations where the Group operates.



Social and employee area

IV. SOCIAL AND EMPLOYEE AREA

1. Use of public aid and public procurement

1.1. Public aid used by Group companies

In 2023, in Poland, Selena Group received public aid within the meaning of Article 107 of the Treaty on the Functioning of the European Union. The public aid was provided in the form of grants.

In Poland, Selena Industrial Technologies Sp. z o.o. was the beneficiary of public aid. In 2023, the company received the last tranche of the grant for successful completion, settlement and approval of the project financed by the EU (RPO WD 2014-2020) entitled “Research into ultra-modern polyurethane foams and foam adhesives in 1K and 2K systems using nanotechnology” (Ultra project). In respect of the grant, the Company recognized revenue of PLN 53,516 thousand.

1.2. Selena Group’s participation in public procurement

Companies from Selena Group did not participate in any public procurement proceedings, placing no bids in any public tenders.

2. Employment and salaries

2.1. Selena Group's HR management strategies

Employees are the key capital of Selena Group. Without their commitment, professionalism and integrity, Selena Group would have never been so successful in the construction chemicals market. For this reason, one of the Group’s main goals is to build good relations with employees and primarily to create such working conditions for them in which employees:

- will receive equal treatment – regardless of sex, religion, views, origin, disabilities or form of employment;
- will have safe working conditions;
- will be able to improve their skills and develop.

2.2. Recruitment policy

The Group has been building good relations with current and future employees across the organization since the very beginning. Selena Group wants to ensure that its employees know right at the recruitment stage that the company will not discriminate anybody for their age, sex, beliefs, religion or education, and that knowledge, competencies and professional experience are the key criteria considered when hiring or promoting people. In order to ensure the effectiveness and transparency of the process, both HR and managers (at various levels) participate in recruitment.

Transparency of the recruitment process is supported by the Career website section: <http://www.selena.com/pl/kariera>, where all persons interested in working with Selena Group can find information on current vacancies, requirements and general recruitment rules. Additional information about the Selena Group as an employer is also provided by the company's profile published on the largest job posting portal in Poland.

2.3. Employment in Selena Group - statistical data

2.3.1. Employment number

Selena Group had 1,770 employees (as at 31 December 2023).

2.3.2. Form of employment

Selena Group values stability in the employee–employer relations, which is why the firm virtually does not use outsourcing. In addition, a vast majority of employees are employed on the basis of employment contracts.

2.3.3. Employment of the disabled

In the construction chemicals industry, it is very difficult to adapt working conditions to the needs of disabled people. Consequently, only a small percentage of the disabled can find employment there. Nevertheless, Selena Group tries to create jobs that will be suitable for people with disabilities.

In 2023, 0 disabled people worked with at Group companies.

2.3.4. Employment of young parents

Selena Group fosters a friendly work environment for (future) young parents. In cooperation with employees – (future) parents, Group companies supervise compliance with the standards set by the Labor Code (and relevant labor-related regulations applicable at foreign affiliates), and maternity, paternity and parental leaves are granted as and when appropriate. In addition, women are encouraged to return to work after maternity leave.

2.4. Salaries at Selena Group

2.4.1. Remuneration policy

The individual companies of Selena Group employ people with a very wide range of qualifications. Despite the lack of a uniform remuneration policy for all its companies, Selena Group uses tools that ensure annual verification of remuneration so that it fits in with the employees' scope of responsibility and is competitive in the specified market. To this end, Selena Group makes a reference to current payroll reports from leading suppliers in the market.

Remuneration matters are regulated separately for each company. Depending on the headcount number in individual companies, remuneration is regulated by remuneration rules and in employment contracts or only in employment contracts. With such a solution, individual Group companies can comprehensively shape their respective remuneration principles and adapt them to the profile of their operations.

2.4.2. Fringe benefits

Selena Group provides a wide range of benefits to its employees. The benefits are primarily designed to cater to the key needs of the Group employees. In addition, they are also designed to motivate employees to work diligently.

In the reporting period, all employees:

- at the Group's production companies established in Poland benefited from medical care at LUX Med;
- at other companies, employees are covered by the Medcover package.

In addition, at most companies based in Poland, employees have access to:

- the Multisport sports pass;
- group insurance from PZU;
- foreign language courses;
- subsidies to trainings, undergraduate, graduate, postgraduate studies;
- subsidies to housing costs or commuting;
- Santa Claus gifts for employees' children;
- gift cards for employees.

Foreign affiliates of Selena Group operate an independent policy of fringe benefits – there are no Group-wide guidelines in this respect.

2.5. Results of application of HR management policies

The activities carried out by Selena Group companies seek to ensure stability in the field of employment. The data for individual companies show that in 2023 employment was terminated by 17% people employed on the basis of employment contracts.

3. Industrial relations and freedom of association

3.1. Relations between the Group authorities and employees

In its relations with employees, Selena Group focuses primarily on an open dialogue, which takes place, e.g. as part of communication meetings, during which technical, process, health and safety and other vital issues relating to individual companies are discussed. To encourage employees to deal with such difficult subjects such as protection of inside information, competition ban, conflicts of interest or corruption prevention, Selena Group operates a Security Policy, which includes: *Selena Group's Anti-Corruption Policy, Selena Group's policy on the protection of inside information, Procedure for reporting breaches and dealing with cases related to the application of the Security Policy in Selena Group, Guidelines for implementation and operation of security policies in Selena Group and the Policy on non-competition and conflicts of interest and IT Rules.*

The documents specify, for example, behavior standards, monitoring of breaches, procedures for reporting breaches, prohibition of retaliation, preventive measures and consequences of breaches.

3.2. Freedom of association and the right to conduct collective disputes

Selena Group fully respects one of the most basic human freedoms: the right to form and join associations. Hence, as regards the objectives employees wish to pursue jointly, no obstacles are created to their right to form and join associations, foundations or trade unions. Five trade union organizations operate in Selena Group.

3.3. Dialogue with employees

As regards employment matters, individual companies of Selena consult and engage in discussions with trade unions in the first place. On the other hand, at the companies where employees have not formed any trade unions, a representative of employees is selected to hold discussions with the management.

3.4. Results of application of employee relations policies

Selena Group's statistics show that the dialogue strategy chosen by the Group in its dealings with employees helps prevent disputes between the employer and employees. No collective disputes with the employer took place in Selena Group.

4. Occupational Health & Safety

4.1. The Group's approach to managing health and safety

Providing a safe and hygienic work environment is one of the priorities for Selena Group.

In 2022, Selena updated its Group Health & Safety Policy, and updated its EHS goals and directions (Road Map), a long-term plan to improve health & safety conditions and environmental protection at the Group companies. When updating the EHS Road Map, account is taken of the accident rate, implemented activities and programs planned, the purpose of which is to raise employees' awareness and ensure continuous improvement in the health and safety area.

Since 2020, the Group has had an observation program implemented for each production plant, designed to report hazardous conditions and behaviors. The program applies to all employees and its aim is to eliminate potential threats and increase employees' safety awareness.

In order to increase employee awareness, an awareness training program for senior and middle management, launched in 2020, is continued. In 2020, under the program, top and middle management employees were trained, and in 2021 the program was extended to include shop-floor employees.

Since 2020, cyclical thematic trainings and webinars have also been organized to familiarize employees with health and safety issues and increase their involvement in improving safety on plant premises. The actions were continued in 2023.

As part of Group activities, a uniform chemical substance management procedure was implemented at all production plants of the Group, and at Polish plants the management of this area was standardized by means of a single application. The application allowed the plants to switch to electronic registers of hazardous substances. Now standardized chemical risk assessment sheets and summary safety data sheets are available for all substances.

In addition to the annual group activities, the Group companies implemented their own local programs, and technical and process solutions designed to keep the number of accidents down and to increase safety at each Group company.

The most important of these include:

- webinars and training sessions on safety at work, environmental protection aimed at raising staff awareness;
- modernization and adaptation of machines to improve user safety;
- elimination of dangerous cutting tools and replacing them with safe knives at all production plants;
- introducing a system for reporting solutions by employees aimed at improving safety at the plant;
- setting up response groups.

4.2. Self checks

In order to ensure compliance with health and safety rules and requirements, internal Group audits are regularly carried out at individual Group companies. The findings are reported, and each irregularity is covered by corrective and preventive measures. At most production plants, such internal health & safety checks take place at least once a month, and very often they are also extended to include fire and environmental issues. These checks are conducted by Health & Safety and Fire Specialists employed locally in individual companies.

Foreign production plants are steadily being involved in long-term plans to improve health & safety and environmental protection conditions through a greater number of global activities and programs.

The number of employees at any of the companies does not exceed 250 employees, so none of the production plants is legally required to establish a health & safety committee, so formally no such meetings take place.

4.3. Work conditions

Selena Group strives to create for its employees a work environment that will not in any way threaten their lives or health, including by annual investments to improve production processes in the plants, as well as by numerous improvements proposed directly by employees (Kaizen), as well as the above-mentioned health & safety observation program.

In 2023, the Group improved its procedure to harmonize the method of conducting internal checks in the areas of warehouses and internal traffic. As part of the procedure, sign posts were installed at the Group's plants to inform staff about proper inspection of forklifts and warehouse racks.

In 2023, the Group also continued the implementation of a group-wide procedure aimed at establishing First Response Groups at all companies to ensure a professional and quick response in the event of the need to provide assistance or organize an evacuation.

The work environment is regularly measured and the results show that the actions taken in individual plants ensure hygienic work conditions for staff. At most Selena Group companies, employees do not work in conditions in which the maximum admissible concentrations (NDS) or maximum permissible intensities (NDN) are exceeded. At one plant, some employees work in conditions in which the maximum admissible concentrations of chemicals are exceeded and slight noise limit excesses were recorded (currently employees are provided with appropriate personal protective equipment). Currently, solutions are being developed to reduce the noise level and the concentration of chemical agents.

In 2023, no suspected occupational diseases were reported across the Group.

Selena Group reestablished cooperation with the Central Work Safety Institute – National Research Institute (CIOP-PIB) as the official partner of the Polish edition of the international campaign of the European Agency for Safety and Health at Work (EU-OSHA). In addition, Selena also became the official partner of EU-OSHA in this campaign on a European scale.

In 2023, Selena Group continued its cooperation with the Wrocław University of Environmental and Life Sciences, involving the mutual exchange of knowledge and experience in occupational health and safety. As part of the cooperation, employees and students from the University carried out ergonomic audits at all Polish plants of the Group, analyzing the workload of employees at selected worksites. As part of the cooperation, senior students of the University had the opportunity to visit the Group's production plants. In addition, Selena's health & safety specialists share their experiences during lectures on health & safety during lectures at the University on issues related to safe work in the chemical industry, occupational risk assessment, the use of personal protective equipment and innovations in the field of health & safety.

4.4. Results of application of health & safety policies

In 2023, a total of 14 accidents at work were observed at Selena Group, up vs 2022, when 10 accidents were reported. In addition, two accidents were observed that did not result in the injured persons' absence from work.

All the accidents were subject to a local analysis to identify root causes. Lessons learned were identified and then disseminated in other companies to eliminate similar events in other locations. As part of a structured process, all employees receive information about the circumstances and causes of accidents, and about the actions they need to take to avoid a similar event in the future.

In addition, one-point lessons (GLLs) were conducted in 2023 for all managers of Selena Group units to present the circumstances of serious accidents and near misses. The managers were then asked to follow up on the recommendations presented during the sessions.

The number of accidents and key occupational health and safety indicators for employees of Selena Group in 2023	
Accidents/ indicators	Selena Group
Total number of all accidents at work	16
Accidents at work resulting in employee absence	14
Accidents at work not resulting in employee absence	0
Fatal accidents	0
Serious accidents	0
Light accidents	16
Accidents of external company employees	1
Accidents on the way to/from work	0
Days of incapacity for work	210
Accident rate by work time (per 200,000 hours)	1.75
Accident rate by number of employees (calculated per 100 employees)	1.8
Accident severity rate (the number of days on sick leave due to accidents to the number of accidents resulting in absence)	15

In order to ensure a steady improvement of work conditions, Selena Group continuously makes sure that the necessary measures are implemented to improve safety in the individual work areas. The most common corrective actions are:

- inspecting the technical condition of machines and installation of additional security features
- replacing and purchasing new transport equipment (forklifts and pallet trucks)
- extending and updating the requirements re Personal Protective Equipment
- robotization of work areas;
- group activities as part of the lessons learned following accidents.

5. Development and education

5.1. Staff training and development - general information

Selena Group makes every effort to ensure that its employees regularly improve their skills and qualifications. Therefore, training and development programs are implemented at each of the Group's companies. Due to the very diverse business profile of the Group companies, training provided varies and is adapted to needs of individual companies.

Importantly, Selena Group makes sure that every employee has equal access to training. In practice, this means that factors such as age, job position, sex or the form of employment do not affect the availability of training in any way.

The Group has an e-learning platform that is available to all Selena Group employees. Thanks to this tool, it is possible to provide various employee groups with training tailored to their needs and accessible at a time that is convenient for them. This platform is gradually enhanced with new e-training courses.

5.2. Types of training held

Constant development is key to the success of an organization. This issue is particularly vital in relation to the employees of Selena Group. Moving forward, the development of their competencies is a priority. For this reason, the Group is launching a range of programs to increase knowledge and skills of key Selena managers. The range of training provided within the Group is very diverse. The Group companies conduct many trainings that improve both hard and soft skills. Planning training and creating employee development plans is embedded in the annual employee performance review process.

2023 saw the end of the Selena Leadership Development Program (SLDP), which was delivered by the top ranked European university: IESE - Business School, University of Navarra. The program participants received solid training in general business management with a strong focus on: marketing, sales, project management, and leadership skills development.

Additionally, 2023 saw the end of the development program, carried out in cooperation with ICAN Institute and addressed to a group of 150 middle-level specialists and managers. The aim of the program was to increase the knowledge and skills in the area of planning, team management, communication and change management, among other things.

5.3. Development support

Employees who wish to expand their knowledge outside the workplace can apply for financing to external courses or to language courses or studies. It is common practice at Selena FM S.A., Selena S.A., Selena Marketing International Sp. z o.o., Selena Industrail Technologies Sp. z o.o., Selena Industrial Technologies Sp. z o.o. Branch 1 and Selena Industrial Technologies Sp. z o.o. Branch 2 to conclude training agreements with employees. These agreements lay down the terms of financing selected for the types of studies selected by an employee (undergraduate, graduate, postgraduate, MBA studies) or courses (e.g. language courses).

The financing is based on an request submitted by the employee to the personnel department. The cost of development training (both involving hard skills and soft skills) is fully covered by the employer. Studies are co-financed in 50% to 100% depending on the case. Financing is approved on the basis of the consent from the line manager, the personnel department and the CFO.

The Group does not have general rules for financing training and education given significant differences resulting from geographical factors and the profile of operations of individual companies (production, distribution, administration).

Language training is aimed at raising the level of communication with countries within the Group's perimeter. In the reporting year, classes were conducted on the Company's premises (9 locations) in English, Spanish and Russian. More than 150 employees and collaborators participate in the programme.

5.4. Performance reviews

Employee performance reviews at Selena Group are carried out on the basis of a global procedure applicable to all Group companies. Evaluation is made by the employee's line manager, following the employee's self-assessment.

The organization has an annual MBO system (for managers and directors) and a quarterly process (for specialists), which is the basis for performance evaluation.

6. Diversity management

6.1. Selena Group's diversity management strategies

Diversity and openness are fundamental values of Selena Group and have a major impact on its development. The values are reflected in the Group's strategy, one of its pillars being the principle of respecting diversity in all the Group's activities. Since the very beginning, one of the main success factors at Selena Group has been diversity and the resulting work in international, interdisciplinary teams that have various work experience in different markets and teams composed of different personalities. Accordingly, it has always been the Group's priority to provide such working conditions in which employees will feel that diversity is the Group's driver and a source of synergies rather than an obstacle in achieving global objectives.

The most important values lived by Selena Group include:

- creating a friendly work environment;
- providing a sense of security and acceptance;
- remunerating for work, not views;
- ensuring equal access to employee benefits;
- respect for the family;
- responsibility and proactivity.

6.2. The principle of respecting diversity at the recruitment stage

The principle of respecting diversity is applied already at the recruitment stage. When recruiting employees, companies primarily focus on the knowledge, competencies and experience of candidates. Recruitment results are not influenced by such factors as: age, sex, race, nationality, ethnicity, sexual orientation, health, family status, trade union membership, political opinions or religious beliefs.

6.3. The principle of respecting diversity in the workplace

In order to provide the employees of Selena Group with a work environment characterized by mutual respect and understanding, individual companies have developed their guides on equal treatment in employment and anti-bullying procedures. As the guides and their related procedures are adapted to the specific nature of individual companies, they help effectively prevent such negative behaviors as bullying, discrimination or sexual harassment.

6.4. The principle of equal access to earnings, benefits, development, training and promotion

The rules for access to benefits, development initiatives, training courses and promotions are clear, transparent and accessible to all employees of Selena Group. The Group companies attach great importance to the fact that the criteria used for granting all kinds of benefits are transparent, objective and non-discriminatory.

6.5. The Group's diversity support measures

As part of supporting diversity, the Group employs persons who are in the course of serving a prison sentence. At three production plants in Lower Silesia, 26 people provided service under a contract with the Detention Centre.

6.6. Results of respecting diversity

As a result of the Group's diversity management strategy, we have managed to create jobs in which employees feel that diversity is their strength rather than weakness. In addition, the lack of tolerance for any behaviors which in any way threaten diversity is another factor contributing to a safer work environment. In 2023, no cases of discrimination, bullying or sexual harassment were reported in Selena Group.

7. Human rights

7.1. Human rights -- the strategy followed and the results of compliance

Selena Group makes every effort to ensure that its actions do not undermine the respect of fundamental rights and freedoms guaranteed by such legal acts as the UN's Universal Declaration of Human Rights, the European Convention on Human Rights or the Constitution of the Republic of Poland. Aspects of the respect for human rights are included in the policies and guidelines applicable to the whole Group, including: The Anti-Corruption Policy, the Procedure for reporting breaches and dealing with cases related to the application of the Security Policy in Selena Group, the Code of Conduct, and the regulations adopted by individual Group companies. For example, the parent company has implemented Detailed procedure for the prevention of bullying at Selena FM S.A., Work Regulations at Selena FM S.A. and Remuneration Regulations at Selena FM S.A.

As a result of the Group's strategy, no human rights violations were reported in the reporting period.

7.2. Child labour - the strategy adopted and the results of compliance with the laws banning child labour

Selena Group has no tolerance for the exploitation of children. All Group companies ensure that their actions are consistent with the applicable laws that protect children's rights, especially the Convention on the Rights of the Child. Selena Group does not employ adolescents.

Due to the stringent compliance with the ban on child labour, no such cases were reported by any Group company in the reporting period.

7.3. Forced labour - the strategy adopted and the results of compliance with the laws banning forced labour

Partnership and open dialogue are the values by which the Group is guided in its relations with employees. Accordingly, each employment relationship is established on a voluntary and paid basis. This is reflected in the work and remuneration regulations adopted by the Group companies.

Due to the stringent compliance with the ban on forced labour, no such cases were reported by any Group company in 2023.

8. Local communities and social commitment

8.1. Impact on the social environment

Selena Group has its roots in Lower Silesia. This is also the region of origin of the firm's main shareholder and founder Krzysztof Domarecki. It was in Lower Silesia that in early 1990s, the company started its distribution, production and R&D activity. To date, a significant part of the Group's companies are based in the Lower Silesia province. Currently, Wrocław, the capital city of Lower Silesia, is home both to the company's headquarters and to the Group's Polish distribution company Selena S.A. Also, five production plants and a central R&D centre operate in the province (as at 31.12.2023):

- Carina in Siechnice;
- Libra and Orion in Dzierżoniów;
- Orion in Nowa Ruda;
- Tytan EOS in Lubin;
- Selena Labs – R&D center in Dzierżoniów.

In its activities Selena Group has always emphasized the fact that it was founded in Poland in Lower Silesia. By creating attractive jobs, it employs highly qualified specialists and experts from various fields (from production to logistics, marketing, finance to business) and increases the level of innovation in the province, contributing to the development of the economy on a local and national scale.

Responsible development is a very important feature of Selena Group's business, which builds positive relations with the local community and makes sure that its projects are not burdensome for residents or the natural environment.

Selena Group, together with a team of its research and development experts at SIT Branch 3, became the first Polish company and a leader of a "green" project in an international consortium of the Horizon 2020 programme. The project is part of Horizon 2020, the largest research and innovation funding program in the history of the European Union. Its budget is nearly EUR 80 billion. As part of this programme, SIT Branch 3 received a task to develop and implement a system of polyurethane foams and foam adhesives with advanced insulation properties. In addition, SIT Branch 3 participated in the BioMotive project, which was designed to pave the ground towards the production and subsequent sale of components based on biorenewable raw materials. Given the ground-breaking nature of the project, the bioplastics will be produced from non-crop plants.

Green products from the Lower Silesia will be sold on all continents, on about 100 different markets. Selena Group also hopes that in the future, bioplastics will also be used in other industries, for example to produce lighter, less fuel-consuming (and therefore more environmentally friendly) cars.

Energy efficiency in construction is another challenge for Selena Group. The company continuously launches on global markets products that reduce heat losses in buildings, embodied carbon footprint and external noise, and which also increase the comfort of living in an apartment or a building. Selena also develops solutions which reduce the demand for energy – for both heating and cooling, and embodied energy. One of such solutions is the COOL-R® waterproofing roof coating (installed, for example, on the roof of the Brazilian Porto Alegre airport), which protects roofs in logistics centers and manufacturing plants against excessive absorption of heat from solar radiation. The COOL-R® solution generates energy savings on the cooling and heating energy. In Brazil, the roof's external temperature was reduced from 86.4°C to 34.5°C. Another example is the Low-Ex Green foam with a limited carbon footprint.

8.2. Results of social involvement

Selena Group's policy of supporting the development of Lower Silesia and the strong involvement of most Group companies in local, regional or national initiatives earn Selena the recognition of its partners, customers and the public, but also of regional authorities and cooperating institutions. Through its activities, the Group builds the image of a professional, socially responsible partner, as well as an employer that enables international careers.

Thanks to its presence at conferences and industry events as well as through modern communication channels, including social media, Selena Group promotes its proprietary solutions and instructs its Users and potential clients how to use them, saving time and water, and showing the ease of application (e.g. in the case of foam adhesives). Technical marketing is one of the main elements of establishing relationships with contractors. Active and professional advice is a key element of the communication policy.

Selena's founder Krzysztof Domarecki is actively involved in various social and economic initiatives, as part of which he shares his rich experience as an entrepreneur and investor. Case studies presented by him, referring to the company's life and its founder's professional career, are a valuable training material for young aspiring businessmen, especially those who plan to go beyond the domestic market and strive for international success. In recognition of those actions, he was awarded the 2023 Key to Success accolade for the "Most Influential Figure in Promoting Lower Silesia". The jury stressed the total of Krzysztof Domarecki's accomplishments and, in particular, his actions towards fulfilling his public duties. In addition, he sits on the Polish Global Entrepreneurs Council (Selena being founding member), a new form of supporting Polish companies.

The Company enjoys confidence of consumers and expert communities, which is evidenced by the following awards received in 2023: An award of the Wrocław Mayor in the Socially Responsible Business category; the Most Innovative Company of the List 2000 ranking of *Rzeczpospolita*; the title of Best Managed Companies Poland (a programme organized by Deloitte); platinum ESG Innovator 2023 award in category E – "Environmental Innovation"; 4th place on the list of National Champions according to *Polityka Insight* and the Most Credible Company in the Polish Economy by ISBnews in the Company of the Year 2022 category.

Thanks to the active involvement of the company's employees, the local community lodged no complaints against the Group's activity in 2023.

9. Prevention of corruption

9.1. General

Fairness and integrity are among the key values of Selena Group. That is why the company will not condone any aspects of fraud, corruption or other types of financial irregularities. All the Selena Group companies are required to comply with law and internal regulations of the Group.

In order to increase the awareness of Selena Group employees and collaborators regarding activities indicative of corruption and counteracting such behaviors, during the onboarding process new employees are briefed on the Anti-Corruption Policy of Selena Group and sign a statement confirming that they have read, understood and agree to follow it.

9.2. Characteristics of the policy

The Anti-Corruption Policy lays down details of what is understood by corrupt behaviors and indicates a catalogue of banned behaviors. It discusses the issue of accepting and granting gifts and inducements. It also makes it clear that the employees who were direct witnesses of or have a justified suspicion of corruption being engaged in, are required to immediately report it in accordance with the Procedure for reporting and dealing with breaches. They are assured that they will not suffer any negative consequences for doing so. The system of reporting irregularities (corruption and all issues related to human resources) applies to the entire Selena Group. This area is coordinated by the Company's CFO, who has oversight over the entire system. Employees of the Group companies have the option to report any irregularities directly to the global coordinator or to the persons managing individual companies within the Group. Notifications can be made by email, letter or in person. Before starting work, all employees become acquainted with the rules applicable to the given area, and sign a statement that they have read, understood and agree to follow the rules.

Each employee has also been informed about the risks associated with corrupt behaviors. According to the Anti-Corruption Policy, its infringement can be treated as a gross violation of basic employee duties, which in turn may result in summary dismissal of the employee concerned. In turn, in relation to workers who are not employed under an employment contract, violation of the Anti-Corruption Policy may constitute the basis for immediate termination of their assignment. In addition, in order to strengthen ethical and compliant operations, both on the side of Selena and its cooperating entities, in 2019 the Group Procurement Policy was developed and implemented. The policy specifies the goals and activities in the area of procurement, including those related to reducing the risk of any corrupt situations or activities. Preparation also started to put together a list of risks and "emergency measures" as guidelines for buyers within the Group.

9.3. Dissemination of Anti-Corruption Policy

All personnel members of Selena Group are required to read, understand and agree to follow the Anti-Corruption Policy. However, if there are any doubts or ambiguities as to its contents, the employee should turn to the Policy Owner, i.e. the person designated to implement, monitor and ensure adherence to Policy at an individual company of Selena Group, or to their superior.

9.4. Results of application of the Anti-Corruption Policy

In 2023, the Company's application of the Anti-Corruption Policy was effective at counteracting corruption. No significant breaches of the Policy were observed during the reporting period.

10. Product and consumer safety

Selena Group's products have been popular with representatives of the construction industry for years because they are safe and of high quality. In order to maintain customer satisfaction and provide them with the highest possible level of safety, Selena Group has developed the Procedure for dealing with and documenting quality problems in Selena Group. In accordance with the procedure, if any irregularities related to products of individual Group companies are observed, the following actions are taken:

- **Define immediate protective measures** – in the event of a quality problem, the priority is to protect customers against the related effects. For this reason, before addressing the problem, employees first consider the need to take the potentially non-compliant product off the market.
- **Describe the problem** – for a solution to be effective, the problem should be well-identified first. Accordingly, once formed, the working group immediately proceeds to define the potential problem-causing factors, which

entails: description of the circumstances, as well as the location and time of identification of the problem, and its severity. A correct description of the problem is the starting point for further stages of the analysis.

- **Set up a working group** – next, a cross-functional team is established, composed of experienced employees who know the defective product well. As a rule, the team is set up separately for each Selena Group company. However, in the case of problems or complaints requiring cooperation of people from different companies, a cross-company team may be formed.
- **Define and implement temporary corrective measures** – in order to protect customers against continued effects of the problem until introduction of permanent corrective measures, working group employees apply temporary corrective measures. These include for example: introducing additional controls, stopping production, segregating products or informing customers about the identified problem.
- **Define the cause of the problem:** at this stage the team identifies the cause of the problem. In addition, in order to avoid similar mistakes in the future, the team also determines why the problem was not noticed at the time of its occurrence. When determining the cause of the problem, working group members use quality tools, such as risk analysis (FMEA), Ishikawa diagram, the 80/20 method or the 5 WHY method.
- **Define long-term corrective measures:** after a comprehensive diagnosis of the problem, the team develops several solutions to select the optimal one.
- **Implement long-term corrective measures:** at this stage, the persons appointed by the team first implement corrective measures and then check their effectiveness and efficiency.
- **Define and implement preventive measures:** in order to prevent the problem from reoccurring, the team determines preventive measures.
- **Assess and finalise actions:** having worked through the problem, the team members compare the “as is” state with the state in which the problem occurred. Next, the outcome of this comparison is reflected in a report, containing e.g. a description of the causes of the problem and temporary and long-term corrective measures.

11. Marketing communication

11.1. Marketing communication with Customers

Good communication with Clients is the basis for building good relationships with Users, and this is what Selena Group greatly focuses on. It is thanks to customers' opinions and comments that the Group can improve its products. For this reason, the Group develops an active communication with the Users of its products, systems and solutions. In the era of widespread digitalization and precarious pandemic situation in the world, the Group contacts its users both in a traditional, direct way, subject to safety rules that are appropriate at the given time and place, but also – to a large degree – through modern communication channels, including upgraded websites, social media (YouTube, LinkedIn, Facebook and Instagram) and online training.

Selena Group carries out regular studies designed to mitigate the risk attached to marketing decisions and based on those studies determines methods of communicating its brands. Selena also tests its products at every stage of their life cycle. We test both new products and those already existing in the market to check their quality on an ongoing basis, determine their carbon footprint and identify those whose formulations need to be corrected. We also implement environmental product declarations (EPDs) and their management policy, e.g. to improve product environmental performance and provide the market with the right data to design low-carbon buildings

One of the good practices applied by the Group to maintain partner relations with clients and to build its position of a consultant-expert is training courses organized by the Polish trading companies of Selena Group in cooperation with building wholesalers and industry associations. Those training courses – held in a user-friendly, fast and convenient form – help their participants expand their knowledge and skills. They are highly available, as they are very often organized as webinars.

In order to build its corporate brand image and the image of its product brands, Selena Group carries out advertising and promotional activities addressed to contractors, e.g. online campaigns, POS materials, presence of seasonal promoters at points of sale, ATL campaigns, e.g. on the radio. The company conducts efficient PR activities describing product solutions, technologies and the Group's current activities. Selena also cooperate with opinion

leaders, including experts, representatives of industry associations and institutions (including influencers). The coronavirus pandemic has triggered a change in the way marketing activities are carried out, with a surge in popularity of digital solutions, e.g. video marketing as an effective form of communication with the market, which Selena continues to develop.

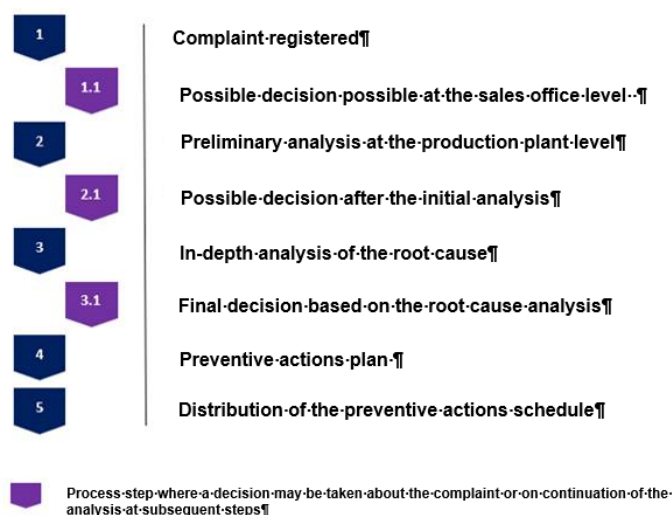
One of the communication channels is the Selena Contact Center (which exists at Selena S.A. for example), whose task is to provide comprehensive customer service. Selena Contact Centre's employees are available to customers from Monday to Friday from 8:00 to 17:00 providing them with product information and advice and registering complaints. In addition, the customers of Selena S.A. can contact the company by filling out the contact form available at <https://tytan.com/pl/kontakt/>, by sending an email to: scc@selena.com, or by sending a letter. All these communication channels have been created so that customers can choose the most convenient way to communicate with Selena S.A.

11.2. Complaints procedure

In order to improve and streamline the complaint handling process, Selena has a single global procedure in this area for all Group companies. The goal of the procedure is to standardize the complaint handling process for companies located in various geographic locations around the world. The whole process is monitored by a central team, whose tasks include:

- actively participating in dealing with complaints up to identification of the root cause;
- conducting improvement projects to reduce the number of complaints and increase customer satisfaction;
- ensure continuous improvement of the complaint handling process itself, taking into account the evolving business environment.

The whole process is strictly defined in time so as to ensure fact-based and timely communication with the client. Taking into account changes in the business environment, the complaint handling process has been optimized. In addition, a global digital platform was implemented for the entire Selena Group. In addition to standardization of notifications and strictly defined information flows, the platform has a built-in quality tool for reasonableness analysis and identification of the root cause. The system also ensures the distribution of the proactive action card to production departments where a similar or the same manufacturing technology is used. It is a proactive measure designed to eliminate the similar errors in other operating units.



System data is analyzed using the Power Business Intelligence system. Data analysis is carried out on a daily basis to help address activities fast and ensure customer satisfaction. Like all such platforms, the tool is subject to mechanisms of continuous improvement and optimization in conjunction with other processes. Currently, increased synergies are planned by connecting the newly developed module for managing complaints raised with suppliers with the database of customer complaints. All forward-looking integrations are aimed at increasing the productivity of Selena Group's systems, which helps in bringing more added value to our Clients.

11.3. Results of marketing communication

Thanks to the Group's communication strategy Selena's clients have direct access to dedicated communication channels (both indirect and direct communication), as well as to the units responsible for particular areas. In addition, roadshows are organized at many Group companies, which give an opportunity for customers to test Selena's products and learn about new features introduced to the market. This is also an opportunity to talk to and consult technical advisors to receive product advice. These activities are complemented by digital campaigns for specific products, and PR activities.

Thanks to such correlated activities (PR-marketing-digital initiatives and direct marketing support), the Group's image is constantly being enhanced among Users with a strong focus on direct testing of Selena's products. Selena Group also places great emphasis on building its image as a partner and technical consultant. This is one of the desired effects that the Group is constantly strengthening in the following years of its operations.

12. Privacy protection

Selena Group is committed to privacy protection. This approach is reflected in the policies adopted at the Group level, contained in the Code of Conduct and in respect for the right to protection of personal data of the Group's customers and contractors alike. Thanks to the rules adopted by the Group, no breaches have been identified with respect to the protection of privacy, including the processing of personal data. Likewise, no administrative proceedings were conducted against and no fines were imposed on any Group companies in this respect. Starting from 2018, the Group undertook a number of measures to strengthen the protection of personal data of both its employees and its collaborators. Cooperation was started with a law firm specializing in personal data protection, intensive training (internal and external) was conducted for people who processed data, and IT solutions were developed and implemented to facilitate work and increase the level of personal data protection.

In 2019, the Information Security Policy was implemented, which, in addition to protecting the interests and information of Selena Group, ensures the protection of personal data of employees and the Group's collaborators. Every year, actions are taken to increase security as part of the Cybersecurity strategy.

13. Product labelling

Selena Group's products are labelled in accordance with Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures. Consequently, each product is labeled in an official language of the Member State in which the substance or mixture is placed on the market and contains, in particular, information such as:

- supplier's name, address and phone number;
- hazard pictograms;
- safety warnings;
- phrases indicating hazard types;
- precautionary statements.

Moreover, in order to ensure the best possible level of protection of human health and the environment against chemical products, Selena Group has developed General guidelines for the preparation of labels and placing alerts for the visually impaired. The document applies to the entire Selena Group and is updated on an ongoing basis in accordance with the current legislation. Labelling activities are coordinated at the Company level. The Selena Group also instructs its private label customers on the proper labeling of products in order to maintain user safety.

As early as in 2019, Selena Group began implementing a project to optimize the number of labels by consolidating several language versions into one, and introducing multi-language peel-off labels. In this way, Selena reduced the loss of labels during their printing and putting them on packaging, and minimized product losses (product disposal) due to the end of shelf life. The introduction of multi-language labelling provided the opportunity for better product management by using such measures as transferring products between different foreign companies and optimizing the storage of finished products by combining orders from different locations. The project is being continued by Selena Group.

Selena Group carries out comprehensive labeling of unit and collective packaging with appropriate recycling markings to facilitate consumers conscious and appropriate segregation and recycling of used products.

14. Other social and market-related matters

In the reporting period, no anti-competition or anti-market behaviors were observed in any Selena Group company. In consequence, no fines were imposed on the Group in this regard.