



Management Board's report on the Group's activities for the year ended 31 December 2021

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.

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Information about the Group

1. General information

1.1. Characteristics of the Parent Company

Selena FM S.A. (Company, Parent Company) having its registered office at ul. Strzegomska 2-4 in Wrocław is 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 formed through conversion of the limited liability company Selena FM sp. z o.o. into a joint stock company, approved by the Extraordinary General Meeting on 26 September 2007. On 31 October 2007, the new entity was registered in the National Court Register by the District Court for Wrocław-Fabryczna in Wrocław. The Company received statistical number REGON 890226440. Its duration is indefinite (it is a going concern).

On 18 April 2008, the Company debuted on Warsaw Stock Exchange.

1.2. Management Board of the Parent Company

As at 31 December 2020, the Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President (CEO);
- Dariusz Ciesielski – Chief Commercial Officer, Vice President;
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

On 30 November 2020, Dariusz Ciesielski resigned from the Company's Management Board and from the role of the Vice President for Sales effective from 31 December 2020.

On 30 November 2020, the Company's Supervisory Board adopted a resolution appointing, as of 1 January 2021 Sławomir Majchrowski to the Company's Supervisory Board, entrusting him with the role of Chief Commercial Office and Vice President of the Management Board.

As at 1 January 2021, the Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President (CEO);
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

On 16 February 2021, Krzysztof Domarecki resigned from the Company's Management Board and from the role of CEO effective from 1 March 2021.

On 16 February 2021, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Executive Officer. The appointment became effective as of 1 March 2021.

On 19 April 2021, Marek Tomanek resigned from the Company's Management Board and from the role of the COO effective from 30 April 2021.

On 22 April 2021, the Company's Supervisory Board adopted a resolution appointing Roman Dziuba to the Company's Management Board as Chief Operating Officer (COO). The appointment became effective as of 1 May 2021.

In the period from 1 May 2021 to 26 May 2021, there were no changes in the composition of the Company's Management Board.

On 27 May 2021, the Supervisory Board appointed the Company's Management Board for a new term of office with the following composition:

- Jacek Michalak – CEO;
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Roman Dziuba – Chief Operating Officer.

On 23 September 2021, the Company's Supervisory Board adopted a resolution appointing, as of 1 October 2021, Andrzej Zygadło to the Company's Management Board, entrusting him with the role of Chief HR Officer (CHRO).

On 25 November 2021, the Company's Supervisory Board adopted a resolution removing, as of 25 November 2021, Christian Doelle from the Company's Management Board, including from his role as Vice President of the Management Board.

As at 31 December 2021, the Company's Management Board was composed of:

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

In the period from 1 October 2022 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 2020, the 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;
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member;
- Mariusz Warych – independent Supervisory Board Member.

From 1 January to 26 May 2021 no changes took place in the Supervisory Board.

On 27 May 2021, the Annual General Meeting appointed the Company's Supervisory Board for a new term of office with the following composition:

- 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 27 May 2021 to the date of publication of this report, no other changes took place in the composition of the Company's Supervisory Board.

1.4. Supervisory Board Committees of the Parent Company

Audit Committee

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

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

- Marlena Łubieszko-Siewruk – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfilled 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.

From 1 January 2021 to 26 May 2021 no changes took place in the Audit Committee.

On 27 May 2021, the Company's Supervisory Board appointed the Audit Committee with the following composition:

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

In the period from 27 May 2021 to the date of publication of this report, no changes took place in the composition of the Company's 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 2021 to 31 December 2021, the Supervisory Board's Audit Committee held 11 meetings, i.e.

- on 10 February 2021;
- on 7 April 2021;
- on 20 April 2021;
- on 22 April 2021;
- on 10 May 2021;
- on 25 May 2021;
- on 23 June 2021;
- on 14 September 2021;
- on 22 October 2021;
- on 23 November 2021;
- on 13 December 2021.

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) programme, and holds the Certified Internal Auditor (CIA) designation. He specialises 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. 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. 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, specialising 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 programme at Polish Radio NOFA.

Borysław Czyżak graduated from the Faculty of Physics at the Adam Mickiewicz University in Poznań, obtained a doctorate degree from the Polish Academy of Sciences in 1991, conducted classes for students at the Poznań University of Technology. He completed research internships at Oxford and Stanford University, in the centre of California's Silicon Valley. In the second half of the 90s, he joined the Warsaw office of McKinsey & Company, which specialises in strategic consulting, participated in projects related to privatization and strategic changes in industrial companies, airlines, telecommunications and banking. At that time he completed McKinsey's MMBA course in Holland. In 2000–2014 he worked for a Swiss company Egon Zehnder International, at its office in Warsaw. Since 2007, he has been a Partner at the Egon Zehnder AG head office in Zurich. He was also the CEO of Egon Zehnder in Poland. He specializes in strategic HR consulting, corporate governance and personnel development. In recent years, he has carried out a number of projects related to assistance in mergers and acquisitions of companies, searching for personnel, building supervisory boards, audits of management in Poland, Germany, Great Britain, the USA and the Middle East. In Poland, he worked with many companies included in the WIG20 index, but he devotes most of his time to private companies owned by their founders. He is an active investor in technology companies, a member of the Investment Committee of the Simpect venture capital fund. He is one of the founders of the Well of Hope Foundation (Fundacja Studnia Nadziei) that builds wells in Africa.

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 manufacturer of 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.

Strategy and Innovation Committee

As at 31 December 2020, 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.

From 1 January to 26 May 2021 no changes took place in the Strategy and Innovation Committee.

On 27 May 2021, the Company's Supervisory Board also decided to appoint the Strategy and Innovation Committee consisting 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 27 January 2021 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 2020, the Nominations and Remuneration Committee was composed of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee;
- Marlena Łubieszko-Siewruk – member of the Nominations and Remuneration Committee.

From 1 January 2021 to 26 May 2021 no changes took place in the Nominations and Remuneration Committee.

On 27 May 2021, the Supervisory Board appointed the Nominations and Remuneration Committee with the following composition:

- 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.

In the period from 27 May 2021 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. The 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 both solutions addressed to professionals and to 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, Romania, Turkey, Spain, Kazakhstan, South Korea 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, China, Romania, Turkey, Spain and Italy.

1.6. Distribution markets

For management purposes, Selena Group has identified 3 geographic segments: European Union (including Poland and Spain), Eastern Europe and Asia (including Russia and China) and North and South America (mainly the USA and Brazil).

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 operating segments. The data are presented as at 31 December 2021 and 31 December 2020.

All the companies in the table are consolidated using the full (line-by-line) method, except the associated entity Hamil – Selena Co. Ltd., 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 2021:

	REGION	COUNTRY	ENTITY	REG. OFFICE	ACTIVITY	GROUP'S SHARE		OWNER	
						As at 31.12.2021	As at 31.12.2020		
European Union	Poland	Poland	Selena FM S.A.	Wrocław	Group's headquarters, distributor			-	
			Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM	
			Orion PU Sp. z o.o.	Dzierżoniów	Man. of foams and sealants	100.00%	99.95%	SIT	
			Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, provider of production	100.00%	100.00%	SIT	
			Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants and adhesives	100.00%	100.00%	SIT	
			Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, waterproofing products,	100.00%	100.00%	SIT	
			Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	SIT	
			Selena Labs Sp. z o.o.	Dzierżoniów	Research and Development	100.00%	99.65%	FM	
			Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA	
			Selena Digital Distribution Sp. z o.o.	Wrocław	E-commerce	100.00%	-	SA	
			Selena Green Investments Sp. z o.o.	Wrocław	Activities of central companies	100.00%	-	FM 3	
			Taurus Sp. z o.o.	Dzierżoniów	Lease of plant and machinery	100.00%	100.00%	SIT	
	Selena ESG Sp. z o.o.	Wrocław	Making electrical systems	100.00%	100.00%	FM			
	Selena Industrial Technologies Sp. z o.o.	Dzierżoniów	Manufacturer of sealants; production	100.00%	100.00%	FM			
	Oligo Sp. z o.o.	Dzierżoniów	Research and Development	100.00%	99.65%	SL			
	Western Europe	Spain	Spain	Selena Iberia slú	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
				Selena Italia srl	Padova	Distributor	100.00%	100.00%	FM
		Italy	Italy	Uniflex S.R.L.	Mezzocorona	Manufacturer of sealants, distributor	100.00%	100.00%	FM
Central and Eastern Europe	Germany	Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM	
			Czech	Czech	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%
	Romania	Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM	
			EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM	
	Hungary	Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM	
			Bulgaria	Bulgaria	Selena Bulgaria Ltd.	Gurmazovo	Distributor	100.00%	100.00%
E.Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 1	
			Ukraine	Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%
	Kazakhstan	Kazakhstan	TOO Selena CA-Селена ЦА	Almaty	Distributor	100.00%	100.00%	FM	
			TOO Selena Insulations	Nur-Sultan	Manufacturer of insulation systems and dry	100.00%	100.00%	FM	
			Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM	
	Asia	China	China	Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
				Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
		S.Korea	S.Korea	House Selena Trading Co.Ltd	Shanghai	Distributor	40.00%	40.00%	NAN
				Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3
	Turkey	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	FM	
			POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istambul	Distributor	100.00%	100.00%	SA 2	
	N&S America	N&S America	Brazil	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%
Mexico			Mexico	Selena Mexico S. de R.L. de C.V.	Zapopan	Distributor	100.00%	100.00%	FM 2
USA			USA	Selena USA, Inc.	Fort Worth	Distributor	100.00%	100.00%	FM

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 Solutions (5%)

SIT – 100% shares owned by Selena Industrial Technologies Sp. z o.o.

NAN – joint venture – owned by Selena Nantong Building Materials Co., Ltd.

SL – 100% shares owned by Selena Labs Sp. z o.o.

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. #SA# (85%) and Carina Silicones Sp. z o.o. (15%)

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

ROM – 99.99% shares owned by Selena Romania, other shares held by Selena FM

SGI – 100% shares owned by Selena Green Investments

1.7.2. Changes in the Selena Group structure

Establishment of Selena Digital Distribution Sp. z o.o.

On 21 May 2021, a founding deed of Selena Digital Distribution Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena S.A., and its share capital is PLN 5,000. PLN. The company may be used in the future to implement the Group's business plans.

Increasing the registered capital, change of name and registered office of subsidiary Carina Sealants Sp. z o.o.

On 21 May 2021, the Extraordinary General Meeting of CARINA SEALANTS Sp. z o.o. was held. The business transacted during the meeting included adoption of resolutions on changes in the composition of the company's Management Board, a change of the company's business name (to Selena ESG Solutions Sp. z o.o.), changes in the company's objects (update of the PKD list indicated in the Articles of Association), increasing the registered capital, and changes in the Articles of Association, with ratification of a consolidated text of the document. Selena FM S.A. remains the sole shareholder of this company. Once the registered capital increase is recorded in the National Court Register, Selena FM S.A. will hold 20 thousand shares in the company's share capital with a total value of PLN 1 million.

Conclusion of a lease agreement for an organized part of Selena Marketing International Sp. z o.o.

On 4 October 2021, Selena FM S.A. entered into a lease agreement with Selena Marketing International Sp. z o.o., whereby the latter made an organized part of its enterprise available to the Company so that it could use and derive tax benefits from it. In the balance sheet, the transaction was recognized in the books of Selena FM S.A. as asset acquisition. As a result of this transaction, the value of the deferred tax asset resulting from the difference between the book value and the tax value of the trademarks was increased by PLN 26,264 thousand.

Establishment of Selena Green Investments Sp. z o.o.

On 2 September 2021, a founding deed of Selena Green Investments Sp. z o.o. was signed. The company's shareholders are: Selena FM S.A., which acquired 95% of shares, and Selena ESG Solutions sp.z o.o., which acquired 5% of shares in the registered capital of the new entity. The share capital of Selena Green Investments is PLN 5,000. In the future, the company may be used to implement the Group's business plans.

Establishment of SGI 1 Sp. z o.o.

On 6 December 2021, the founding act of SGI 1 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the "under organization" status. On 14 January 2022, the company was entered in the National Court Register under number 0000946701.

Establishment of SGI 2 Sp. z o.o.

On 6 December 2021, the founding act of SGI 2 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the "under organization" status. On 9 February 2022, the company was entered in the National Court Register under the number 0000952642.

Establishment of SGI 3 Sp. z o.o.

On 6 December 2021, the founding act of SGI 3 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used

in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the "under organization" status. On 18 January 2022, the company was entered in the National Court Register under number 0000947427.

Renaming the subsidiary Selena ESG Solutions Sp. z o.o. as Selena ESG Sp. z o.o.

On 6 December 2021, the Extraordinary General Meeting of Selena ESG Solutions Sp. z o.o. was held, which adopted a resolution on renaming the company to Selena ESG Sp. z o.o.

Purchase of shares in Selena Labs Sp. z o.o.

On 20 December 2021, a Share Purchase Agreement was signed between Krzysztof Domarecki (Seller) and Selena FM S.A. (Buyer), resulting in the acquisition by Selena FM S.A. of 21 shares in the share capital of Selena Labs Sp. z o.o., representing 0.35% of the share capital of Selena Labs Sp. z o.o. As a result of concluding this agreement, Selena FM S.A. became the sole shareholder of Selena Labs, holding 100% of its share capital. The selling price of the shares was set to PLN 120 thousand in total.

Purchase of shares in Orion PU Sp. z o.o.

On 20 December 2021, a Share Purchase Agreement was signed between Anna Kozłowska (Seller) and Selena Industrial Technologies Sp. z o.o. (Buyer), resulting in the acquisition by Selena Industrial Technologies of 6 shares in the share capital of Orion PU Sp. z o.o., representing 0.03% of the share capital of Orion PU Sp. z o.o. As a result of the agreement, Selena Industrial Technologies Sp. z o.o. became the sole shareholder of Orion PU, holding 100% of its share capital. The selling price of the shares was set to PLN 277 thousand in total.

Establishment of Selena Green Investments ASI Sp. z o.o.

On 20 December 2021, the founding act of Selena Green Investments ASI Sp. z o.o. was signed. The shareholders of the company are Selena FM S.A. which acquired 90% of shares and Krzysztof Domarecki, who acquired 10% of shares in the share capital of the newly established entity. The share capital of Selena Green Investments ASI is PLN 1,000 thousand. The company may be used in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the "under organization" status. On 14 March 2022, the Polish Financial Supervision Authority entered the subsidiary Selena Green Investments ASI Sp. z o.o. to the register of Managers of Alternative Investment Companies (ASI). On 23 March 2022, the subsidiary Selena Green Investments ASI Sp. z o.o. was registered in the register of entrepreneurs of the National Court Register.

Merger of subsidiaries: Selena Industrial Technologies sp.z o.o. (acquiring company) with Orion PU sp. z o.o., "Libra" sp. z o.o. and "Selena Labs" sp. z o.o (acquired companies).

On 1 March 2022, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Orion PU Sp. z o.o., "Libra" Sp. z o.o. and "Selena Labs" Sp. z o.o (acquired companies). On that date, the merger ("merger by acquisition") was registered 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 companies. In connection with the merger, the share capital of Selena Industrial Technologies Sp. z o.o. was increased by PLN 300,000 (i.e. to PLN 403,305,000.00). 100% of shares in the share capital of Selena Industrial Technologies Sp. z o.o. is owned by 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.

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 2021

In 2021, Selena Group worked on preparation of the goals and directions for its development in the following years.

1.8.2. Distribution of profit for 2020

On 27 May 2021, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2020 of PLN 75,379,472.95 as follows: PLN 75,000,000.00 to create a capital reserve for the purchase of the Company's own shares; the remainder of PLN 379,472.95 to be transferred entirely to the Company's supplementary capital.

1.8.3. Group promotion

In 2021, the promotional activities Selena Group focused on several areas: Selena's proprietary Tytan WINS Standard for Window Insulation and Sealing, the FAST & PRO product series, development and improvement of the Group's and its products' online presence, and building the Group's positive image, both globally and at the level of individual countries where the Group's companies are present.

A special part of the campaign promoting Standard Tytan WINS was the debate "How to decarbonise the construction industry by 2050?" organised by Selena Group in cooperation with the Polish Green Building Council (PLGBC). The discussion concerned support for the decarbonization roadmap through innovation in construction and cooperation with the PLGBC, which Selena Group had joined, and with the Association of Employers – Producers of Materials for Construction and with the architectural community. The debate was broadcast live online, and its accompanying interviews resulted in numerous publications in the national media.

The image potential of the cooperation with PLGBC was also used more widely – the main shareholder of Selena Group, Krzysztof Domarecki, became the ambassador of #BuildingLife, an international environmental campaign. The project is promoted by the World Green Building Council to support implementation of the European Green Deal. It seeks to develop an action plan to decarbonize construction throughout the life cycle of buildings.

The WINS standard and WINS systems are more and more widely promoted outside Poland. For example, in the first half of 2021 they were put on the Czech market. An essential part of communication with end users – professional installers – was training sessions and certificates issued on their basis. Depending on the evolving pandemic situation, individual companies organize both stationary workshops and webinars. Webinars also were used to promote other Selena Group products, including FIX2 GT, Matizol and G-K System.

In 2021, representatives of Selena Group participated in important economic events. These included the European Economic Congress (EEC), whose spring edition was held online. The Group's representatives participated both in the kick-off session and in the "Green buildings, green construction" panel, presenting, among other things, the Tytan WINS standard and our sustainable approach to construction. During the autumn edition of the EEC, organized in a hybrid format, Krzysztof Domarecki – the Main Shareholder of Selena Group – participated in the discussion during the panel "Polish exports: how to exploit new opportunities", talking about the experience of Selena Group's development. He also took part in the G2 Forum – Economy and Geopolitics (where he is a member of the Program Council, participating in the discussions "The Three Seas Project as an undiscovered opportunity for Polish business" and "The Reconstruction Budget at the Hamilton Moment for Europe").

Members of the Management Board of Selena Group participated in several international events devoted to the development of Polish companies abroad. One of the events was a meeting of Deputy Prime Minister Jarosław Gowin with Polish companies present in Italy, arranged by the Polish Investment and Trade Agency at the Polish Embassy in Rome. The meeting focused on challenges for Polish investors in Italy. In turn, the CEO Jacek Michalak

was a guest of the Poland-Kazakhstan Economic Forum in Warsaw as a participant of the session “How to achieve success in Kazakhstan? New cooperation opportunities”. Together with other Group’s representatives he also took part in the presentation of the investment services provided by the Madrid Confederation of Employers and Industries (CEIM) concerning support for Polish companies in the Spanish capital.

The Polish distribution company Selena S.A. took part as a strategic partner in another edition of the Builder 4 Young Engineers project. The project is part of a nationwide program supporting young engineering talents under the Builder for the Future Program. Selena S.A. also participated in other significant projects: The Building Creators 2021 programme of the Polish Chamber of Civil Engineers, and the Product of the Year 2021 programme and certification for selected products. The company’s representatives were also involved in several events, including the convention of the Polish Woodwork Forum, the congress of the Polish Windows and Doors Association and the PSB trade fair.

As every year, large meetings in the form of fairs, exhibitions or forums taking place in various parts of the world were important spots for promoting Selena Group’s products and solutions in 2021. For example, the Group showcased its waterproofing, highly reflective COOL-R® roof coating at Retrofit Tech Abu Dhabi Summit in the United Arab Emirates. Selena USA presented its proposition at such shows as: Expo Contratista, Florida Walls/Ceilings Show, Building Material Suppliers Association Show, and Insulation Contractors Association of America. Representatives of the Brazilian company Selena Sulamericana promoted our products during ENICS (National Innovation Meeting in Dry Construction) in São Paulo, where, apart from the firm’s stand, they also prepared the “The TYTAN Experience” space, where products could be tested on site, and made a presentation on the development of industrial construction. In turn, Russian Selena Vostok participated in many forums organized by influencers: large conferences in Moscow under the common name of the First All-Russian Forum (for: tilers, plumbers, drywall fitters and painters) or in the Zolotyie Ruki Forum in Rostov-on-Don.

Both the whole Selena Group and individual companies actively worked towards improving their online presence: through their respective websites, social media and other channels. For example, Selena S.A. and Selena USA. had their e-commerce tools developed. Other web activities aimed at optimum utilization of the potential of individual channels and building a coherent image of the Group. This is the idea behind implementation of harmonized templates, e.g. on the websites of individual companies (Selena USA), and on Facebook/ LinkedIn.

As part of improving cooperation with journalists and caring for its corporate image, the Group launched a modern press office on the Prowly platform (grupaselena.prowly.com), run in Polish and English. It is both a virtual showcase of Selena with key information about the company, and a place where the Group’s news is updated on an ongoing basis with media messages and posts from social media. Grouped into thematic sections, the materials can be displayed in a clear graphic form on each device.

The completely new website of Tytan Professional – Selena Group’s flagship brand – was launched in November 2021, first in Poland, and then in the Czech Republic, Romania and Italy in December 2021. It represents a new approach to website development, with an emphasis on end-user engagement, marketing data collection and analysis, and the mobile-first approach. With the support of an external user experience (UX) audit, the main aspects to increase user engagement were defined, including an improved search engine, knowledge center and architect zone.

Sometimes, online promotion of products and loyalty activities took unusual, eye-catching forms. Examples include the October training “Contractor’s personal brand in the construction industry”, conducted by a recognized brand strategist and speaker under the Tytan Professional banner. The participants from the construction industry learned how to build their online image, how to foster relationships with customers and attract new ones.

In turn, at the turn of 2021 and 2022, Selena Vostok organized a campaign aimed at increasing the engagement and loyalty of users among influencers. The head of the technical department, acting as “Papa Tytan”, visited influencers in three large cities of Russia (Moscow, St. Petersburg, Voronezh) and helped them solve problems on the construction site using one of our strategic products. The company published a total of 12 videos with various bloggers, increasing its reach and engagement in Tytan Professional’s social media channels.

Selena Group continues its CSR activities as part of the #SelenaPomaga (#SelenaHelps) campaign. Under the Ceramics Titans project, carried out in cooperation with renowned partners (including Ceramika Paradyż), materials were supplied for the construction and decoration of the new “fairy-tale” Elevator Zone at the Children's Memorial Health Institute in Warsaw. Selena delivered 8,400 kg of adhesive and 72 l of priming emulsion. Additionally, children's books were prepared with stories referring to the characters and places depicted on individual floors. These activities, which also included donation of another batch of Selena's hand sanitizer to public institutions and the Between Heaven and Earth Foundation, and the campaign to support the Wrocław Children Hospice Foundation, contribute to the Group's image as an engaged participant of social life that actively responds to the current situation and community needs.

Awards and recognitions

One of the most significant distinctions for Selena Group was the nomination for the Economic Award of the Polish President. Jacek Michalak, the CEO, took part in a meeting and a gala at the Presidential Palace. Selena, as one of the three companies this year, was nominated in the “International Success” category.

Selena Group was also awarded by the jury of the Polish Radio's Economic Awards 2021 with the second place in the competition “A successful company during the times of COVID-19”. As the jury explained: “It is an example of a Polish company that began its international expansion 20 years ago and, thanks to its international reach, has survived the pandemic unscathed,”

Tytan WINS systems, which use the new standard of window insulation based on liquid foil, received the prestigious TOP BUILDER 2021 award in the Novelty and Innovation of the Year category. The award is granted to the best products and services in the construction industry. It was the 13th edition of the competition, which focused on high quality of solutions.

Tytan WINS systems were also awarded as the Innovative Solution for the Joinery Industry 2021. Every year, the IRBS programme recognizes the best solutions in the joinery industry, one of the fastest growing industries in the Polish economy.

Selena Group was among the leaders of the prestigious National Champions ranking, announced by *Polityka Insight*: it won in the special category Green Champions, in the Foreign Activity category it was ranked 3rd, and in the overall ranking – 7th amongst 45 awardees.

Selena S.A., its CEO Andrzej Ulfig and its latest product – G-K System (for the assembly of plasterboards) – won the prestigious Building Creator 2021 (Kreator Budownictwa Roku 2021) awards granted by the Polish Chamber of Civil Engineers under the aegis of the Ministry of Economic Development and Technology, and the Central Office of Building Supervision.

The solution developed at the Matizol Gorlice plant (application device for bitumen shingles) was awarded in the Polish edition of the European Good Practice Competition, organized by EU-OSHA (in Poland by the Central Institute for Labour Protection) as part of the European campaign “Healthy and safe workplace – USE YOUR HEAD WHEN LIFTING”, of which Selena is a partner.

During the 25th anniversary gala of the Polish Windows and Doors Association at the 11th Polish Joinery Congress, Krzysztof Domarecki was awarded as the Association's Honorary Member.

1.8.4. Other significant events

In 2021, no significant events occurred for the Group other than those described in this report or in the Group's consolidated financial statements for 2021.

1.9. Development of R&D operations

The Group's R&D activity is carried out chiefly by Selena Labs Sp. z o.o. and through the labs in China, Romania, Turkey, Spain and Italy. In 2021, Selena Labs worked on development of new products and technologies in all product groups.

The Group launched on global markets the WINS system, the first system solution for professionals in the history of the Selena Group, developed at Selena Labs Sp. z o.o. In the area of waterproofing, further work was carried out on modification of COOL-R®, the highly-reflective waterproofing roof coating, to expand the range of its use in various temperature and humidity conditions. The development also concerned other product groups, including the first polyesters put in production under the Biomotive project, including 100% bio-reproducible polyester used in OCF foams (foams based on bio-raw materials with a reduced carbon footprint). Additionally, as part of the project, the first formulations were developed for reactive Hot Melt adhesives for the furniture industry, successfully deployed on a new installation.

Selena Group is committed to environmental protection, including Green Deal issues. For this reason, its research and development activities focus on creating environmentally friendly products. Research in the area of new raw materials, innovative products and applications is guided not only by the company's sustainability policy, but is also determined by legislative changes in chemical regulations. Selena Group puts a high premium on cooperation with network partners and adapting its product portfolio to their requirements, often going beyond the minimum requirements imposed by chemical regulations. There is also an ongoing production technology optimization process taking place at all the Group's manufacturing plants.

1.10. Key investments

In 2021, Selena Group's capital expenditures were PLN 32.6 million. Like in the previous year, the Group carried out necessary development investments, mainly modernizations, including process robotization, in most of its production plants. One of the key investments is continuation of the BIOMOTIVE project carried out under the EU's Horizon 2020 Research Programmes, which is designed to pave the ground towards the production and subsequent sale of components and products based on biorenewable raw materials derived from plants.

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 April 2022 shows that in 2021 the global economy's GDP fell grew by 6.1%. 2022 is expected to see a moderate recovery at 3.6%. Most importantly, highly developed countries are to experience a GDP growth of 3.3% in 2022 (vs a growth of 5.2% in 2021). The GDP of developing markets is projected to grow by 3.8% (vs a growth of 6.8% in 2021). For most of Selena Group's markets, GDP growth is forecast to grow compared with 2021. Importantly, European Union countries are to achieve a growth of +2.8% in 2022 (vs 5.3% in 2021). For the USA, the IMF forecasts an increase of 3.7% in 2022 (5.7% in 2021), an increase of 4.4% for China (+8.1% in 2021) and an increase of 8.5% for Russia. (4.7% in 2021). For Poland, the publication points to a GDP growth of 5.7% in 2021, and a slowdown to 3.7% in 2022.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association, in February 2021 the market sentiment deteriorated (for 6-month forecasts): 56% of bankers point to a decrease, 33% to stabilization, and only 12% to an increase 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 12 months of 2021 point to a growth of 6.4% in house completions year-on-year. At the same time, the number of construction permits increased by 23.6%, while the number of commenced housing investments increased by 23.9%.

FX rates. According to the currency forecasts consensus of Thomson Reuters as of April 2022, the coming months should not see major changes in the EUR/PLN rate. At the end of the year, the expected EUR/PLN exchange rate is 4.55. Towards the year-end, the following currency rates are expected for the Group's main markets: EUR/RUB 102.20; EUR/CZK 24.70; EUR/HUF 366.50; EUR/RON 5.02; EUR/UAH 32.15 and EUR/TRY 19.04. Major fluctuations in exchange rates have an impact on currency risk.

Credit risk. The Group companies do not see any material changes in overdue receivables. The age structure of trade receivables did not change materially at the end of December 2021.

Commodity prices. In 2021, there is a sustained upward trend in raw material prices for most product groups, mainly due to the availability of raw materials (production problems of suppliers, disruptions in the supply chain). Increases in raw material costs may not be fully transferred to the prices of the Company's products due to constraints in the flexibility of demand and the pricing strategies of the Company's competitors. As a result of the increase in raw material prices, the Company's margins may be under further pressure.

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. Thus, it should be pointed out that the approach and practice of tax authorities is not yet fully determined as to the overall nature of these regulations, and as such it is hardly foreseeable.

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 risks Risk related to failures of machines and devices, failures of distribution networks (electricity, heat) caused, among others, through their exploitation, but also by random events, including those related to extreme weather phenomena (storms, floods, hurricane winds, heat waves, fires) resulting from, among others, climate change. The materialization of risk affects the availability of assets, and it results in downtime related to asset failures and increased costs of their removal. In 2021, no significant events in this risk category were recorded Selena Group, in particular those that would affect the Group's production and trading activities. The risk is partially mitigated by property insurance. As part of an increased response to crisis situations, the BCMS (Business Continuity Management System) system was implemented in the Group. Detailed information on BCMS is disclosed in the non-financial statement.

Health and safety risk. Risk related to ensuring occupational health and safety. Materialization of this risk may result in an employee's injury, loss of health or excessive exposure to factors harmful to health, leading to the Group's duty to pay compensation paid for damage to health. In 2021, the Selena Group saw no significant health and safety events. Detailed information on health and safety risks is disclosed in the non-financial statement.

A detailed description of financial risk management rules is contained in Note 7.2 of the Group's consolidated financial statements for 2021.

The risk of the situation in Ukraine having an impact on the operating activities of the Company is described in Note 8.7 of the Group's consolidated financial statements for 2021.

1.12. Expected development of the Group

In 2022, the growth of Selena Group will continue to be driven by boosting sales in mature markets, especially in Western Europe, 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

For 2022, Selena Group plans capital expenditures of PLN 38.4 million. Selena Group intends to focus on both on development and modernization investments, process automation, to increase the effectiveness of production plants, and on investments in work safety. The main investments will be delivered in the following production plants: Orion, Libra, Matizol, Tytan EOS, Selena Turkey, Selena Iberia and Euro MGA. There are plans to continue to implement the ERP class IT system based on Microsoft Dynamics AX 2012 in other foreign affiliates. IT expenditures are expected to have more than 15% share in the total capital expenditures planned for 2022.

Selena Group might consider business investments (acquisitions), provided they are attractive enough and are a good fit with the Group's growth strategy.



Financial position

2. Financial position

2.1. Financial performance

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

	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*	Change	Change %
Figures in PLN thousand				
Revenue from contracts with customers	1,728,350	1,384,735	343,615	24.8%
Cost of sales	1,248,607	916,672	331,935	36.2%
Gross profit	479,743	468,063	11,680	2.5%
Selling and marketing costs	270,243	228,752	41,491	18.1%
General and administrative expenses	126,098	114,059	12,039	10.6%
Other operating income (loss)	12,933	5,597	7,336	131.1%
Impairment of non-financial fixed assets	600	1,587	-987	-
Impairment of financial assets	3,023	2,086	937	-
EBITDA (operating profit + depreciation + amortization)	136,760	165,691	-28,931	-17.5%
Operating profit (EBIT)	92,712	127,176	-34,464	-27.1%
Net financial income (loss)	-6,799	-33,356	26,557	-
Share in net profit/loss of the associate	2,511	2,633	-122	-4.6%
Profit before tax	88,424	96,453	-8,029	-8.3%
Net profit	102,697	74,108	28,589	38.6%
Other net comprehensive income	-3,603	-11,720	8,117	-
Total comprehensive income	99,094	62,388	36,706	-

	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*	Change in p.p.
Gross profit margin	27.8%	33.8%	-6.0
Selling costs/ Revenue from contracts with customers	15.6%	16.5%	-0.9
General and administrative expenses/ Revenue from contracts with customers	7.3%	8.2%	-0.9
EBITDA margin %	7.9%	12.0%	-4.1
Operating profit margin (EBIT %)	5.4%	9.2%	-3.8
Net profit margin	5.9%	5.4%	0.6

EBIT% – operating profit/ revenue from contracts with customers

EBITDA% – EBITDA / revenue from contracts with customers

* reasons and effects of restatement of data published in previous periods are described in Note 1.3 of the consolidated financial statements for the year ended 31 December 2021

Revenue from contracts with customers

In 2021, the Group's consolidated revenue from contracts with customers amounted to PLN 1,728.4 million, which is by 24.8% (PLN 343.6 million) higher than in the corresponding period of the previous year.

The very high increase in sales in 2021 was partially due to the lack of restrictions on contractors' activities observed in April–May 2020. Another contributing factor was an increase in sales prices as a result of raw material inflation.

The Group's revenue from sales is presented with a split into three reporting (geographic) segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). In 2021, the sales structure by segments has not changed significantly compared with last year. European Union remains the key segment. In 2021, it generated 64% (vs 64% in 2020) of the Group's total sales. The Poland operating segment reported a 35% share in the Group's sales, growing by 21%. The Eastern Europe and Asia segment recorded a slight decrease in its share in the Group's sales (to 29%). The North and South America segment reached a 7% share in the Group's sales, growing by 48%.

Segment	Segment's share in the Group's revenues		Revenue change	
	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020	2021 / 2020	
European Union, including:	64%	64%	25%	
<i>Poland</i>	35%	36%	21%	
<i>Other countries</i>	29%	28%	30%	
Eastern Europe and Asia	29%	30%	20%	
N&S America	7%	6%	48%	

Gross profit

In 2021, Selena Group generated gross profit of PLN 479.7 million, i.e. PLN 11.7 million more year-on-year.

Gross profit margin was 27.8%, down 6.0 p.p. year-on-year. The decline in gross profit margin was due to the continued increase in the prices of raw materials in the global markets and the impossibility of fully transferring the increases to end-buyers. The Group is constantly increasing the share of sales of innovative products with a higher margin, and is optimizing product formulations.

Selling costs and general and administrative expenses

Selling costs in 2021 were PLN 270.2 million, up PLN 41.5 million (18.1%) year-on-year. The increase is attributable to a growth in revenues from contracts with customers, including transport and storage costs. Additionally, the increase in selling costs was caused by the annualization of salaries and the launch of sales support programs.

General and administrative expenses in 2021 increased by PLN 12.0 million (10.6%) year-on-year. The increase in general and administrative expenses results from management development programs, an increase in recruitment costs, and the annualization of salaries. The ratio of general and administrative expenses to revenue from contracts with customers was 7.3%.

In 2021, the ratio of selling, general and administrative expenses to revenue from contracts with customers was 22.9%, down 1.8 p.p. year-on-year.

The **result on other operations** was positive at PLN 9.3 million, taking into account the impairment loss on financial and non-financial assets.

This line item was significantly affected by the reversal of impairment allowances of PLN 4,193 thousand. The value of provisions released in 2021 was impacted by the favourable settlement of the customs case relating to Selena Romania (PLN 1.5 million) and the release of a provision for public-law obligations at Uniflex (PLN 1.7 million).

Operating profit (loss)

In 2021, the Group generated an operating profit of PLN 92.7 million versus PLN 127.2 million in the previous year. The change in operating profit is the result of a significant decrease in gross profit margin and a significant increase in operating costs.

Profit (loss) after tax

In 2021, Selena Group generated net profit of PLN 102.7 million vs PLN 74.1 million posted a year before, up 38.6%. The Group's net result was primarily influenced by the net financial income, including by valuation of open currency positions (trading settlements and loans received/granted), and interest expense. The negative balance of FX differences was PLN 1.9 million vs a negative balance of PLN 11.7 million a year before. The cost of interest on loans and leases totalled PLN 2.2 million (after reduction by the achieved interest income from loans granted and interest on deposits) compared with PLN 3.2 million incurred a year before.

For the 12 months of 2021, the income tax charge was PLN -14.3 million.

For the 12 months of 2021, EBITDA was PLN 136.8 million (including depreciation/amortization: PLN 44.0 million), which was by PLN 28.9 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 2021 and 31 December 2020.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020 restated figures*	Change	Change %
Non-current assets	368,305	383,582	-15,277	-4%
Property, plant and equipment	261,497	259,697	1,800	1%
Intangible assets	38,932	42,525	-3,593	-8%
Other long-term assets	67,876	81,360	-13,484	-17%
Current assets	740,450	553,180	187,270	34%
Inventories	280,015	192,670	87,345	45%
Trade and other receivables	305,387	261,680	43,707	17%
Cash and cash equivalents	38,915	55,004	-16,089	-29%
Other current assets	116,133	43,826	72,307	165%
Equity	601,945	531,937	70,008	13%
Liabilities	506,810	404,825	101,985	25%
Bank and other loans	148,023	49,752	98,271	198%
Trade and other liabilities	198,294	190,143	8,151	4%
Other liabilities	160,493	164,930	-4,437	-3%

	As at 31.12.2021	As at 31.12.2020 restated figures*
Current ratio**	1.7	1.6
Quick ratio***	1.1	1.0

* reasons and effects of restatement of data published in previous periods are described in Note 1.3 of the consolidated financial statements for the year ended 31 December 2021

**Current ratio – current assets / current liabilities

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

As at 31 December 2021, the Group's asset position, with an increase in total assets of PLN 172 million vs 31 December 2020, was mainly affected by an increase in net profit, and in the level of inventories and trade receivables.

As at 31 December 2021, the current and quick liquidity ratios (1.7 and 1.1 respectively) point to the Group's ability to meet its obligations in a timely manner.

2.3. Debt

Net debt figures and debt ratios are presented in the table below.

As at the balance sheet date, the debt on bank and other loans increased vs 31 December 2020 to PLN 148.0 million (up PLN 98.3 million). The Net Debt/EBITDA ratio (bank covenant) increased from 0.18 in 2020 to 1.01 at the end of 2021. As at the end of 2021, the debt ratio amounted to 16% and was 7 p.p. higher than at the end of 2020.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020 restated figures*
Bank and other loans	148,023	49,752
Lease liabilities	29,177	34,962
Liabilities on account of prepaid trade receivables	1	226
Less cash and cash equivalents	-38,915	-55,004
Net debt	138,286	29,936
Equity attributable to the shareholders of the parent	600,976	531,065
Equity and net debt	739,262	561,001
Gearing (net debt / equity + net debt)	19%	5%
Debt ratio (interest-bearing debt/ total assets)	16%	9%
Net debt / EBITDA**	1.01	0.18

* reasons and effects of restatement of data published in previous periods are described in Note 1.3 of the consolidated financial statements for the year ended 31 December 2021

** debt as at the balance sheet date; EBITDA for the last 4 quarters

2.4. Cash flows

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

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020	Change
Net cash flows from operating activities	-30,158	112,293	-142,451
Net cash flows from investing activities	-35,821	-72,854	37,033
Net cash flows from financing activities	49,412	-70,395	119,807
Change in cash and cash equivalents:	-16,567	-30,956	14,389

In 2021, net cash flows were PLN -16.6 million vs PLN -31.0 million in 2020.

Net cash flows from operating activities were PLN -30.2 million vs PLN 112.3 million in 2020. The level of cash flows from operating activities was primarily affected by a strong decrease in inventories compared to the previous year, as reflected in the higher level of liabilities and an increase in receivables. The main reason for the higher working capital requirements was the global increase in raw material prices, which was reflected in sales prices.

Net cash flows from investing activities were negative at PLN -35.8 million compared to PLN -72.9 million recorded in 2020. This figure was mainly driven by replacement investments.

Net cash flows from financing activities amounted to PLN 49.4 million. This balance was mainly affected by loans incurred (PLN 96.4 million net), interest paid (PLN -3.7 million) and finance lease payments (PLN -15.7 million). In addition, in 2021, a buyback of own shares was carried out at PLN -28.7 million. In 2021, the Parent Company did not pay dividend to its shareholders.

2.5. Loans received

The balance of bank borrowings as at 31 December 2021 and 31 December 2020 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 2021, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

Ref	Loan type	Maturity date	As at 31.12.2021		As at 31.12.2020	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	2022	0	63,377	0	21,636
2	Working capital loan	2024	31,972	0	0	0
3	Non-renewable loan	2022-2024	7,000	3,000	0	0
4	Other	2022-2027	9,997	32,677	14,107	14,009
			48,969	99,054	14,107	35,645

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 2021.

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 2021. 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 2021.

2.8. Deposits and investments

In 2021, the Group used bank deposits.

2.9. Assessment of financial resources management

As at 31 December 2021, the Group's cash position was PLN 38.9 million. The Group also had undrawn committed credit limits of PLN 177.3 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 2021 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 2021.

Contracting company	Insurance	Sum insured (million)	Ccy	Insurance period
All companies established in Poland	All-risk, electronic equipment and loss of profit insurance	498.8	PLN	16/06/2021 - 15/06/2022
	Motor insurance	Different	PLN	12 months
	Insurance against accidents and cost of medical service during foreign business trips	20.0	USD	11/06/2021 - 10/06/2022
	Insurance against penalties imposed by tax authorities	5.0	PLN	04/09/2021 - 03/09/2022
	Liability insurance for firms providing accounting services to third parties (Selena FM S.A.)	0.5	PLN	02/02/2021 - 01/02/2022
Global agreements	Trade credit insurance	16.0	EUR	1/11/2021 - 31/10/2022
	General liability insurance (for the conducted business and property held)	20.0	PLN	16/06/2021 - 15/06/2022
	D&O insurance	150.0	PLN	1/07/2021 - 30/06/2022
Other foreign affiliates		25.2	RON	16/06/2021 - 15/06/2022
		29.1	TRY	16/06/2021 - 16/06/2022
	Insurance of assets against all risks, loss of profit	4,674	KZT	Different
		44.0	EUR	16/06/2021 - 16/06/2022
		2.9	RUB	16/06/2021 - 15/06/2022
		10.2	TRY	16/06/2021 - 16/06/2022
		4.9	RON	16/06/2021 - 15/06/2022
	General liability insurance (for the conducted business and property held)	87.3	RUB	16/06/2021 - 15/06/2022
		1.0	EUR	16/06/2021 - 16/06/2022
		516.4	KZT	16/06/2021 - 15/06/2022
	Motor insurance	Different	Different	12 months
Goods-in-transit insurance	0.2	EUR	01/01/2021 - 01/01/2022	
Liability insurance for natural environment	3.0	EUR	31/12/2020 - 31/12/2021	

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 2021.

3.3. Issue of securities

In 2021, no securities were issued.

3.4. Acquisition of own shares

The Company did not have any treasury shares as at 31 December 2020.

On 27 May 2021, the Annual General Meeting (AGM) adopted a resolution authorising the Management Board to acquire own shares on behalf of and for the benefit of the Company and defining the rules for the acquisition of own shares by the Company.

On 8 October 2021, the Company's Management announced that it adopted, on the same day, a resolution to launch the own shares buyback programme, activating the first buyback tranche. The Management Board also announced that it had concluded an agreement with Santander Bank Polska S.A. – Santander Brokerage Poland, for the provision of brokerage services in the purchase of own shares by the Company by way of a tender offer to Shareholders to submit offers to sell shares.

In addition, the Company made public the most important rules for the purchase of own shares under the Management Board's resolution, specifying them in Current Report No. 25/2021 of 8 October 2021. The tender offer for the shares of Selena FM S.A. (1st tranche of own share buyback) ("Tender Offer") was made public on 8 October 2021: in the form of an ESPI current report (as an attachment to Current Report 25/2021), on the website of Selena FM S.A. and on the website of Santander Brokerage Poland.

In turn, on 25 October 2021, the Company's Management Board reported that on that day own shares were acquired and settled in connection with the Tender Offer announced on 8 October 2021 to the holders of the Company's shares. Details regarding execution and settlement of the purchase of own shares by the Company were provided in Current Report No. 26/2021 of 25 October 2021. In connection with the purchase of own shares carried out by the Company on the basis of the Tender Offer, the Company acquired a total of 194,834 own shares with a nominal value of PLN 0.05 each, at a price of PLN 24.00 per share and a total price of PLN 4,676,016. The acquired own shares represented 0.85% of the Company's registered capital and carried 0.73% of the total number of votes at the Company's General Meeting.

Another tender offer for the shares of Selena FM S.A. (2nd tranche of own share buyback) was made public on 2 December 2021: in the form of an ESPI current report (as an attachment to Current Report 32/2021 of 2 December 2021), on the website of Selena FM S.A. and on the website of Santander Brokerage Poland.

On 15 December 2021, the Management Board reported that it had cancelled the buyback (Current Report No. 32/2021), noting that the cancellation was due to the Management Board's decision to increase the share price proposed under the 2nd buyback tranche.

The Management Board also announced that in connection with the cancellation of the Tender Offer of 2 December 2021, on 15 December 2021 – by the resolution on the 2nd buyback tranche, it decided to announce a new tender offer as part of the 2nd buyback tranche.

In addition, the Company made public the most important rules for the purchase of own shares under the Management Board's resolution, specifying them in Current Report No. 34/2021 of 15 December 2021. The tender offer for the shares of Selena FM S.A. was made public on 15 December 2021: in the form of an ESPI current report (as an attachment to Current Report 34/2021), on the website of Selena FM S.A. and – immediately after the publication by the Company – on the website of Santander Brokerage Poland.

In turn, on 29 December 2021, the Company's Management Board reported that on that day own shares were acquired and settled in connection with the Tender Offer announced on 15 December 2021. Details regarding execution and settlement of the purchase of own shares by the Company were provided in Current Report No. 25/2021 of 29 December 2021. In connection with the purchase of own shares carried out by the Company on the basis of the Tender Offer, the Company acquired a total of 1,000,000 own shares with a nominal value of PLN 0.05 each, at a price of PLN 24.00 per share and a total price of PLN 24,000,000.00. The acquired own shares represent about 4.38% of the Company's registered capital and carry about 3.73% of the total number of votes at the Company's General Meeting.

Before the end of the above 2nd buyback tranche, the Company had 194,834 own shares. Thus, as at 31 December 2021 and as at the date of publication, the Company has 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.

The list of the Parent Company's shares held by the executive and non-executive directors of the Parent are presented in Note 3.10 of this report.

3.5. Delivery of forecasts

The Company did not publish its consolidated forecasts for 2021.

3.6. Litigations

Dispute between Carina Silicones sp. z o.o. and Bank Millennium S.A.

On 11 March 2013, Carina Silicones received from the District Court in Warsaw, XVI Economic Division, a copy of the claim for payment made by Millennium Bank, dated 4 January 2013. The bank stated its total claim amount at PLN 10,256 thousand. The claim relates to the purported conclusion of FX transactions between the company and the bank in 2008. Repeating the opinion of the Management Board of Carina Silicones, supported with legal opinions, the Management Board of the Parent sustains its opinion that the bank's claims are unwarranted. Based on the legal opinion received, the company responded to the claim and moved that it should be dismissed in its entirety.

At the hearing on 5 February 2021, after evidence-taking, the hearing of witnesses and after the attorneys made statements on the case, the District Court decided to close the court proceedings. On 5 March 2021, the court issued a judgment in the first instance, accepting the bank's claim.

The defendant did not agree with the decision and appealed, fully upholding its previous position that the claim is unfounded.

At the same time, in 2020, in accordance with the prudence principle, the Company's Management Board decided to raise a provision for the value of the claim together with statutory interest of PLN 17.9 million.

3.7. Unusual events and factors

Other key factors affecting the Group's performance in 2021 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 2021.

3.9. Equity-based remuneration programmes

In 2021, no equity based remuneration programmes 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 Programmes

In 2021, no employee shares programmes 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 2020–2021 is presented in Note 8.5 of the consolidated financial statements for 2021.

3.14. Compliance with the EU Taxonomy for Sustainable Activities

In this Report for 2021, the Group reports for the first time the indicators provided for under EU regulations relating to sustainable activities ("Taxonomy").

In accordance with Article 8 of Regulation of the European Parliament and of the Council No 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment ("Regulation"), in order for an activity to qualify as environmentally sustainable it should meet three conditions:

- Contribute substantially to at least one of the six environmental objectives: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems;
- Not significantly harm any of these objectives;
- Be carried out in compliance with the minimum safeguards of human rights, including the fundamental conventions of the UN International Labour Organisation.

In 2021, the reporting refers to indicators related to the activities pursuing the first two environmental objectives, i.e. climate change mitigation and climate change adaptation – Company discloses the proportion of the turnover, capital expenditure (CapEx) or operating expenditure (OpEx) (defined in accordance with the relevant provisions on the Taxonomy) that are Taxonomy-eligible and Taxonomy non-eligible.

The Group notes that the reported data were prepared for the first time, and are based on estimates and available sources. The data have not been audited and have been prepared in accordance with the best knowledge.

As a result of the analysis, at the level of the Company and the Group, it was decided that Taxonomy-eligible items include turnover, CapEX and OpEx relating to construction products that contribute to climate change mitigation by reducing electricity consumption in buildings and structures or reducing the demand for final energy for heating or cooling, and thus reducing the carbon footprint of buildings and structures.

	Group	[PLN k]	%
Taxonomy-eligible turnover		24,943	1.4%
Taxonomy non-eligible turnover		1,703,407	98.6%
Total turnover		1,728,350	100.0%

	Group	[PLN k]	%
Taxonomy-eligible OpEx		2,302	0.4%
Taxonomy-non-eligible OpEx		538,521	99.6%
Total OpEx		540,823	100.0%

	Group	[PLN k]	%
Taxonomy-eligible CapEx		9,216	28.3%
Taxonomy-non-eligible CapEx		23,347	71.7%
Total CapEx		32,563	100.0%



Corporate Governance Principles

4. Corporate Governance Principles

Corporate governance principles applied by the Group are presented in detail in the report on the Company's activities for 2021.

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 2021 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
Jacek Michalak

Chief Commercial Officer
Vice President
Sławomir Majchrowski

Chief Operating Officer
Roman Dziuba

Chief HR Officer
Andrzej Zygałło



Appendix 1

Group's Non-Financial Information Statement

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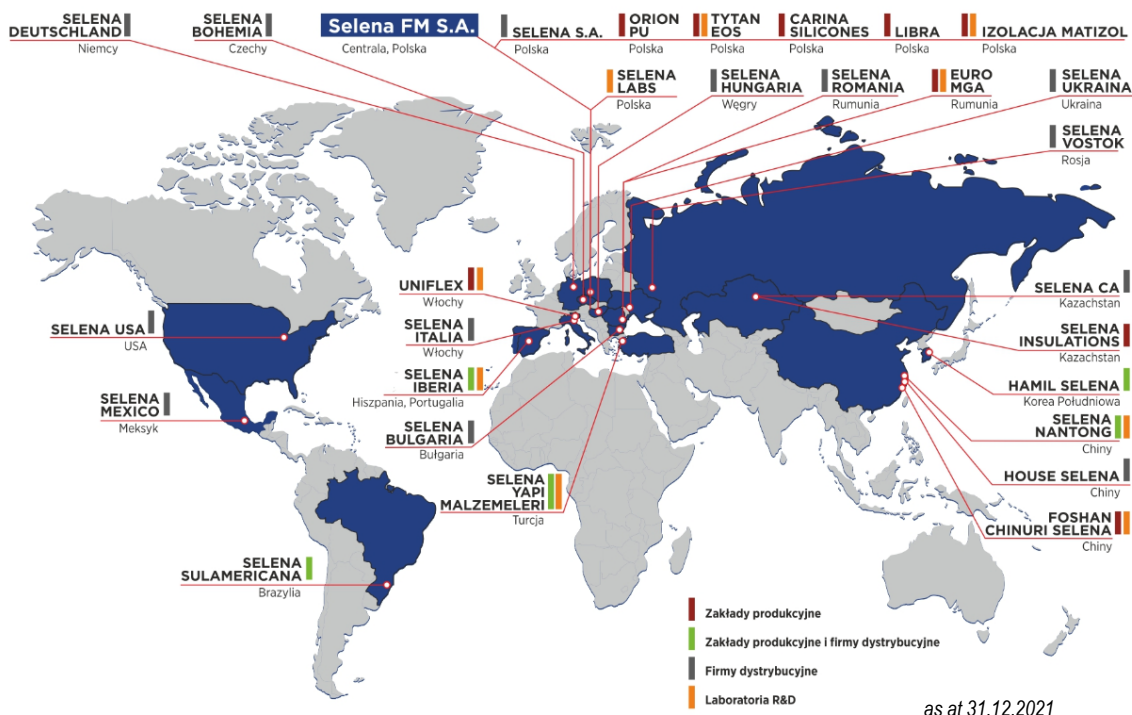
Basic information

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.





Management area

II. MANAGEMENT AREA

1. Description of the business model and strategic development 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 consists of 35¹ (as at 31.12.2021) production, distribution and production & distribution companies in 18 countries on 4 continents. The Group's production plants are located in Poland, China, Romania, Turkey, Spain, Kazakhstan, South Korea 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, China, Romania, Turkey, Spain and Italy. In April 2019, Selena Labs based in Dzierżonów, as a coordinator of an international team, officially opened its modern R&D centre.

1.2. Main business strategy 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 while ensuring the highest quality of products used in different climate zones and at different latitudes.

Selena Group's mission is to **deliver products and solutions for modern construction jobs, developed for and with the professional builders**. 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, and the Energy2020 foam, which is characterized by high thermal insulation, reducing heat losses by up to 60%. The R&D unit also works on new components from bio-renewable sources (as part of cooperation under the Horizon 2020 programme). Each year the offer developed under these projects

¹The business activities of 33 companies are covered by full reporting to the Company, and due to the nature of the minority stake in Hamil – Selena Co. Ltd and House Selena Trading Company Ltd., Selena FM S.A. does not obtain full reporting data from them in the areas covered by this report.

respond to the needs of investors and users, including in the area of LEED², BREEAM³, ECO-LABEL⁴ and carbon footprint requirements and are in line with Selena's corporate social responsibility.

1.3. Implications of the business model

Thanks to its consistently implemented business model, Selena Group, operating for 30 years in the market, is now one of the four largest producers of polyurethane foams for construction, is ranked second in adhesives in the Russian market and is the leader in the segment of traditional adhesives in Poland. The Group employs 2,140 people (as at 31 December 2021). Its products are distributed to nearly 100 markets on 5 continents: in Europe, Asia, South America and North America, and Africa.

1.4. Strategies

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 18 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 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 will design innovative solutions that will significantly change or 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.

The Group's strategic goal 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 strategies and commitment, both by individuals and teams, the Group believes it is able to deliver on its goals.

1.4.1. Environmental aspects

When implementing its business strategy, 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 plans' 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 audits and audits at the Group level. In the R&D area, Selena Group is an active partner of the Horizons 2020 Programme, whose one of the main goals is to contribute to the protection of natural environment.

² LEED – the multi-criteria evaluation system for buildings (Leadership in Energy and Environmental Design) introduced in 1998 by U.S. Green Building Council USGBC. The second most-used multi-criteria certification system for buildings in Poland after BREEAM

³BREEAM – Building Research Establishment Environmental Assessment Method, introduced in the UK in 1990 by BRE Global. It is present in 77 countries. It is the most widespread system in Poland. In the certification process, a BREEAM assessor needs to be higher. Their list can be found on the GreenBook Live pages of the system operator, BRE Global, which grants certificates.

⁴ ECO-LABEL – also known as the EU Flower, is awarded in 30 product categories available in the EU market (including Iceland, Liechtenstein and Norway). The Ecolabel certificate is awarded to individual products that meet a number of standards, and their entire life cycle is planned in such a way as to have the least adverse impact on the natural environment.

In terms of dynamic production growth, Selena Group uses only certified raw materials. In addition, Selena Group's factories operate special programmes 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.

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. We sell our products in more than 100 local markets 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.

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

- foams;
- 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.

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://selena.com/pl/marki-i-produkty/#katalog>. 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)

We are constantly working on optimization of entire supply chains: from raw material suppliers to end customers. The biggest challenge for the Group were disrupted global supply chains and problems with the timeliness and availability of materials and transport services. 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 35 Polish and foreign companies (as at 31.12.2021) in 18 countries on 4 continents, including production plants located in 8 countries on 3 continents. The Group's headquarters, from which the entire international activity is managed, are located in Wrocław.

For management purposes, Selena Group has identified 3 geographic segments: European Union (including Poland and Spain), Eastern Europe and Asia (including Russia and China) and North and South America (mainly the USA and Brazil).

See Note 1.7.1 for a detailed structure of the individual segments, and Note 2.1 to the consolidated Management Report for 2021 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 favourable environment for joint goal-setting; 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 (Group Effectiveness/Company/Unit Index). 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.

Since 2020, Selena Group has had 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 emphasised 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/wp-content/uploads/GPW-Dobre-Praktyki-Selena-FM-SA-2021.pdf>.

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 defence). 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 defence). 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 Head Office;
- 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 Head Office;
- 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 programmes.

The Group's Internal Control 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 defence). 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 defence). The Internal Control System is subject to an annual assessment by the Audit Department, and the opinion is provided to the Company's Management Board and 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.

3. Social/ employee and environmental risk management

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

The Group has a Business Continuity Management Plan in place, implemented at all Polish units in 2020. 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 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.

In 2021, the Central Response Team continued its operations under the BCMS procedure, managing the pandemic situation at the strategic level.

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 (sorberent 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:
 - reputational damage resulting from core operations – Selena Group is in the process of developing a Crisis Management Policy, however, 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, the corporate communication department and a 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 potential situations related to reputational damage, the corporate communication department carries out ongoing monitoring of the media and the press.
 - 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 2015 version of 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 programmes 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 risks 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 2021, 53 internal checks and audits were carried out at production plants. Furthermore, 9 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.

In 2021, 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 behaviours 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 behaviours 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 behaviours 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 2021, 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 consumables

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.

Raw materials used by Selena Group do not come from renewable sources or from recycling, nor do they have sustainable development certificates.

However, the Group's production plants start using recycled packaging on an increasingly larger scale.

3. Direct and indirect impact: fuel and energy

3.1. Energy in numbers

Total energy consumption	27,010,582.46 kWh
Energy consumption per unit of income	71.61 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 EUR and multiplied by 1,000 EUR.

The intensity of energy consumption is 3% lower compared to 2020.

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, purchase energy obtained from renewable sources. Green energy consumption in 2021 was 3,279,242.57kWh, which accounts for 23% of total energy consumption. The Group makes efforts to increase the use of energy from renewable sources and constantly minimize fuel and energy consumption through a gradual upgrade of the production plants. In June 2021, an agreement was signed 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 addition, the investments planned for 2022 at Selena Group include 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.

In order to reduce electricity consumption, many companies have implemented LED lighting. In addition, personnel is trained in energy savings methods, and are instructed e.g. to switch off devices not used at a given moment.

As an R&D firm, Selena Labs Sp. z o.o. constantly modifies product formulations to lower the temperature of their production and thus reduce the energy intensity of production processes.

Another example of reduced energy consumption is the use of heat coming from the compressor for heating the manufacturing facility and water at Carina Silicones Sp. z o.o.

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	41,266.30 m ³
Water consumption per unit of income	0.11 m ³

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

The intensity of water consumption decreased by 7% compared to 2020.

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	
	2020	2021
Direct GHG emissions	6,980,284 kg CO ₂ -e	6,215,188 kg CO ₂ -e
Volume of direct emissions per unit of income	22.58 kg CO ₂ -e	16.48 kg CO ₂ -e

Direct GHG emissions come from the combustion of fuels in transport, as well as during the heating and cooling of production and office buildings. The volume of GHG emissions was calculated as the product of the consumption of energy carriers based on meters or invoices and CO₂ emission factors from the GHG protocol methodology.

The volume of GHG direct emissions per unit of income is calculated by dividing the volume of GHG emissions by the Group's total revenue expressed in EUR and multiplied by 1,000 EUR. Direct emissions intensity fell by 12% compared to the 2020 emissions.

6.1.2 Indirect GHG emissions in numbers

Group	Year	
	2020	2021
Indirect GHG emissions	11,638,298.30 kg CO2-e	11,786,123.46 CO2-e
Volume of indirect GHG emissions per unit of income	37.64 kg CO2-e	31.25 kg CO2-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 CO2-e 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 EUR and multiplied by 1,000 EUR.

The intensity of indirect emissions grew by 1.25% in relation to the 2020 emissions, despite a decrease in emissions per unit of revenue.

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, and investments in machinery and infrastructure. In addition, local initiatives are carried out to lower GHG emissions, including planned construction of a plant for the production of biopolyestrol, i.e. a bio-based material at the Orion production unit. Moreover, Izolacja Matizol Sp. z o.o. – in order to improve the energy efficiency of its building – installed curtains and sealed gates at its production facilities.

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

Type of substance	Emissions volume
VOCs	3.706 Mg
Total dust	7.959 Mg
Hydrocarbons	8.648 Mg
Nitrogen oxides	1.056 Mg
Tar substances	0.231 Mg
Other substances	5.540 Mg
Total	27.140 Mg

Amount of pollutants emitted into the atmosphere	27.140 Mg
Emission of pollutants into the atmosphere per unit of income	0.0000719 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 EUR and multiplied by 1,000 EUR. The intensity of pollutant emissions into the atmosphere is much lower compared to 2020.

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

Total volume of wastewater	21,256.35 m3
Discharge of wastewater per unit of income	0.056 m3

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

The intensity of wastewater emissions is 11 lower compared to 2020.

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	187.182 Mg	0.001 Mg
Recovery (including energy recovery)	962.647 Mg	178.166 Mg
Recycling	1711.144 Mg	3.4422 Mg
Stored in landfills	2100,493* Mg	79.969 Mg
Combustion	11.2 Mg	118.038 Mg
Other	343.585 Mg	13.1 Mg
Total	5316.251 Mg	392.716 Mg

* includes municipal waste

Emission of hazardous waste per unit of income	0.001 Mg
Emission of non-hazardous waste per unit of income	0, 014 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.

The amount of non-hazardous waste generated increased by 3% compared to 2020, which is due to the post-pandemic increase in production. Particularly noteworthy is the significant 60% reduction of hazardous waste compared to 2020, which is due to the reduction in the amount of disposal of expired hazardous products and the implementation of processes enabling re-use of products.

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 Libra, Sp. z o.o., where waste from plastic bottles was virtually reduced to zero. It was possible thanks to equipping all employees with reusable water bottles and

replacing plastic bottles with glass bottles in conference rooms. 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 favour 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.

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, at the end of 2021, the Group started a project to introduce the correct labelling 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. All companies have signed agreements with waste recovery organizations, and in the case of packaging of hazardous substances – with the Polish Chamber of Commerce.

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

The number of packaged products marketed in 2021	19,400.34 Mg
Packaged products per unit of revenue	0.05 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 EUR and multiplied by 1,000 EUR.

10. Compliance

A total of 9 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 2021, 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, the main beneficiary of public aid was Oligo Sp. z o.o. In 2020, the company obtained subsidy for a project financed under the Horizon 2020 Programme: “Advanced BIObased polyurethanes and fibres for the autoMOTIVE industry with increased environmental sustainability” (Biomotive Project). Also Selena Labs Sp. z o.o. received a grant under this project, as its leader (“Coordinator”). As part of Biomotive, in 2021, Oligo Sp. z o.o. and Selena Labs Sp. z o.o. recognized revenue from grants of PLN 6,706,019 and PLN 1,619,689.28, respectively.

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

We have been building good relations with current and future employees across the Group since the very beginning. We are keen to ensure that our prospective 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

In the Polish market, Selena Group has 1,238 employees (as at 31 December 2021), while in total, including in foreign affiliates, the Group employs 2,140 people (as at 31 December 2021).

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. In the reporting period, 218 people (less than 10.2% of all employees) provided work for Group companies under work-for-hire or similar contracts for service.

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 2021, 17 disabled people worked with the Group companies, which is 0.8% of the total workforce. Due to the above-mentioned proportion of employees with disabilities, the Group companies regularly make payments to the State Fund for Rehabilitation of Disabled People. The payments made in the reporting period totalled PLN 688,189.00.

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 Labour Code (and relevant labour-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. In the reporting period, only 2 out of 48 women within 12 months of returning to work after childbirth decided not to continue their employment.

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. For this reason, Selena Group did not decide to introduce a uniform remuneration policy for all its companies. In turn, 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.

As regards remuneration, Selena Group compares the indicators presented in the 2021 report with the prior year.

2.4.2. Remuneration statistics at Selena Group

The ratio of the average gross remuneration of women to the average remuneration of men		
Indicator	2020	2021
The ratio of the average gross remuneration of women and men in Polish companies/ Selena Group	0.7246 / 0.7707	0,7540/ 0.8075
Average gross remuneration to the minimum wage in Polish companies/ Selena Group*	women 2.3804/ 2.8133 men 3.2849/ 3.8820	women 2.2206/ 2.5907 men 2.94485/ 3.43566

* In Polish companies, calculated on the basis of the minimum wage; in Selena Group, calculated on the basis of the average rate from the region as not every country has regulations in this respect.

2.4.3. 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 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 Selena FM S.A., Selena S.A., Selena Marketing International Sp. z o.o., Selena Labs Sp. z o.o. Oligo Sp. z o.o. and Selena Industrial Technologies Sp. z o.o., Selena ESG Sp. z o.o. benefited from the Medcover package.

Furthermore, employees of Selena FM S.A., Selena S.A., Selena Marketing International Sp. z o.o., Selena Industrial Technologies Sp. z o.o., Selena Labs Sp. z o.o., Orion PU Sp. z o.o., Libra Sp. z o.o. and Carina Sp. z o.o. Selena ESG Sp. z o.o. 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.

In addition, children of the employees of the above companies also receive gift packages for the St. Clause Day and gift cards. 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 2021 employment was terminated by 17.4% people employed on the basis of employment contracts. These contracts were terminated by mutual agreement of the parties (50%).

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, behaviour 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 the reporting year, Selena updated its Group Health & Safety Policy, and updated its EHS 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 programme was implemented for each production plant, designed to report hazardous conditions and behaviours. The program applies to all employees and its aim is to eliminate potential threats and increase employees' safety awareness.

In 2021, the Good Practice reporting programme was implemented, which engages manufacturing plants in the exchange of solutions aimed at improving working conditions at plants. As part of the programme, Health & Safety specialists have the opportunity to present and exchange solutions implemented at their plants with a possibility to roll them out to other companies.

In order to increase employee awareness, an awareness training programme for senior and middle management, launched in 2020, is continued. In 2020, under the programme, top and middle management employees were trained, and in 2021 the programme 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.

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 programmes, 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.

At the Group level and as part of the activities planned in the EHS Road Map, the key parameters of fire safety were verified at all production plants and sales 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 programmes.

In 2021, external health & safety inspections were held by competent external bodies.

Inspections in the area of health & safety carried out by competent external bodies in 2021			
Inspection body	Production companies	Non-production companies	Selena Group
Labour Inspection	7	2	9
Sanitary inspection	3	1	4
Fire Department	10	1	11

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 programme.

In 2021, Selena started roll-out of the Group procedure to harmonize the method of conducting internal warehouse and traffic checks. 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.

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 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. At two production plants slight noise limit excesses were recorded (currently employees are provided with appropriate personal protective equipment). We are currently working on solutions designed to reduce the noise level and concentrations of chemicals.

In 2021, 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) for the years 2020–2022. In addition, Selena also became the official partner of EU-OSHA in this campaign on a European scale. As part of the cooperation, one of our plants was awarded in the Good Practice competition for designing and creating a shingle application device.

4.4. Results of application of health & safety policies

In 2021, a total of 17 accidents at work were observed at production plants, down vs previous years (22 and 27 accidents reported in 2020 and 2019, respectively). Two out of the total number of accidents did not result in professional absences (vs four in 2020).

One of the reported accidents involved a third party employees (without serious injuries).

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.

The number of accidents and key occupational health and safety indicators for employees of Selena Group in 2021			
Accidents/ indicators	Production companies	Non-production companies	Selena Group
Total number of all accidents at work	13	4	17
Accidents at work resulting in employee absence	12	3	15
Accidents at work not resulting in employee absence	1	1	2
Fatal accidents	0	0	0
Serious accidents	0	0	0
Light accidents	13	4	17
Accidents of external company employees	1	0	1
Accidents on the way to/from work	1	3	4
Days of incapacity for work	263	97	360
Accident rate by work time (per 200,000 hours)	1.4	0.3	1.7
Accident rate by number of employees (calculated per 100 employees)	1.2	0.3	1.5
Accident severity rate (the number of days on sick leave due to accidents to the number of accidents resulting in absence)	21.9	32.3	54.3

By direct cause, the accidents were related to:

- stumbling (x7);
- contact with a sharp edge (x4);
- contact with a chemical substance (x3);
- slipping (x1);
- contact with a moving element (x1);
- falling (x1);

By location of the injury, accidents concerned:

- upper limbs (x12);
- lower limbs (x3);
- body and head (x2).

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

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

Considering the number of accidents at work that occurred in Selena Group in 2021, it should be noted that almost 60% of them were related to personal protective equipment. For this reason, in 2022, a series of training courses are planned for management, middle-level employees and the Occupational Health & Service function on the selection of personal protection equipment. The indirect cause of the accidents was the lack or inappropriate selection of personal protective equipment. Consequently, employees will also be trained in the use of health and safety products. In 2022, focus is also to be placed on training relating to the appropriate selection of protective gloves, and creating a framework around the subject of personal protective equipment.

5. Activities in the social and work area in the context of COVID-19

Since the beginning of the outbreak, Selena Group has been closely monitoring the situation connected with the development of coronavirus in the world, and in particular in the areas where Selena's companies and factories are located. The Group keeps track of the announcements published by the WHO regarding the status of the COVID-19 spread, and monitors situation at its companies. A special Response Team formed at the level of the Group's headquarters has developed procedures and is providing support if any mitigation scenarios need to be implemented in order to minimize the impact of coronavirus on the Group's operations.

Already in April 2020, Selena Group started production of its own hand sanitizer with bactericidal and virucidal properties. Produced by Libra, one of Selena Group's plants, the sanitizer is used both by the Group's employees and third parties, including public utility institutions, which received the disinfectant free of charge as part of the #SelenaHelps (#SelenaPomaga) CSR campaign.

Bearing in mind the safety of Customers, Business Partners and Employees, in 2021 Selena Group continued a number of measures to ward off or to prevent the spread of COVID-19, and to lower its impact on the Group's business operations.

6. HR development and education

6.1. 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 programmes 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.

6.2. 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.

2021 saw the end of the first edition 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, in 2021, in cooperation with ICAN Institute, we started a development program addressed to a group of 150 middle-level specialists and managers. The aim of the program is to increase the knowledge and skills in the area of planning, team management, communication and change management, among other things.

6.3. 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 Industrial Technologies Sp. z o.o., Orion PU Sp. z o.o. and Libra Sp. z o.o. to enter into 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 a 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. Classes are conducted on the Company's premises (9 locations) in English, Spanish and Russian. More than 150 employees and collaborators participate in the programme.

6.4. 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.

7. Diversity management

7.1. 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.

7.2. 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.

7.3. 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 behaviours as bullying, discrimination or sexual harassment.

7.4. 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.

7.5. 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, more than 30 people provided service under a contract with the Detention Centre.

7.6. 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 behaviours which in any way threaten diversity is another factor contributing to a safer work environment. In 2021, no cases of discrimination, bullying or sexual harassment were reported in Selena Group.

8. Human rights

8.1. 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 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.

8.2. 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.

8.3. 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 2021.

9. Local communities and social commitment

9.1. 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 31.12.2021):

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

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 Selena Labs, 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, Selena Labs received a task to develop and implement a system of polyurethane foams and foam adhesives with advanced insulation properties. In addition, Selena Labs participated in the BioMotive project (also part of Horizon 2020), which was designed to pave the ground towards the production and subsequent sale of components based on biorenewable raw materials. Accordingly, in 2021, final preparations were made to set up an innovative line for the production of biopolyesters, i.e. bio-based plastics for creating environmentally-friendly mounting foams, foam adhesives and sealants for construction. 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 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. 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 centres and manufacturing plants against excessive absorption of heat from solar radiation. The solution generates savings on the cooling and heating energy. In Brazil, the roof's external temperature was reduced from 86.4°C to 34.5°C.

In April 2020, when the pandemic hit, Selena Group started production of its own hand sanitizer with bactericidal and virucidal properties. The production was launched at the Libra plant in Dzierżonów in the Wałbrzych Special Economic Zone. The product obtained the marketing authorization from the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products. In cooperation with Polish, local authorities, in 2020–2021, as part of the #SelenaHelps CSR campaign, the Group transferred the sanitizer free of charge to over 50 entities, including hospitals and medical facilities from Lower Silesia, children from the Between Heaven and Earth Foundation, and seniors.

The #SelenaHelps campaign is one of the elements of the Company's CSR policy that goes beyond pandemic-relief measures. Another manifestation of the campaign is the Christmas support provided for the Wrocław Hospice for Children Foundation, which organizes specialist respite care for the hospice's charges.

Selena Group also puts high premium on protection of local communities by maintaining jobs during the difficult period of the pandemic. To this end, the Group used government support schemes both in Poland and in other countries.

9.2. 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.

Faced with the coronavirus pandemic, Selena managed to quickly adapt one of the production lines of the Libra production plant in Dzierżonów for the production of hand sanitizer. Sanitizer batches provided free of charge as part of the #SelenaHelps CSR campaign, helped protect health and well-being of people from more than 50 entities, including hospitals and medical facilities from Lower Silesia, children from the Between Heaven and Earth Foundation, and seniors.

In 2021, in the Christmas season, Selena became involved in supporting the Wrocław Hospice for Children Foundation, as part of its online corporate function to celebrate Christmas. This foundation, previously selected through a vote by employees, organizes specialist respite care for the hospice patients.

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 Krzysztof Domarecki 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.

The company enjoys consumer confidence, which is evidenced by the following awards received in 2021:

- top places in the prestigious ranking of National Champions, announced by *Polityka Insight*: (1st place in the special category Green Champions, 3rd place in the Foreign Activity category, 7th place in the overall ranking among 45 awardees);
- nomination for the Economic Award of the Polish President in the “International Success” category;
- Second place in the competition of the Polish Radio’s Economic Awards 2021: “A successful company during the times of COVID-19”.

Thanks to the active involvement of the company’s employees, the local community lodged no complaints against the Group’s activity in 2021.

10. Prevention of corruption

10.1. 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 raise the awareness of the Group’s employees and partners regarding activities that bear traces of corruption and to combat corruption, in 2020 Selena Group updated its Anti-Corruption Policy. At the time of employment, every new hire is informed about the Anti-Corruption Policy and signs a statement that they have read, understood and agree to follow it.

10.2. Characteristics of the policy

The Anti-Corruption Policy lays down details of what is understood by corrupt behaviours and indicates a catalogue of banned behaviours. 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 behaviours. 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.

10.3. 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.

10.4. Results of application of the Anti-Corruption Policy

In 2021, the Company's application of the Anti-Corruption Policy was effective at counteracting corruption. No cases of corrupt behaviours were observed during the reporting period.

11. 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 finalize 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 the 8D report, containing e.g. a description of the causes of the problem and temporary and long-term corrective measures.

12. Marketing communication

12.1. 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. Due to the pandemic that continued in 2021, and in the era of widespread digitalization, the Group contacts its users not only in a traditional, direct way, subject to all safety rules, but also through modern communication channels, including social media (YouTube, LinkedIn and Facebook).

Selena Group carries out regular studies designed to mitigate the risk attached to marketing decisions. On the basis of those studies it determines further communication of both its product brands and its corporate brand.

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, and to identify those whose formulations need to be corrected.

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, for example, by the Polish company Selena S.A. in the whole country in cooperation with building wholesalers and industry associations. Due to pandemic-related limitations, training sessions are very often held digitally, as webinars that allow their participants to expand their knowledge and competences in an accessible, fast and convenient form.

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. We also cooperate with opinion leaders, including representatives of industry associations and institutions (influencers). Due to the coronavirus pandemic, modifications had to be introduced in marketing activities. Selena focused on digital solutions, including video marketing as an effective form of communication with the market.

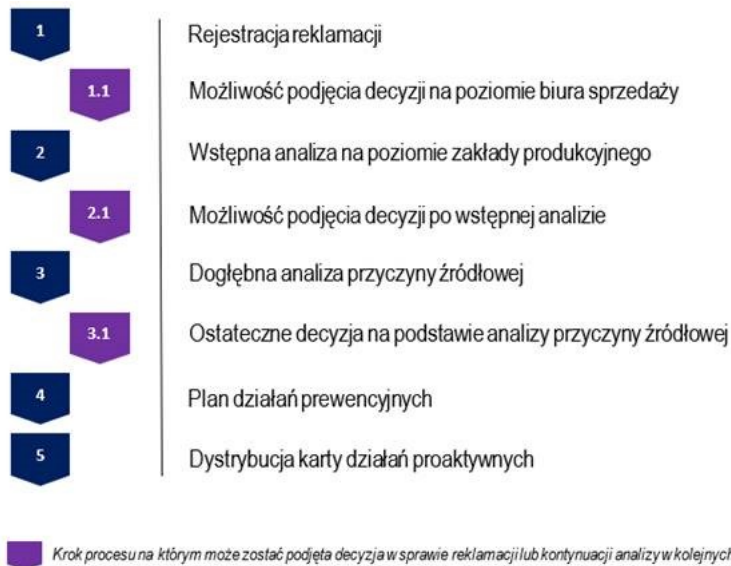
One of the communication channels is the Selena Contact Center (which exists at Selena S.A. for example), whose task is to provide comprehensive customer service. Selena Contact Centre's employees are available to customers from Monday to Friday from 8:00 to 17:00 providing them with product information 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.



Like all systems of this type, the platform is subject to mechanisms of continuous improvement and optimization in conjunction with other processes. Actions are currently planned to increase synergies in combination with other external processes. In the future, additional integrations will increase the added value for Selena Group's customers.

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 (e.g. separately the call centre, separately the complaint handling department). In addition, roadshow trainings are organized in most Group companies. They give an opportunity for our customers to test the company's products, learn about new products introduced to the market and talk to our technical advisers. 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 our products. We also place great emphasis on building the image of Selena Group as a technical partner and consultant. This is one of the desired effects that the Group wishes to focus on and improve in the following years of its operations.

13. 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 specialising 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.

14. 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 labelled 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 labelling 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, we reduce the loss of labels during their printing and putting them on packaging, and minimize product losses due to the end of shelf life as products can be transferred between different foreign companies. We also optimize the storage of finished products thanks to the possibility of combining orders from different locations. The project is being continued by Selena Group.

Selena Group has also started comprehensive labelling of (unit and collective) packaging with appropriate recycling markings to facilitate consumers in conscious and appropriate segregation and recycling of used products..

15. Other social and market-related matters

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