



Management Board's Report on the Group's Activities for the year ended 31 December 2019

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General information

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 was assigned the 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 2018, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – acting Management Board President.
- Elżbieta Korczyńska – Management Board Member, CFO

Changes in the Management Board in 2019:

On 7 January 2019, the following persons were appointed to the Company's Management Board:

- Dariusz Ciesielski, who was appointed Vice President of the Management Board for Sales, and
- Bogusław Mieszczak, who was appointed Management Board Member for Operations.

On 1 March 2019, the following persons were appointed to the Company's Management Board:

- Krzysztof Domarecki, who was appointed President of the Management Board and
- Christian Dölle, who was appointed Vice President of the Management Board for Marketing.

On 24 June 2019, Elżbieta Korczyńska resigned as Management Board member effective from 30 June 2019.

On 24 June 2019, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Financial Officer. The appointment became effective as of 1 July 2019.

On 7 October 2019, Bogusław Mieszczak resigned from the Company's Management Board and stepped down as COO.

As at 31 December 2019, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President
- Dariusz Ciesielski – Vice President for Sales
- Christian Dölle – Vice President for Marketing
- Jacek Michalak – Management Board Member for Finance

By the date of publication of this report, no other changes took place in the Management Board's composition.

1.3. Supervisory Board of the Parent Company

As at 31 December 2018, the Supervisory Board of the Parent Company was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

Changes in the Supervisory Board composition in 2019:

On 28 February 2019, Krzysztof Domarecki resigned from the Supervisory Board and from the role of the Chairman of the Supervisory Board effective from 28 February 2019.

On the same day, the Extraordinary General Meeting of Shareholders nominated Andrzej Krämer, Supervisory Board member, as the Chairman of the Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

On 27 May 2019, the Company's Annual General Meeting of Shareholders appointed Łukasz Dziekan to the Supervisory Board.

As at 31 December 2019, the Supervisory Board of the Parent Company was composed of:

- Andrzej Krämer – Chairman of the Supervisory Board
- Borysław Czyżak – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member
- Czesław Domarecki – Supervisory Board Member
- Łukasz Dziekan – Supervisory Board Member

By the date of publication of this report, no other changes took place in the Supervisory Board's composition.

1.4. Supervisory Board Committees of the Parent Company

Audit Committee

As at 31 December 2018, the Audit Committee was composed of:

- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – 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.

Changes in the Audit Committee composition in 2019:

Since 1 March 2019, the Audit Committee has consisted of:

- Mariusz Warych – Chairman of the Audit Committee
- Andrzej Krämer – Audit Committee Member
- Marlena Łubieszko-Siewruk – Audit Committee Member.

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.

By the date of publication of this report, no changes took place in the Audit Committee's composition.

In the period from 1 January 2019 to 31 December 2019, the Supervisory Board's Audit Committee held 7 regular meetings and 3 working meetings, i.e.

- meeting of 27 March 2019 (regular meeting)
- meeting of 10 April 2019 (working meeting)
- meeting of 24 April 2019 (regular meeting)
- meeting of 28 May 2019 (regular meeting)
- meeting of 30 August 2019 (regular meeting)
- meeting of 25 September 2019 (regular meeting)
- meeting of 27 November 2019 (regular meeting)
- meeting of 9 December 2019 (working meeting)
- meeting of 13 December 2019 (working meeting)
- meeting of 18 December 2019 (regular meeting).

In the period from 1 January 2019 to the date of publication of this report, members of the Audit Committee qualified in the field of accounting or financial statements audit were: Mariusz Warych and Marlena Łubieszko-Siewruk.

The members of the Audit Committee having knowledge and skills in the industry in which the Company operates were Krzysztof Domarecki (in the period from 1 January 2019 to 28 February 2019) and Andrzej Krämer (in the period from 1 March 2019 to the date of publication of this report).

The qualifications of the members of the Audit Committee in the field of accounting or financial statements audit, as well as knowledge and skills in the industry in which the Company operates resulted from the education, experience and professional practice of the Committee's members.

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 in relation to the persons who at the date 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. 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.

Marlena Łubieszko-Siewruk – manager with several years' experience in finance gained in international and Polish companies from the production industry (household appliances, construction chemicals, bakery). She specialises in building and developing financial functions and contributing to development of financial unit strategies in support of business objectives. She holds a master's degree in economics (major: finance and banking). She also took a Master of Business Administration (MBA) course at the University of Economics in Wrocław. In 2006, she obtained a statutory auditor licence.

In 1998–1999, she worked with Fael Legrand Sp. z o.o. (a member of the Legrand Group (specialist in electrical installation products and systems and in IT networks for residential, commercial and industrial buildings), where she served as Independent Accountant.

In 1999–2000, she was FP&A Manager (a green field project) at General Electric Power Controls Sp. z o.o. with a responsibility for planning, budgeting, analysis and reporting of the company's financial results. She also dealt with SAP implementation in the area of controlling, and managed development of the controlling function in the organisation.

In 2000–2005, she worked as Chief Accountant at Whirlpool Sp. z o.o. Her achievements include: implementation of Whirlpool Group's reporting standards: US GAAP; restructuring of a 100-person accounting team; reorganisation of accounting processes, and implementation of the financial and accounting system – SAP.

In 2005–2013, she worked with the Company, where she served as Accounting and Financial Reporting Director for the Group. She was responsible for the reporting of the Group as an entity listed on the Warsaw Stock Exchange. In 2013, she became Finance and Supply Chain Director at Bama Europa Sp. z o.o. where she is responsible for comprehensive management of the company's financial division (finance, accounting, controlling, IT), and develops the competencies of the financial team. She is also responsible for financial strategy development, liquidity management, product pricing policy for a key client, and negotiating and concluding contracts with suppliers.

Andrzej Krämer – senior manager with over 25 years' track record in sales, operations and business administration, covering a wide range of construction materials markets in the heating and sanitary industry.

Since 1 September 2018, he has held the role of Sales Director as CCO (Chief Commercial Officer) with Logstor A/S established in Denmark, the creator of pioneering solutions in remote control heating. The company develops energy-efficient and sustainable systems, both for the transport of liquids and gases for remote heating and cooling and the transmission sector, as well as for the oil and gas industry.

He graduated from the Faculty of Sanitary Engineering at the Warsaw University of Technology. He started his professional career in 1989 as he set up his own firm specialising in plumbing services; then in 1991 he started work with Danfoss.

He moved up the ranks to Sales Director in the Polish arm of Danfoss, then held the role of Managing Director with Danfoss Plumbing Controls in Sweden; next he moved to Denmark, where he was Regional Director and then the Vice President of Danfoss A/S Hydronic Balancing. Then, also in Denmark, he moved to Danfoss A/S, Residential Heating, where served as Vice President. In 2017–2018, he was CEO at Marmite Sp. z o.o., a leading European producer of wash basins, shower trays and bathtubs made of Mineral Composite material.

In accordance with the resolutions adopted by the Company's Extraordinary General Meeting of Shareholders on 28 February 2019, Andrzej Krämer holds the role of Chairman of the Company's Supervisory Board.

Strategy and Innovation Committee

As at 31 December 2018, 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.

By the date of publication of this report, no changes took place in the Strategy and Innovation Committee's composition.

Nominations and Remunerations. Committee

As at 31 December 2018, 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 Remunerations. Committee

By the date of publication of this report, no changes took place in the Nominations and Remuneration Committee's composition.

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 is Selena FM S.A. of Wrocław, which on 18 April 2008 debuted on the main market of the Warsaw Stock Exchange.

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
- 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 and Matizol.

The Group's production plants are located in Poland, China, Romania, Turkey, Spain, Kazakhstan and Italy, and its products are available in the markets of nearly 100 countries in the world. Selena also carries on R&D activity in Poland, Spain, Turkey, China 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 (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 ownership and organisational structure of the Group and the division into operating segments as at 31 December 2019 and as at 31 December 2018 are presented in the table below (all the companies in the table are consolidated using the full (line-by-line) method, except the associated company Hamil – Selena Co. Ltd., and House Selena Company Ltd., which are consolidated using the equity method).

	REGION	COUNTRY	ENTITY	REG.OFFICE	ACTIVITY	GROUP'S SHARE		OWNER
						as at 31.12.2019	as at 31.12.2018	
European Union	Poland	Poland	Selena FM S.A.	Wroclaw	Group Head Office			-
			Selena S.A.	Wroclaw	Distributor	100.00%	100.00%	FM
			Orion PU Sp. z o.o.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1
			Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT
			Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT
			Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT
			Tytan EOS Sp. z o.o.	Wroclaw	Manufacturer of loose materials	100.00%	100.00%	SIT
			Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1
			Selena Marketing International Sp. z o.o.	Wroclaw	Intellectual property management	100.00%	100.00%	SA
			Taurus Sp. z o.o.	Dzierżoniów	Lease of plant and machinery	100.00%	100.00%	SIT
	Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	FM		
	Selena Industrial Technologies Sp. z o.o.	Warsaw	Production management	100.00%	100.00%	FM		
	Oligo Sp. z o.o.	Katowice	Research and Development	99.65%	99.50%	SL		
	Western Europe	Spain	Selena Iberia slú	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
		Italy	Selena Italia srl	Limena	Distributor	100.00%	100.00%	FM
			Uniflex S.R.L.**	Mezzocorona	Manufacturer of sealants, distributor	100.00%	64.00%	FM
	Central and Eastern Europe	Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM
Czech Republic		Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM	
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		Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM	
Eastern Europe and Asia	Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM	
	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2	
	Eastern Europe	Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM
			TOO Selena Insulations	Nur-Sultan	Manufacturer of insulation systems	100.00%	100.00%	FM
			TOO Big Elit ***	Nur-Sultan	Manufacturer of dry mortars	-	100.00%	CA
		Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2
	Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
			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
			House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	40.00%	NAN
Hamil - Selena Co. Ltd			Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3	
Middle East	Turkey	Selena Malzemeleri Yapı Sanayi Tic. Ltd.	Istanbul	Man. of foams and sealants, distributor	100.00%	100.00%	FM	
		POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istanbul	Distributor	100.00%	100.00%	SA 2	
N&S America	N&S America	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 3
		USA	Selena USA, Inc.	Holland	Distributor	100.00%	100.00%	FM
			Selena USA Specialty Inc.*	Holland	Property management	-	100.00%	FM

* On 1 January 2019, Selena USA Inc. merged (as the acquiring company) with Selena USA Specialty Inc. (the acquired company).

** Change in the company's legal form on 13 November 2019. Uniflex S.p.A. (joint-stock company) was transformed into a limited liability company – Uniflex S.R.L.

*** On 18 January 2019, Selena CA L.L.P. merged (as the acquiring company) with TOO Big Elit (the acquired company).

Explanations to the "Owner" column

FM - 100% owned by Selena SA (SFM)

FM 1 – shares owned by SFM, other shares are owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM)

FM 2 – shares are owned by Selena FM (99%) and Selena S.A. (1%)

FM 3 – shares owned by Selena FM (95%) and Selena S.A. (5%)

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

SIT 1 – shares are owned by Selena Industrial Technologies Sp. z o.o. (99.95%), other shares outside the Group

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

SL - shares owned by Selena Labs Sp. z o.o. (100%)

SA – 100% owned by Selena SA

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

SA 2 – shares are owned by Selena SA (85%) and Carina Silicones Sp. z o.o. (15%)

SA 3 – associate – shares are owned by Selena SA

ROM – 99.87% shares owned by Selena Romania, other shares held by Selena FM

CA – 100% shares are owned by Selena CA L.L.P.

1.7.2. Changes in the Selena Group structure

Merger of Selena USA Inc. with Selena USA Speciality Inc.

On 1 January 2019, Selena USA Inc. merged (as the acquiring company) with Selena USA Speciality Inc. (the acquired company). Under the agreement of 31 December 2018, the share capital of the acquired company was transferred in its entirety to the acquiring company. As a result of the merger, the acquired company was deregistered.

Acquisition of control over Uniflex S.p.A

On 24 June 2019, Selena FM S.A. received a notification from minority shareholders of Uniflex S.p.A. i.e., Franco Berlanda and Primaldo Paglialongi on the exercise of the put options by the above individuals, who had the right to 20.25% and 15.75% of shares, respectively, in the share capital of Uniflex S.p.A. The right to sell Uniflex S.p.A. shares was given to minority shareholders in accordance with the shareholder agreement of 29 March 2017. On the basis of the above agreement, after receiving the notifications, Selena FM S.A. was required to purchase:

- 1) from Franco Berlanda: his 60,750 shares in the share capital of Uniflex S.p.A.
- 2) from Primaldo Paglialongi: his 47,250 shares in the share capital of Uniflex S.p.A.

On 4 July 2019, Selena FM S.A. acquired 108,000 shares for EUR 936 thousand, representing 36% of the share capital of Uniflex S.p.A. Thus, Selena FM S.A. became the sole shareholder of Uniflex S.p.A. (100% shares in the share capital).

The share purchase transaction had no impact on the consolidated financial statements, because both these consolidated financial statements and the consolidated statements for 2018 and 2017 were prepared on the assumption that Selena FM S.A. acquired 100% shares of Uniflex S.p.A. as a result of recognising the obligation to buy back shares from minority shareholders as at the date of the company's acquisition (March 2017).

On 13 November 2019, Uniflex S.p.A. (joint-stock company) was transformed into a limited liability company – Uniflex S.R.L.

Increasing the share capital of Selena Ukraine Ltd.

On 15 July 2019, the General Meeting of Selena Ukraine Ltd. adopted a resolution to increase the share capital of UAH 21 million (EUR 724.2 thousand). The cash contribution was made in three tranches on 26 July 2019 (EUR 400 thousand), on 29 July 2019 (EUR 7.2 thousand) and on 7 August 2019 (EUR 317 thousand). After the capital increase, no changes took place in the shareholding of Selena FM S.A. and Selena S.A. in the company's share capital.

Merger of Selena CA L.L.P. with TOO Big Elit

On 18 November 2019, Selena CA L.L.P. merged (as the acquiring company) with TOO Big Elit (the acquired company).

Subsequent events after the balance sheet date

Increase in the share capital of POLYFOAM Yalitim Sanayi ve Tic Ltd.

On 9 January 2020, the General Meeting of POLYFOAM Yalitim Sanayi ve Tic Ltd. adopted a resolution to increase the company's share capital by TRY 17.9 million. The increase in the share capital of the subsidiary was registered on 20 February 2020. After the capital increase, the proportion of shareholdings of Selena S.A. and Carina Silicones Sp. z o.o. in the share capital of POLYFOAM did not change.

Establishment of the subsidiary Selena Mexico S.de R.L. de C.V.

On 13 February 2020, a newly formed company of Selena Group trading as Selena Mexico S.de R.L. de C.V. based in Guadalajara (Federal Republic of Mexico) was registered in the business register kept by the Commercial Register in Guadalajara. The subsidiary's share capital is MXN 10 thousand (fixed) and MXN 1,484.00 thousand (variable). These figures stated in Mexican peso are the equivalent of PLN 2.1 thousand and PLN 312.2 thousand, respectively, at the average exchange rate of the National Bank of Poland of 14 February 2020, at 1 MXN = 0.2104 PLN). 95% stake in the subsidiary was acquired by Selena FM S.A. and 5% by Selena S.A.

Change of registered office of Selena Industrial Technologies Sp. z o.o.

On 9 March 2020, the Management Board of Selena FM SA adopted a resolution regarding the change of the registered office of Selena Industrial Technologies Sp. z o.o. The company's new place of business is Dzierżoniów, ul. Pieszycska 3. The change was registered in the National Court Register on 3 April 2020.

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 2019**

In 2019, Selena Group worked on preparation of the goals and directions for its development in the following years.

1.8.2. Dividend

On 27 May 2019, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Company's profit for 2018 in a total amount of PLN 6,850,200, i.e. PLN 0.30 per share.

The record date, when the list of shareholders eligible for dividend is determined, was set to 3 June 2019. The dividend was paid in two tranches on 5 June and 7 June 2019.

1.8.3. Group promotion**Selena Italia organises a sales force meeting – 10–11 January 2019**

Selena Italia organised a national sales force meeting, during which it showcased new and flagship products with characteristic features that help them stand out in the market. The meeting took place in Bologna.

Selena S.A. participates in the Competition Judging Panel – 11 January 2019

Meeting of the Judging Panel of the 4YoungEngineers Competition – Selena S.A. participated in the Judging Panel's kick-off meeting as a Strategic Partner of the nationwide Young Engineers Programme.

Selena S.A. awarded as the Construction Company of 2018 – 24 January 2019

For the seventh time, Selena S.A. received an award for the Construction Company of the Year. At the same time, Andrzej Ulfig, the CEO of Selena S.A., was honoured with the Personality of the Year title, which is awarded to the most effective managers in the industry. The awards were granted by the Judging Panel chaired by prof. Leonard Runkiewicz. In addition to trading performance, the award criteria included innovativeness of the products and services offered, reliability and stability of the business and achievements vs. competitors.

Selena Vostok strengthens technical support (January–March 2019)

Selena Vostok strengthened its technical and educational support department and conducted hands-on product workshops. On 7–9 February 2019, Selena Vostok took part in the conference: "Master of finishing work as a business owner: risk, typical problems, increase in the company's financial efficiency" (Kirovsk, Saint Petersburg region).

Training for builders – January 2019

Selena Vostok took part in a hands-on training during which it presented TYTAN Professional products: Professional foam adhesive TYTAN for cardboard and TYTAN Professional 60 SECONDS. The training was attended by many specialists from construction companies, who found the information provided as helpful and useful.

Selena S.A. participates in the BUDMA fair – 12–15 February 2019

Selena S.A. participated in the BUDMA Fair in Poznań. Selena took part in the construction fair and supported the organisation of the event of the Polish Roofers Association.

Selena S.A. participates in the BricoMarche Fair – 16–17 February 2019

Selena S.A. participated as an exhibitor in the 3rd III BricoMarche “Building Materials, DIY, Decoration” fair in Poznań, with presentations arranged at its stand. The event was an opportunity to gain new business contacts as well as to familiarise customers with Selena's product novelties.

Selena Iberia: meeting with Leroy Merlin – 20 February 2019

Selena Iberia introduced three barrier systems for window installation to employees of the Leroy Merlin chain in Madrid. Each year, Leroy installs over 700,000 windows, and Selena helps installers improve the fitting process by means of Selena's products and systems.

Selena Iberia takes part in EXPOCADENA – 22–23 February 2019

Selena Iberia took part in EXPOCADENA private exhibition, where Selena debuted such products as: Power Fix, Aquaprotect and FOAD. 1300 participants took part in the show.

Selena Labs attends a seminar on 28 February 2019

Selena Labs participated in a seminar as part of the InnoPeer AVM project aimed at raising the awareness of SMEs in the region with respect to changes taking place in the economy. The seminar dealt with issues related to the implementation of the Agile Stage Gate model in the new product development (NPD) process at Selena, as well as the impact on innovation and challenges faced by R&D.

Selena FM S.A. and Selena S.A. participate in 4YoungEngineers – 5 March 2019

Selena FM S.A. and Selena S.A. participated in the Young Engineer Days in Warsaw, an event organised as part of 4YoungEngineers. During the event, one of the top Selena products was promoted – the innovative, highly reflective COOL-R coating.

Selena Italia participates in the BigMarket 2019 Fair – 8–9 March 2019

The annual fair in Florence is dedicated to a group of members of BigMat, an international chain selling building materials. During this fair, all group members meet with their suppliers, placing commercial offers and presenting new products.

Selena S.A. organises training – March 2019

Selena S.A. organized product training in cooperation with the Association of Finishing Works Specialists. During the training, Selena S.A. presented practical demonstrations of its new products on offer.

Awards for Selena S.A. – 21 March 2019

Selena S.A. won TopBuilder awards for 4 Tytan Professional products: Fix2 GT, Aquaprotect and P70 Ultra Foams foam adhesive for plasterboards, and participated in the Award Gala in Warsaw. Representatives of Selena S.A. received awards for 4 Tytan Professional products.

Selena Iberia – participation in FIGAN fair – 19–22 March 2019

Selena Iberia took part in the biggest industry event: FIGAN in Saragossa – International Animal Production Show. FIGAN's main theme was sustainable breeding and welfare of farmed animals. Selena Iberia supported one of its key clients who built façades using the COOL-R solution.

Selena Turkey – participation in an event for the insulation industry organised by the Insulation Industry Achievement Awards (YSBÖ)

Participation by the Turkish company in the competition for the insulation industry was an opportunity to start a promotional campaign for the Tytan Professional Thermo Spray Acoustic PU. By participating in the event, Selena promoted the new solution among the market leaders and experts.

Opening of Selena Labs – 2 April 2019

The company opened its main laboratory centre in the city of Dzierżoniów, in the Wałbrzych Special Economic Zone (WSEZ) "INVEST-PARK". With a value of PLN 8 million and usable area of more than 4,000 m², the project will significantly increase the company's ability to develop and put on global markets construction chemicals with unique parameters. The opening ceremony was attended by representatives of central government and local authorities, WSEZ authorities as well as representatives of EU institutions and universities.

Selena FM SELENA FM S.A. and Selena S.A – participation in the Corporate Run – April 2019

Employees of Selena Group participated in the Corporate Run, an initiative combining charity goals and the promotion of a healthy and active lifestyle. About 50 runners from the company ran the designated distance; supporters and employees could bond and spend time together in Selena's chillout zone.

Medal of Poland's 100th Independence Anniversary – 8 May 2019

Krzysztof Domarecki was awarded by the Prime Minister of Poland Mateusz Morawiecki with the Medal of Poland's 100th Independence Anniversary in recognition of his contribution to the Polish economy. The medal, awarded as part of the celebrations marking the anniversary of Poland regaining its independence, goes to the individuals who have contributed to building civic community and the country's economic well-being.

Selena Iberia – participation in the Tektonika trade fair in Portugal – 8-11 May 2019

Selena Iberia participated in the largest industry event in Portugal – Tektonika, where it established new business contacts. At its stand, Selena Iberia presented new products and application systems to visitors of the show in Lisbon.

Selena Iberia took part in the Construmat construction fair – 16 May 2019

Selena Iberia took part in the largest construction fair in Barcelona – Construmat. The fair is devoted to innovation, new materials and new technologies. For Selena Iberia, the event is primarily a networking platform, but it also allows it to observe new trends in the construction market.

"Jedynka Gazety Wyborczej" award – 16 May 2019

On 16 May, Selena Group was awarded at the conference "30th anniversary of economic transformation of Lower Silesia" in Wrocław. The award granted by the "Jedynka Gazety Wyborczej" news service to the "30th Anniversary Companies chosen by Gazeta Wyborcza" for significant contribution to the region's development was received on behalf of Selena by Andrzej Zygadło, Global Head of HR of Selena Group. Selena was also a conference partner and participated as a speaker in the panel titled "The role and impact of business on the development of Lower Silesia over the last 30 years". The purpose of the conference was to demonstrate the changes that the region had seen over thirty years and to outline possible developments in the years to come.

Selena S.A. supports young architects and engineers – 17 June 2019

Selena S.A. once again supported young, talented architects and engineers. As a strategic partner for the 2018/2019 edition of the Builder For The Future project, attended by 10,000 people, Selena provides education on new technologies used in construction. Selena has made available its innovative solutions: COOL-R, the highly reflective roof coating and the specialist waterproof Tack-R membrane. Participating in the event were also other companies from the construction industry and Polish universities, including: The Wrocław, Gdańsk and Kraków Universities of Technology.

COOL-R receives the EPD and GREEN CARD

COOL-R, the innovative product of Selena FM S.A. obtained the International Product Declaration (EPD) from the Building Research Institute, and the GREEN CARD from DEKRA, the certification company. In addition, COOL-R also received Type II declaration in accordance with ISO 14012, which confirms reduction of electricity consumption, and obtained the ITB EKO label. COOL-R is a highly reflective, waterproofing roof coating, reducing temperature of the roof by as much as 70%, so the temperature inside the building can be lowered by a significant 10°C, which affects a number of factors: creates better work conditions, increases work comfort in the rooms under the coating as well as decreases operating costs of buildings and reduces their energy consumption.

Selena Italia develops cooperation with the BigMat network – June 2019

Meetings with purchasing managers and owners were arranged at more than 30 BigMat sales points. During the meetings, technical advisors present the capabilities of the products. The purpose of the meetings is to raise awareness of the brand and its technological advantages, and to establish lasting cooperation with a network of Italian DIY stores.

Selena Kazakhstan – participation in the “The Best Kazakhstan Product of 2019” competition/ exhibition – June 2019

Selena Kazakhstan participated in the competition/ exhibition titled “The Best Kazakhstan Product of 2019”, which took place in Nur Sultan, in the “Astana” concert hall. It was attended by about a hundred metropolitan companies, including our two Kazakh companies – Selena Insulations and Selena Kazakhstan.

Selena S.A. – participation in publication of the BUILDER publishing house “30 years of Polish construction 1989–2019” – 3 July 2019

As a company with 25 years of tradition in the construction industry, Selena S.A. took part in the jubilee publication, side by side with the largest companies in Poland, such as Wiśniowski and Fakro.

Selena S.A. – meeting with the organizers of the Building Creators Gala organized by the Polish Chamber of Civil Engineers (distinctions for Selena S.A. and CEO of the Board Andrzej Ulfig) – 5 July 2019

Every year, the Polish Chamber of Civil Engineers nominates and awards the best construction companies in Poland. This year, the nomination went both to Selena S.A. and its Management Board President Andrzej Ulfig. This is an industry distinction, especially valued by the market.

Selena S.A. – participation in the BUILDERS FOR YOUNG ENGINEERS programme – 10 July 2019

Selena was a Strategic Partner of the nationwide BUILDERS FOR YOUNG ENGINEERS programme. It prepared materials concerning Tytan Professional and Cool-R solutions and other products recommended for the national Competition for Young Engineers. Selena S.A. also participated in publications about the programme (including the “Engineer Profile”).

Selena S.A. – participation in the “We Build Sporty Poland” programme – 15 July 2019

Selena S.A. took part in the “We Build Sporty Poland” programme, which is dedicated to companies, municipalities and districts involved in the construction of sports infrastructure and support for sports initiatives in Poland. For the third time in its history, Selena was honoured as the Sporty Poland Ambassador, and for the first time as an Ambassador could nominate companies for the title of the “Perfect Company” (“Firma na Medal”) and the “Enthusiast of Sporty Poland” (“Pasjonat Sportowej Polski”) titles.

Activities as part of the communication about the Top Builder awards for Ultra Fast 70 foam products and Fix2 GT adhesive – July 2019

Cooperation with editors of the Builder magazine in the area of publications on solutions awarded by the Editorial Board and the Programme Board as the best products in the construction market.

Participation in celebrations of the 20th anniversary of the Polish Roofers Association – 22 July 2019

Representatives of Selena S.A. met with the authorities of the Polish Roofers Association during a gala summarising the cooperation to date. Selena S.A. thanked the Association’s board and presented it with a commemorative statuette.

Award for Selena Sulamericana – 20 August 2019

Selena Sulamericana received an “Oscar” in the retail construction industry in Brazil. The Brazilian company participated in the 28th edition of the Anamaco Award, an event which took place in Espaço das Américas in São Paulo. During the event, Selena Sulamericana was recognised in the area of silicones, in the large clients category. The award is granted based on surveys carried out by Anamaco among retail companies. Interviews were held with more than 1000 DIY stores, wholesalers and other entities.

Selena Italia – training for builders and chain stores – Q2 2019

Selena Italia prepared and run a series of meetings for end users and network managers to present the potential of Selena's innovative products. Meetings were held with around 100 partners.

ECC Roadshow after Kazakhstan – Q2 2019

Selena Kazakhstan continued a series of meetings with end users (a group of over 700 builders). Training courses were prepared by the ECC team and technical advisors. During the meetings, product systems and application fields for Selena's products were discussed.

Selena Kazakhstan takes part in master classes organised by its partner NET “Komfort”

Selena's constant participation in master classes organised by its large partner NET “Komfort” enabled a meeting with end users in all ECC, I&D and W&D units. It was also an opportunity to speak from a brand perspective and meet strategically important end users.

Kazakhstan roadshow with the Ultra Fast 70 foam – Q2 2019

Selena CA organised 17 events throughout the country, presenting properties of its new product: Selena Ultra Fast 70 foam. These events allowed Selena CA to reach over 700 end users. With this initiative, Selena successfully implemented the Ultra Fast 70 foam on the local market.

Preparations for the Product of the Year 2019 programme – August 2019

The Product of the Year is a nationwide consumer programme for products and services that are recognised by end users. Representatives of the National Certification Office participated in an audit carried out at the headquarters of Selena S.A. Determination of cooperation rules and selection of product solutions for nomination.

Selena S.A. conducted communication activities related to the Recommendation of the Polish Roofers Association for Aqua Protect products – 26 August 2019

An online campaign held in cooperation with editors of Construction Expert (publications on the portal, in social media and mailing on the Aqua Protect product addressed to 1,800 subscribers); publications in Builder, Chemiabudowlana.info, etc.

Selena Italia – September 2019

Selena Italia took part in the «COLORÉ 2019» fair, which is held for companies from the interior finishing sector. The event helped Selena acquire 200 new clients.

Selena S.A.'s participation in the International Joinery Forum – 3 September 2019

Representation of Selena S.A. took part in the annual industry meeting under the slogan “Perfect window, perfect service, perfect facade, perfect installation.” The event was organised for professionals from Poland and Europe.

Communication activities with one of the most popular influencers in Poland – Ad Buster – September 2019

Participation in tests of the FIX2 GT mounting adhesive and in production of a video for one of the most popular YouTubers. The video attracted 1 million viewers, who became familiar with the properties of Tytan Professional.

Selena FM SA's participation in “Made in Wrocław” – 17 October 2019

Selena took part in the “Made in Wrocław” event at the Exhibition Center at the Centennial Hall (Hala Stulecia) organised by the Wrocław Agglomeration Development Agency. Selena participated in job fairs organised for young residents of Lower Silesia, and the CEO Krzysztof Domarecki took part in “Leadership in the Age of (R)evolution” the discussion panel. By participating in the event, Selena allowed potential new employees to become acquainted with the Company's innovative product portfolio, presented itself as one of the major, Polish-owned employers in Lower Silesia.

CEO's participation in the U-RODZINY (WITH THE FAMILY) congress of family-run – October 2019

The Management Board's President Krzysztof Domarecki took part in the congress's kick-off panel, during which issues related to "Made in Poland" products were discussed. During the panel discussion, he shared his knowledge about the security of foreign expansion based on his experience.

Selena Iberia (Quilosa) Gold Medal from APCMC – December 2019

Selena Iberia (Quilosa) received a gold medal from the Portuguese Association of Traders of Materials of Construction (APCMC) for companies operating in the market for over 75 years. The award was received by Luis Filipe Faustino, who is responsible for the Portuguese region in Selena Iberia.

Selena FM SA awarded with the title of Hidden Masters 2019 – December 2019

The Company received the Hidden Masters award. The Polish Hidden Masters survey is conducted on behalf of the European Bank for Reconstruction and Development and coordinated by IEDC-Bled School of Management and Postgraduate Studies and the The International Association for Management Development in Dynamic Societies (CEEMAN). The criteria considered were: the company's market presence for at least 5 years; income below USD 1 billion, and the first or second position in the global or regional market.

Selena FM SA as a partner in the Women's Faces (Kobiece Twarze) – December 2019

In December 2019, the Company was a partner of the Women's Faces campaign. This initiative promotes women's entrepreneurship and equality in business. Women are awarded for their activities in the categories of Beginners; Professionals in Large Enterprises; Personality and Women Friendly Company. Selena Group was a partner of the event.

1.8.4. Other significant events

In 2019, no significant events occurred for the Group other than those described in this report or in the Group's consolidated financial statements for 2019.

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, Spain, Turkey and Italy.

In 2019, Selena Labs focused on development of the foam adhesives product group (FOAD), i.e. aerosol applications for bonding various construction and other materials in a wide range of temperatures and applications – in this case a fast foam adhesive for mounting plasterboards, as well as adhesive for polystyrene boards for buildings' insulation systems. Selena's offer includes aerosol adhesives for bricklaying, bonding EPS board insulation and waterproofing. The Company also offers 60 SECOND adhesives, which are suitable for bonding small decorative elements.

Work was continued in the segment of adhesives and sealants in the area of development of products based on hybrid technologies. Selena finalised work on the new FIX2 GT mounting adhesive, which combines the two most important features – a strong initial grip and very fast curing. The product received favourable market opinions. The adhesive was put into production. Laboratory work commenced on new products from the group of silanized acrylic sealants, which can replace silicone sealants in sanitary applications, e.g. in bathrooms. The product was welcomed by users and will be implemented in production in Q2 2020.

In the area of waterproofing products, Selena began work on new formulations of COOL-R, the highly-reflective waterproofing roof coating, to expand the range of its use in various temperature and humidity conditions. These are systems of water-borne acrylic, polyurethane, silicone and hybrid coatings. Laboratory and development work was completed in September 2019 – a validation application was carried out for the 2019/2020 winter season in order to implement products in 2020.

Selena developed and put into production a new product line based on bitumen emulsions. It was launched on the production line at the plant in Chelmża.

In 2019, Selena also continued work under the HORIZON 2020 – EENSULATE and BIOMOTIVE projects. As part of EENSULATE, work was finalised on the PIR foam with better fire-resistant and thermal insulation properties and limited smoke during combustion. Preparations started for the application of products on a demo building.

Based on the results of the BIOMOTIVE project work started on products based on raw materials from biorenewable sources that have a positive impact on the natural environment. The carbon footprint in the entire value chain is expected to be reduced by 50% for individual products. All the products and systems will be certified, taking into account not only the minimum requirements, such as those related to the CE mark, but also keeping in mind the expectations of end users, e.g. in terms of LEED certification or other ECO-Label marks.

In the fourth quarter of 2019, Selena Labs worked on new solutions for the U.S. market from the polyurethane chemicals range, including the positively assessed Gasket-type foam. Research is under way on ecological foams, which can be widely used in internal applications. In addition, Selena is developing products from the Ultra line, low-temperature foams and strongly flame-retardant foams.

1.10. Key investments

In 2019, Selena Group's capital expenditures were PLN 26.3 million. Over 33% of the expenditures were spent on development investments and 32% on modernisation investments in production plants. Like in the previous year, the Group carried out necessary development investments, mainly modernisations, in most of its production plants.

Another major completed in 2019 was the construction of a new R&D laboratory in Dzierżoniów. Its opening ceremony took place on 2 April 2019. The new laboratory building brings together most of the Group's distributed R&D functions. One of the key investments is 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 based on biorenewable, crop-based raw materials.

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 2020 shows that in 2019 the global economy's GDP grew by 2.9%. 2020 is to see a global recession of 3.0%. Most importantly, highly developed countries are expected to experience a GDP fall of 6.1% (vs. a growth of 1.7% in 2019). The GDP of developing countries is projected to decline by 1.0% (vs. a growth of 3.7% in 2019). Selena Group's main markets are expected to observe a GDP decline compared to 2019 due to the coronavirus pandemic.

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) on 16 March 2020 for the 12 months of 2019 point to a growth of 12.1% in house completions year-on-year. At the same time, the number of construction permits increased by 4.4%, while the number of commenced housing investments increased by 6.9%. There is a clear increase in the growth rate in relation to 2018, when these ratios were much lower. The macroeconomic environment has changed dramatically, and at the current stage of development of the pandemic, with its related restrictions, there is a too big margin of error in the forecasts of future economic situation. However, a downturn in the construction sector should be expected.

Availability of financing. Due to the current situation, the available historical data, in particular the results of the surveys from the beginning of the year, are no longer valid and cannot constitute the basis for forecasting the economic situation in the following months. Due to the expected economic recession, the availability of financing (new housing loans) should be expected to fall.

FX rates. According to the currency forecasts consensus of Thomson Reuters as of April 2020, the coming months may see major changes in the EUR/PLN rate, which is expected to stand at 4.37 at the year-end. In addition, the Central European currency markets are expected to see the strengthening of local currencies against the euro, following the significant depreciation in the first quarter of 2020.

Towards the year-end, the following currency rates are expected for the Group's main markets: EUR/RUB 79.76 EUR/CZK 25.85 EUR/HUF 342.50 EUR/RUB 4.90 EUR/UAH 31.30 and EUR/TRY 7.45. Major fluctuations in exchange rates have an impact on currency risk.

Credit risk. The Group companies report a decrease in overdue receivables. The age structure of trade receivables improved at the end of December 2019. Compared to the end of 31 December 2018, the age structure of trade receivables increased by 3 p.p.

The prices of raw materials for the production of foams are slowly decreasing. The prices of raw materials used in the production of silicones see a downward trend. As regards bitumens, their price is directly linked to crude oil and heavy fuel oil prices and the level of demand in the road construction segment.

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 shaped 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 a tax obligation arose and assess an additional tax to be paid by Group companies, along with penalties and default interest.

A detailed description of financial risk management rules is contained in Note 7 of the Group's consolidated financial statements for 2019.

The risk of impact of the COVID-19 pandemic on the operating activities of Selena Group is described in Note 8.7 of the Group's consolidated financial statements for 2019.

1.12. Expected development of the Group

In 2020, 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 Eastern markets, in the United States and China.

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 so that a modern approach to the division's structure is more closely linked to application segments and end users.

1.13. Investment plans

In 2020, Selena Group intends to focus on both on development and modernisation investments to increase the effectiveness of production lines, and on investments into work safety. The main investments will be delivered in the following production plants: Orion, Libra, Matizol, 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 17% share in the total capital expenditures planned for 2020.

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.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018	Change	Change %
Revenue from sales	1,326,486	1,227,971	98,515	8.0%
Cost of sales	928,940	870,084	58,856	6.8%
Gross profit	397,546	357,887	39,659	11.1%
Selling and marketing costs	216,852	193,646	23,206	12.0%
General and administrative expenses	108,007	99,359	8,648	8.7%
Other operating profit (loss)	-1,883	2,629	-4,512	-
Impairment of non-financial fixed assets	4,313	10,637	-6,324	-
Impairment of financial assets	2,929	4,579	-1,650	-
EBITDA (operating profit + depreciation + amortisation)	101,827	80,256	21,571	26.9%
Operating profit (EBIT)	63,562	52,295	11,267	21.5%
Net financial income (loss)	-7,120	-15,491	8,371	-
Share in net profit/loss of the associate	470	459	11	-
Profit before tax	56,912	37,263	19,649	-
Net profit	39,680	26,660	13,020	-
Other net comprehensive income	317	-3,838	4,155	-
Total comprehensive income	39,997	22,822	17,175	-

	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018	Change in p.p.
Gross profit margin	30.0%	29.1%	0.9
Selling costs/ revenue from sales	16.3%	15.8%	0.5
General and administrative expenses/ revenue from sales	8.1%	8.1%	0.0
EBITDA margin %	7.7%	6.5%	1.2
Operating profit margin (EBIT%)	4.8%	4.3%	0.5
Net profit margin	3.0%	2.2%	0.8

EBIT % – operating profit / sales

EBITDA % - EBITDA/ sales

Revenue from sales

Consolidated revenue from sales in 2019 amounted to PLN 1,326.5 million, which is by 8.0% (by PLN 98.5 million) more than in the corresponding period of the previous year.

The growth of the revenue from sales in 2019 was mainly driven by an increase in sales to European countries, as a result of organic growth of transactions in all product groups (mainly foams).

The sales of Selena Group are presented by three (reporting) geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). In 2019, the sales structure by segments has not changed significantly compared with last year. European Union remains the key segment. In 2019, it generated 63% (vs 65% in 2018) of the Group's total sales. The Poland operating segment achieved a 35% share in the Group's sales compared to 36% in 2018. The Eastern Europe and Asia segment recorded a slight decrease in its share in the Group's sales (to 31%). The North and South America segment maintained its 6% share in the Group's sales.

Segment	Segment's share in the Group's revenues		Change 2019 / 2018
	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018	
European Union, including:	63%	65%	6%
<i>Poland</i>	35%	36%	6%
<i>Other countries</i>	28%	29%	5%
Eastern Europe and Asia	31%	30%	13%
N&S America	6%	6%	11%

Gross profit on sales

In 2019, Selena Group generated gross profit of PLN 397.5 million, i.e. PLN 39.7 million more year-on-year.

Gross profit margin was 30.0%, i.e. up 0.9 p.p. on last year. This increase resulted from a fall in commodity prices and a partial stabilisation of prices of other production inputs. The margin also benefited from a constant increase in the share of sales of innovative products with a higher margin as well as from optimisation of product formulations.

Selling costs and general and administrative expenses

Selling costs in 2019 were PLN 216.9 million, up by PLN 23.2 million, i.e. 12.0% year-on-year. The increase in sales costs is directly related to the increase in sales revenues and the rising costs of transport services.

General and administrative expenses in 2019 increased by PLN 8.6 million (8.7%) year-on-year. The increase in general and administrative expenses results from extra appointments to the Parent Company's Management Board, development of a new organisational structure and hiring necessary personnel. The ratio of general and administrative expenses to sales remains unchanged at 8.1%.

The ratio of selling, general and administrative expenses to sales was 24.5% in 2019, up 0.6 p.p. YoY.

The result on other operations was negative at PLN -9.1 million, taking into account the impairment loss in respect of financial and non-financial assets. This line was significantly affected by the impairment allowances for:

- intangible assets – due to the decision not to implement IT systems in the subsidiary Selena Iberia sls (PLN 4.9 million in total);
- liquidation of other current assets (PLN 4.9 million);
- receivables less reversed allowances (PLN 2.9 million).

The result on other operations was positively influenced by subsidies received (PLN 2.4 million).

Operating profit (loss)

In 2019, the Group generated operating profit of PLN 63.6 million vs PLN 52.3 million in the previous year, up 21.5% year-on-year. The change in operating profit resulted from an increase in sales revenues alongside an increase in the gross profit margin.

Profit (loss) after tax

In 2019, Selena Group generated net profit of PLN 39.7 million vs PLN 26.7 million posted a year before, up 48.8%. 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). In 2019, operating profit was reduced by a net loss on financial activity of PLN 7.1 million, with a positive balance of FX differences (PLN 0.2 million). For comparison, in 2018, the Group's net FX position was a cost of PLN 9.3 million. FX gains were mainly due to the appreciation of the Ukrainian hryvnia and the Russian ruble against the euro (a 16% decrease in the EUR/UAH rate and a 12% increase in EUR/RUB rate), with a relatively low volatility of other Group currencies in 2019. Selena Group hedges a part of its currency exposure relating to trade receivables and liabilities by using multi-currency credit lines and applying the Currency Risk Management, in particular by entering into forward transactions. The cost of interest on

loans and finance leases totalled PLN 5.4 million net (after reduction by the achieved interest income from bank deposits), and was higher by PLN 0.7 million year-on-year.

In 2019, the income tax charge was PLN 17.2 million vs PLN 10.6 million posted in 2018.

In 2019, EBITDA was PLN 101.8 million (including depreciation: PLN 38.3 million) and was by PLN 21.6 million (26.9%) higher 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 2019 and 31 December 2018.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018 restated figures***	Change Change	Change %
Non-current assets	323,592	302,720	20,872	7%
Property, plant and equipment	235,620	211,586	24,034	11%
Intangible fixed assets	52,492	55,548	-3,056	-6%
Other long-term assets	35,480	35,586	-106	0%
Current assets	525,151	492,519	32,632	7%
Inventories	150,185	180,916	-30,731	-17%
Trade receivables	237,892	217,910	19,982	9%
Cash	85,653	45,501	40,152	88%
Other current assets	51,421	48,192	3,229	7%
Equity	459,042	425,903	33,139	8%
Liabilities	389,701	369,336	20,365	6%
Bank and other loans	103,907	145,387	-41,480	-29%
Trade liabilities	143,986	132,116	11,870	9%
Other liabilities	141,808	91,833	49,975	54%

	as at 31.12.2019	as at 31.12.2018 restated figures***
Current liquidity*	1.8	2.1
Quick liquidity**	1.3	1.3
Debt ratio	46%	46%

*Current liquidity – current assets / current liabilities

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

***The data were restated, as described in Note 1.3 to the consolidated financial statements.

As at 31 December 2019, the Group's asset position, with an increase in total assets of PLN 53.5 million vs 31 December 2018, was mainly affected by an increase in cash and the implementation of IFRS 16 Leases (for details, see Note 1.3 of the Group's consolidated financial statements for 2019).

As at 31 December 2019, the current and quick liquidity ratios (1.8 and 1.3 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.

Figures in PLN thousand	as at 31.12.2019	31.12.2018 as at restated figures**
Interest bearing borrowings	103,907	145,387
Other financial liabilities	54,679	27,018
Less cash and cash equivalents	-85,653	-45,501
Net debt	72,933	126,904
Equity attributable to the shareholders of the parent	458,315	425,346
Equity and net debt	531,248	552,250
Gearing (net debt / equity + net debt)	14%	23%
Debt ratio (liabilities / total assets)	46%	46%
Net debt / EBITDA*	0.72	1.58

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

** The data were restated, as described in Note 1.3 to the consolidated financial statements for 2019.

As at the balance sheet date, the debt on bank and other loans decreased vs 31 December 2018 to PLN 103.9 million (down by PLN 41.5 million). A major improvement was noted in the debt covenant Net Debt to EBITDA ratio: which increased from 1.58 in 2018 to 0.72 at the end of 2019.

As at the end of 2019, the debt ratio amounted to 46% and was flat year-on-year.

2.4. Cash flows

The tables below show selected items of the consolidated cash flow statement for 2019 and 2018.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018	Change
Net cash flows from operating activities	135,944	44,527	91,417
Net cash flows from investing activities	-28,024	-24,859	-3,165
Net cash flows from financing activities	-67,772	-27,212	-40,560
Change in cash and cash equivalents:	40,148	-7,544	47,692

In 2019, net cash flows were PLN 40.1 million vs. PLN -7.5 million in 2018.

Net cash flows from operating activities were PLN 135.9 million versus PLN 44.5 million in 2018. The level of cash flows from operating activities was significantly affected by a strong decrease in inventories compared to the previous year, as well as by the lower increase in trade receivables compared to sales growth.

Net cash flows from investing activities were negative at PLN -28.0 million compared to PLN -24.9 million recorded in 2018.

Net cash flows from financing activities amounted to PLN -67.8 million. This figure was mainly affected by the net loan repayments (PLN -42.0 million), interest paid (PLN -4.9 million) and finance lease payments (PLN -14.2 million). The Parent Company paid shareholders PLN 6.9 million in cash in 2019 as part of settlement of dividend payout.

2.5. Loans received

The balance of bank borrowings as at 31 December 2019, 31 December 2018 and 1 January 2018 is presented in the table below.

Ref	Loan type	Maturity date	as at 31.12.2019		as at 31.12.2018 restated figures*		as at 01.01.2018 restated figures*	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	03/2019	0	0	30,312	0	0	33,902
2	Working capital loan	07/2021	2,968	0	46,798	0	0	26,686
3	Working capital loan	12/2021	16,252	3	0	15,551	0	47,635
4	Working capital loan	06/2021	39,014	0	27,855	0	9,428	0
5	Working capital loan	06/2020	0	9,220	0	2,742	0	18,260
6	Working capital loan	01/2019	0	0	0	2,713	0	3,844
7	Working capital loan	07/2020	0	10,596	0	0	0	0
8	Working capital loan	11/2021	3,738	0	7,986	0	0	0
9	Other	Different	7,543	14,573	5,205	6,225	6,037	9,115
10.	Investment loan	08/2018	0	0	0	0	0	411
			69,515	34,392	118,156	27,231	15,465	139,853

*The data were restated, as described in Note 1.3 to the consolidated financial statements.

Details of the lending terms are presented in Note 6.1.3 of the consolidated financial statements for 2019.

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 2019, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

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 2018.

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 2019. 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 2019.

2.8. Investments

In 2019, the Group did not complete any major financial investments, other than the necessary development initiatives.

2.9. Assessment of financial resources management

As at 31 December 2019, the ratio of current assets to current liabilities (current liquidity ratio) was 1.8. The Group's current assets amounted to PLN 525.2 million, while current liabilities were PLN 286.5 million. With such a structure, the Management Board sees no material risks to the Group with regard to liquidity and timely payment of obligations.

As at 31 December 2019, the Group's cash position was PLN 85.7 million. The Group also had undrawn committed credit limits of PLN 249.6 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. Material agreements

Material agreements concluded by the Group in 2019 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 2019.

Contracting company	Insurance	Sum insured (million)	Ccy	Insurance period
All companies established in Poland	Insurance of assets against all risks, loss of profit	356.61	PLN	16/06/2019 - 15/06/2020
	General liability insurance (for the conducted business and property held)	20.00	PLN	16/06/2019 - 15/06/2020
	Motor insurance	Different	PLN	12 months
	Insurance against accidents and cost of medical service during foreign business trips	20.00	USD	11/06/2019 - 10/06/2020
	Liability insurance for firms providing accounting services to third parties (Selena FM SA)	0.10	PLN	02/02/2019 - 01/02/2020
	Electronic equipment insurance	6.50	PLN	16/06/2019 - 15/06/2020
	Loss of profit insurance	93.99	PLN	16/06/2019 - 15/06/2020
	D&O insurance	125.00	PLN	1/07/2019 - 30/06/2020
Selena Iberia	Asset insurance	31.32	EUR	15/06/2019 - 15/06/2020
	Insurance against loss of profit due to business interruptions	13.29	EUR	15/06/2019 - 15/06/2020
	Goods-in-transit insurance	0.18	EUR	01/01/2019 - 01/01/2020
	Liability insurance for natural environment	3.00	EUR	30/12/2019 - 30/12/2020
	General liability insurance (for the conducted business and property held)	1.00	EUR	15/06/2019 - 15/06/2020
	Cyberrisk insurance	0.50	EUR	26/10/2019 - 26/10/2020
	D&O insurance	3.00	EUR	01/01/2019 - 01/01/2020
Global agreements	Trade credit insurance	16.00	EUR	1/11/2019 - 31/10/2020
Other foreign affiliates		26.93	RON	16/06/2019 - 15/06/2020
		11.46	TRY	16/06/2019 - 16/06/2020
	Insurance of assets against all risks, loss of profit	3,287.20	KZT	Different
		1.20	RUB	16/06/2019 - 15/06/2020
		6.94	TRY	16/06/2019 - 16/06/2020
	General liability insurance (for the conducted business and property held)	4.77	RON	16/06/2019 - 15/06/2020
		73.12	RUB	16/06/2019 - 15/06/2020
	Motor insurance	Different	Different	12 months
		64.72	RUB	01/07/2019 - 30/06/2020
	D&O insurance	383.29	KZT	01/02/2018 - 30/06/2020
	1.00	USD	01/07/2019 - 30/06/2020	

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 2019.

3.3. Issue of securities

In 2019, no securities were issued.

3.4. Acquisition of own shares

The Parent Company did not have any treasury shares either as at 31 December 2019 or at the date of publication of this report. 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 2019.

3.6. Litigations

As at the date of approval of these financial statements, neither the Parent Company nor any Group company were a party to any court, arbitration or administrative proceedings whose value would exceed 10% of the Issuer's equity.

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 request of Carina Silicones Sp. z o.o. the case was suspended for the time of the proceedings to determine existence of the contested transaction.

At the request of Bank Millennium, in 2017 the Regional Court in Warsaw resumed the payment proceedings. The attorney of Bank Millennium filed a motion to refer the case to mediation.

As at the date of preparation of this report, the Regional Court continues to examine evidence for the case. The company expects that the decision of the court of first instance should be taken in H2 2020 at the earliest. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

Administrative proceedings between Selena S.A. and the Customers Office

Selena S.A. (the "Company") is a party to customs proceedings relating to the imposition by the customs authorities of anti-dumping duty on the Company in connection with the import of mesh fabrics of glass fibres from Taiwan in 2011–2012.

Based on the report drafted by the European Anti-Fraud Office (OLAF) relating to the investigation held in Taiwan regarding the suspected circumvention of the anti-dumping duty imposed on the imports mesh fabrics, proceedings were initiated against Selena S.A. to determine the amount of the anti-dumping duty (the proceedings were initiated by the Head of the Customs Office in Gdynia on 24 February 2014, while on 27 May 2014 the Head of the Customs Office in Gdańsk initiated another 37 proceedings). As a result of these proceedings, a customs liability in the total amount of PLN 7,992.9 thousand was assessed for the Company.

Selena S.A. disagreed with the opinion of the customs authorities, and challenged it both before the customs authorities of the second instance and through complaints submitted to the Provincial Administrative Court (WSA) in Gdańsk. Despite the initially favorable decisions taken by the WSA, on 15 December 2016, the WSA in Gdańsk issued the first in a series of decisions unfavourable for the Company. Currently, in 19 cases in which the WSA ruled against Selena S.A., the Company filed cassation appeals to the Supreme Administrative Court. At the same time, the WSA decided to suspend a group of 13 other proceedings.

Regardless of the status of cases before the WSA in Gdańsk, so far Selena S.A. has paid about PLN 7.6 million in the customs liabilities (including in relation to the cases which have been suspended) and about PLN 700 thousand in respect of late interest.

3.7. Unusual events and factors

Other key factors affecting the Group's performance in 2019 were described in Note 2 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 2019.

3.9. Equity-based remuneration programmes

In 2019, no equity based remuneration programmes were in operation.

3.10. Shareholdings by executive and non-executive directors

The table below shows a summary of the shareholdings in the Parent Company by executive and non-executive directors as at the date of publication of this report.

Name	Role	Number of shares held	Nominal value of a share (PLN)
Syrius Investments s.a.r.l.*	-	17,813,000	890,650

* entity controlled by Krzysztof Domarecki, President of the Management Board of Selena FM S.A. On 29 November 2019, he indirectly purchased 9,763,000 shares in the Parent Company – the acquisition was made by Syrius Investments S.a.r.l. by a merger through the acquisition of Ad Niva Sp. z o.o.

Krzysztof Domarecki also holds 0.35% stake in Selena Labs sp. z o.o.

3.11. Agreements affecting changes in the proportion of shareholdings

The Company has not 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 2019, no employee shares programmes were in place in Selena FM S.A.

3.13. Information on the audit of the financial statements

On 13 May 2018, the Company's Supervisory Board resolved to appoint PricewaterhouseCoopers Sp. z o.o. Audyt Sp. k. (formerly: PricewaterhouseCoopers Sp. z o.o.) as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2018, 2019 and 2020. The audit agreement was concluded on 23 April 2018.

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 2019 and 2018 is presented in Note 8.5 of the consolidated financial statements for 2019.



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 2019.

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 2019 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

Krzysztof Domarecki

Vice President for Sales

Dariusz Ciesielski

Vice President for Marketing

Christian Dölle

**Management Board Member for
Finance**

Jacek Michalak



Appendix 1

Group's Non-Financial Information Statement

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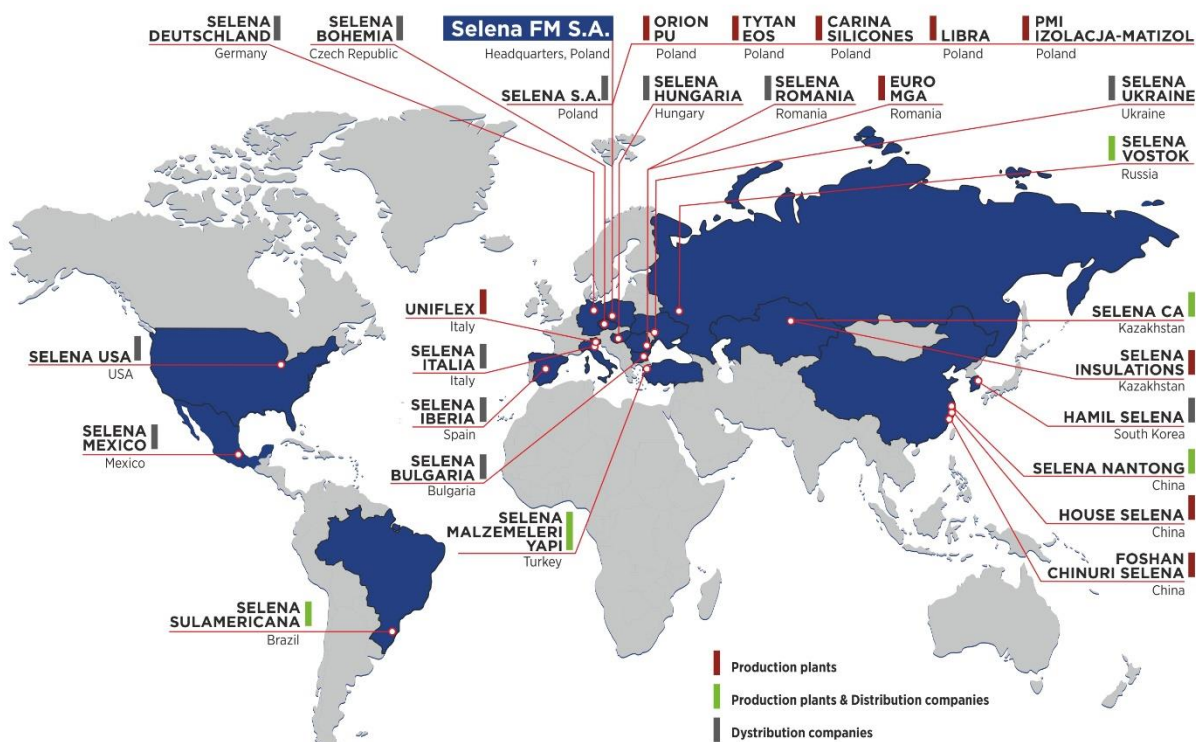
Basic information

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 a global leader and distributor of construction chemicals and one of the four largest producers of polyurethane foam in the world. 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 and Matizol.

The Group consists of 34¹ production, distribution and production & distribution companies in 16 countries on 4 continents. The Group's production plants are located in Poland, China, Romania, Turkey, Spain, Kazakhstan and Italy, and its products are available in nearly 100 countries in the world. The Group also carries on R&D activity in Poland, Spain, Turkey, China and Italy. The international team's activities are coordinated by Selena Labs based in Dzierżonów. In April 2019, the company 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 goal is to prepare tailor-made products and complete systems for construction chemicals while ensuring the highest quality of products used in different climate zones and at different latitudes.

Selena Group's mission statement is "Together we deliver better building performance", which 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 direct cooperation with Users, careful listening to their 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 digitalisation and higher level of service for customers.

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 use 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 characterised by high thermal insulation, reducing heat losses by up to 60%. The 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 respond to

¹The business activities of 31 companies are covered by full reporting to the Company, and due to the nature of the minority stake in Hamil - Selna 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. In turn, Selena Mexico S.de R.L. de C.V. was set up in 2020.

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 28 years in the market, is now one of the four largest producers of polyurethane foams, is ranked second in adhesives in the Russian market and is the leader in the segment of traditional adhesives in Poland. The Group employs 1,925 people (as at 31 December 2019). Its products are distributed to more than 100 markets in Europe, Asia, South America and North America.

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 16 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 organisation with more than 25 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 plants' environmental impact is gradually mitigated.

Environmental requirements are implemented through continuous formal and legal supervision at the Group level and implementation of the required measures at the Group companies as well as implementation of the obligations set out in environmental decisions. Compliance is verified by regular local 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 potential employees, Selena Group might consider future actions aimed at automation of production processes thus reducing the demand for workforce.

1.5. The 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 specialised 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
- 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 <http://www.selena.pl/pl/produkty/>. 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 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)
- Supply Chain Analytics (including collection and processing of supply chain data, cost analysis).

Using Lean methodology, a number of tools have been introduced throughout the entire supply chain: from raw material suppliers to the end customer, to improve material and information flow. This resulted in a reduction of working capital across the organisation, and improved customer service.

Further integration and streamlining of the supply chain to shorten turnaround cycles in individual streams and respond to customer needs even faster and more flexibly.

2. Corporate Governance

2.1. The Group's management structure

The Group comprises 33 Polish and foreign companies in 16 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:

1. EAST – Eastern markets and Asia (Vostok, Ukraine, Kazakhstan, Turkey, export of a branch in Istanbul to Uzbekistan, Latvia, Estonia, Finland and others);
2. WEST (Western Europe + North and South America);
3. PL;
4. CE (companies from Central Europe).

The ownership and organisational structure of the Group and division into operating segments are presented in Note 1.7.1 of the Management Board's consolidated report on the Group's activities.

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.

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 on the corporate Intranet site. Such a solution contributes to ensuring transparency, greater objectivity, as well as the possibility of comparing the employee's development with previous periods. Also, a tool for staff performance review was developed.

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

As a listed company, Selena FM SA 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 organisation 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 and recommendations of the Best Practice of GPW Listed Companies 2016 – a statement in this regard can be found at: <http://www.selena.com/pl/relacje-inwestorskie/lad-korporacyjny/Zasady%20Ladu%20Korporacyjnego%20>;

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. It was designed in accordance with the COSO model based on 3 lines of defence. It includes procedures, instructions and practices supporting workers in effective and abuse-free performance of duties.

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. List of identified social or environmental risks

Selena Group carries out actions in the area of crisis management. By the time a crisis management policy is put in place to regulate risk management across the Group, and to regulate risk management in the whole Group, define key risks related to its operations, divide emergency situations into sudden and long-term ones, introduce procedures for monitoring and reporting the occurrence of crisis situations, risk management topics are dealt with at meetings of the executive bodies of the Parent Company and the Group subsidiaries. As part of performance of their duties, individual members of the management board supervise ongoing identification of risks and application

of relevant preventive measures. At the lower levels, risk management is the responsibility of selected managers. The management of individual risk categories is also regulated by specific policies and procedures referred to later on in this document.

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 minimised 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 – minimised 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 specialised 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 organisation'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 minimise 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 specialised 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 specialised 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.

3.1.1. 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. 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 addition to internal checks and audits, in 2019 there were 17 external inspections held by Environmental Protection Inspectors and 19 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).

In 2019, 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.

3.1.2. 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.

4. Ethics management

Selena Group has implemented a Code of Conduct ("CoC") to govern ethical issues. New hires receive a set of documents and are required to familiarize themselves with their provisions. 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.

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

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

2. Direct and indirect impact: raw materials and materials

2.1. Rational use of raw materials and consumables

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

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.

2.2. Raw materials and materials in numbers

In connection with the change in the method of sourcing data on the use of raw materials, in the current reporting year these data are presented by cost and quantity from the perspective of the last three years. The presented data are extracted from the purchasing system.

2.2.1. Cost of purchased raw materials and packaging in the Group (in euro)

Cost of purchasing raw materials and packaging in recent years			
Group	Year		
	2017	2018	2019
Packaging	35,615,736	34,817,597	38,000,427
Raw materials	125,606,458	118,635,769	107,411,464
Total	161,222,193	153,453,366	145,411,890

Share of the cost of purchasing raw materials and packaging in the total cost			
Group	Year		
	2017	2018	2019
Packaging	22.1%	22.7%	26.1%
Raw materials	77.9%	77.3%	73.9%
Total	100.0%	100.0%	100.0%

Change in the cost of purchasing raw materials and packaging year-on-year			
Group	Year		
	2017	2018	2019
Packaging	8.1%	-2.2%	9.1%
Raw materials	41.0%	-5.5%	-9.5%
Total	32.1%	-4.8%	-5.2%

2.2.2. Quantity of raw materials and packaging purchased in the Group (in purchasing units)

Amount of raw materials and packaging purchased in recent years			
Group	Year		
	2017	2018	2019
Packaging	460,824,269	481,481,999	532,991,593
Raw materials	208,243,398	242,062,798	226,928,687
Total	669,067,667	723,544,796	759,920,280

Share of purchased raw materials and packaging in the total quantity			
Group	Year		
	2017	2018	2019
Packaging	68.9%	66.5%	70.1%
Raw materials	31.1%	33.5%	29.9%
Total	100.0%	100.0%	100.0%

Change in the amount of purchased raw materials and packaging year-on-year			
Group	Year		
	2017	2018	2019
Packaging	12.4%	4.5%	10.7%
Raw materials	2.8%	16.2%	-6.3%
Total	9.3%	8.1%	5.0%

The above data show that the impact of sales and production increases is directly proportional to the increase in the volume of packaging.

The quantities of raw materials purchased were affected by price fluctuations and availability of isocyanates, polyols and polymers in recent years. For example, in 2017 and 2018, safety stock for key raw materials were created, hence there are discrepancies between the quantity of raw materials purchased and the volume of packaging when compared year-on-year.

3. Direct and indirect impact: fuel and energy

3.1. Energy in numbers

Total energy consumption	23,903,960.25 kWh
Energy consumption per unit of income	77.57 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 higher compared to 2018.

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. The exception is Selena Iberia SLU, which buys energy from renewable sources. The Group makes efforts to increase the use of energy from renewable sources and constantly minimise fuel and energy consumption through a gradual upgrade of the production plants.

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 (representing 2700 m³ in the total amount of water used).

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	41,508.04 m ³
Water consumption per unit of income	0.13 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 is higher compared to 2018.

4.3. Efficiency of water consumption

The water used at Foshan Chinuri-Selena Chemical Co. and Izolacja Matizol Sp. z o.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 CO₂ emissions

The greenhouse gas emissions indicator is a new indicator included in our report for the first time. Therefore, these data are presented from the perspective of the last two years as direct and indirect emissions.

6.1.1 Direct CO₂ emissions in numbers

Group	Year	
	2018	2019
Direct CO ₂ emissions	4,888,940.421 kg	5,355,951.339 kg
The volume of direct emissions per unit of income	17.01 kg	17.38 kg

Direct emissions come from the combustion of fuels in the transport process, as well as during the heating of production and office buildings. The amount of CO₂ emissions has been calculated as the product of the volume of consumption of energy carriers (determined based on meters or invoices), the density of fuels (based on data from the Statistics Poland –GUS) and the calorific value and CO₂ emission factors from the methodology of the National Centre for Emissions Management (KOBIZE). The volume of direct emissions per unit of income is calculated by dividing the volume of CO₂ emissions by the Group's total revenue expressed in EUR and multiplied by 1,000 EUR. Direct emissions intensity for 2019 is slightly higher compared to the 2018 emissions.

6.1.2 Indirect CO₂ emissions in numbers

Group	Year	
	2018	2019
Indirect CO ₂ emissions	10,467,591.95 kg	11,085,307.23 kg
Volume of indirect emissions per unit of income	36.41 kg	35.971 kg

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

The volume of CO₂ emissions was calculated as the product of the consumption of energy carriers based on meters or invoices and CO₂ emission factors from the KOBiZE methodology. The volume of indirect emissions per unit of income is calculated by dividing the volume of CO₂ emissions by the Group's total revenue expressed in EUR and multiplied by 1,000 EUR.

Intermediate emissions are slightly lower compared to the 2018 emissions.

6.1.3 Rationalisation 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. Local initiatives are also carried out, which indirectly affects the reduction of GHG, such as providing employees with a company bus to take them to/from the production plant in Selena Iberia SLU.

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

Amount of pollutants emitted into the atmosphere	16.61 Mg
Emission of pollutants into the atmosphere per unit of income	0.000054 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 lower compared to 2018.

6.2.1. Efficiency of atmospheric emissions

In its activities, Selena Group is constantly striving to minimise pollutant emissions into the air.

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

Additionally, Selena Labs Sp. z o.o. keeps working on new formulations that would reduce the amount of emissions.

7. Direct and indirect impact: waste and wastewater

7.1. Wastewater in numbers

Total volume of wastewater	20,270.71 m ³
Discharge of wastewater per unit of income	0.07 m ³

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

The intensity of wastewater emissions is slightly higher compared to 2018.

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 subsidiaries 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 in numbers

Weight of hazardous waste	327.155 Mg
Weight of non-hazardous waste	4892.802 Mg
Emission of hazardous waste per unit of income	0.0011 Mg
Emission of non-hazardous waste per unit of income	0.16 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 intensity of hazardous and non-hazardous waste generated is slightly higher compared to 2018.

7.4. Efficiency in waste management

Selena Group companies undertake regular measures to minimise 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. Most Group companies segregate municipal waste. Subsidiaries ensure that all waste is transferred to authorised third parties which hold relevant permits.

The key waste treatment method is recovery and treatment.

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.

9.2. Compliance

A total of 17 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.

9.3. 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.



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 2019, 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 subsidies and tax exemptions.

In Poland, the main beneficiary of public aid was Selena Labs Sp. z o.o. In 2019, as the leader of an international research and development project, this company continued R&D operations as a leader of an R&D project under Horizon 2020 Programme: “Advanced biobased polyurethanes and fibers for the automotive industry with increased environmental sustainability” (Biomotive Project). As a result of the project, in the years 2017–2021, Selena Group is to receive a subsidy of max. EUR 3,384,980.00. From this pool, in 2019 Selena Labs recognised revenue from subsidies of PLN 1,530,030.81. As part of the same project, in 2019 subsidies were also granted to Oligo Sp. z o.o. (revenue from subsidies of PLN 389,198.60) and Selena Iberia (EUR 20,000.00).

In addition, in 2019 Selena Iberia benefited from public aid in the form of subsidies in the following areas:

- EUR 30,172.25 for the “Wood adhesives” project – a research and development project regarding the development of new adhesive formulations for wooden packaging;
- EUR 5,369.00 for a project to improve workplace safety;
- EUR 2,079.00 for a project financing the trade mission in Cameroon.

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.

2.2. Recruitment policy

The parent company and the subsidiaries try to build good relationships with employees from the very beginning. Selena Group wants to ensure that its 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. Transparency of the recruitment process is supported by the website: <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.

2.3. Employment in Selena Group - statistical data

2.3.1. Employment number

In the Polish market, Selena Group has 1144 employees (as at 31 December 2019), while in total, including in foreign affiliates, the Group employs 1925 people (as at 31 December 2019).

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, 173 people (less than 9% 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 2019, fourteen 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 724,845.

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 4 out of 55 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 2019 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	2018	2019
The ratio of the average gross remuneration of women and men in Polish companies/ Selena Group	0.7507 / 0.6876	0.7128 / 0.7316
Average gross remuneration to the minimum wage in Polish companies/ Selena Group*	women 2.3283/ 2.7486 men 3.1012/ 3.3860	women 2.3157/ 2.7725 men 3.2482/ 3.6058

* 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. benefited from the Medicover 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. 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 2019 employment was terminated by 18% people employed on the basis of employment contracts. These contracts were terminated by mutual agreement of the parties (44%).

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 organisations 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. In the reporting period, no collective disputes with the employer occurred in the Polish companies of Selena Group. In 2019, at only two foreign companies of Selena Group a dispute was going on with the employer regarding interpretation of the collective agreement. The talks ended quickly and the disputes were resolved amicably.

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 reported year, work with the Group's EHS Road Map was continued and preparations started to implement local EHS Road Maps. The EHS Road Map was developed as a long-term plan to improve health & safety conditions and environmental protection in the Group companies.

As part of group activities, the implementation began of an application supporting the management of hazardous substances in production plants. The application allows the plants to switch to electronic registers of hazardous substances. Standardised chemical risk assessment sheets and summary safety data sheets are available for all substances. In 2020, the system rollout will be continued.

In addition to the annual group activities, the Group companies implemented their own technical and process solutions and undertook a lot of local activities and initiatives to keep the number of accidents down.

The most important of these include:

- raising employee awareness through various trainings and introducing single-point lessons;
- verifying machines in terms of legal requirements and safety standards;
- installing and improving the Fire Alarm Systems and gas detection systems;
- installing and improving the surveillance systems;
- implementing uniform group guidelines and local procedures;
- improving the process of supervision over external companies;
- reducing dust by upgrading production lines and installing additional ventilation systems;
- purchasing trolleys and hoists, and introducing systems for segregation of hazardous areas;
- developing and implementing safety instructions and visualisation elements;
- testing new personal protective equipment (PPE) and equipping employees with additional PPE.

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 actions planned in the Road Map, safety audits were carried out at all Polish production plants with regard to explosion hazard zones. Comprehensive health & safety and environmental protection audits were carried out at production plants in Spain and Romania.

Inspections in the area of health & safety carried out by competent external bodies			
Inspection body	Production companies	Non-production companies	Selena Group
Labour Inspection	1	2	3
Sanitary inspection	7	0	7
Fire Department	18	1	19

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).

The work environment is regularly measured and the results show that the actions taken in individual plants ensure hygienic work conditions for staff. At most Selena Group companies, employees do not work in conditions in which the maximum admissible concentrations (MAC) or maximum admissible intensities (MAI) are exceeded, with the exception of two work positions (one in the plant in Spain and one in the plant in Chelmża), where noise limits were slightly exceeded (the employees in those positions have appropriate personal protection equipment and measures are being planned to reduce noise levels).

In the whole Selena Group, in 2019 there was one notification of suspected occupational disease (hearing loss) – this took place at Matizol Gorlice, and the case is pending.

Selena Group continued cooperation with the Central Work Safety Institute – National Research Institute (CIOP-PIB) as the official partner of the Polish edition of the campaign “Hazardous substances under control” carried out as part of the international campaign of the European Agency for Safety and Health at Work (EU-OSHA). In the good practice competition organised as part of that campaign, the good practice reported by Orion PU (a glove rack) received a distinction.

4.4. Results of application of health & safety policies

In 2019, a total of 32 accidents at work were observed in production plants, down vs 2018, when 47 accidents were reported. 6 of all the 32 accidents did not result in employee absences (all accidents without resulting employee absences were recorded at the plant in Spain). Two of the reported accidents involved third party employees (both without serious effects).

All the accidents were subject to a detailed 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 2019			
Accidents/ indicators	Production companies	Non-production companies	Selena Group
Total number of all accidents at work	27	5	32
Accidents at work resulting in employee absence	21	5	26
Accidents at work not resulting in employee absence	6	0	6
Fatal accidents	0	0	0
Significant accidents	0	0	0
Light accidents	21	5	26
Accidents of external company employees	2	0	2
Accidents on the way to/from work	2	6	8
Days of incapacity for work	321	176	497
Accident rate by work time (per 200,000 hours)	2.4	0.7	1.7
Accident rate by number of employees (calculated per 100 employees)	2.9	0.8	2.0
Accident severity rate (the number of days on sick leave due to accidents to the number of accidents resulting in absence)	0.07	0.03	0.05

As can be seen from the table above, all reported accidents were minor.

Due to a direct cause, the accidents with professional absence were related to:

- contact with or impact of objects (x7)
- contact with a sharp edge (x6)
- contact with a moving vehicle/ cart (x4)
- falling to a lower level (x3)
- overload (x2)
- contact with moving parts
- tripping and falling at the same level
- thermal burn
- traffic accident.

Due to the location of the injury, accidents resulting in absences concerned:

- upper limbs (x12)
- lower limbs (x6)
- general bruises (x5)
- body and head (x3).

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
- establishing uniform requirements for explosion hazard zones.

5. HR development and education

5.1. Staff training and development - general information

Selena Group makes every effort to ensure that its employees regularly improve their skills and qualifications. Therefore, training and development 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.

5.2. Types of training held

The range of training provided within the Group is very diverse. The Group companies conduct many trainings that improve both hard and soft skills.

In 2019, a cycle of Lean Management training courses was organised for the employees of Polish companies of Selena Group. The courses were divided into three one-day workshop meetings in: "Introduction to "Lean Manufacturing", "Lean Office" and "Problem Solving". In total, 58 employees from the Group participated in the programme in 2019 (the program covered the companies Selena FM, SA Selena Marketing International Sp. z oo, Libra Sp. z o.o., Tytan EOS Sp. z o.o., Izolacja Matizol Sp. z o.o., Carina Silicones Sp. z o.o.).

In 2019, training also took place in the field of Information Security and GDPR, for the employees of Selena FM S.A., Selena Marketing International Sp. z o.o., Selena Industrial Technologies Sp. z o.o. and Selena Labs Sp. z o.o. who are based at the Company's headquarters in Wrocław. Those were obligatory courses for the invited employees.

In 2019, a training was arranged for the Personnel Department Employees from the entire organisation (companies: Selena Vostok, Selena Iberia, Selena Romania, Selena Kazakhstan, Selena FM S.A. and Selena S.A.) devoted to the Gallup Institute methodology.

5.3. Development support

Employees who wish to expand their knowledge outside the workplace can apply for financing to external courses or to language courses or studies. It is common practice at Selena FM S.A., Selena S.A., Selena Marketing International Sp. z o.o., Selena 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 an request submitted by the employee to the personnel department. The cost of development training (both involving hard skills and soft skills) is fully covered by the employer. Studies are co-financed in 50% to 100% depending on the case. Financing is approved on the basis of the consent from the line manager, the personnel department and the CFO.

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

Language training is aimed at raising the level of communication with countries within the Group's perimeter. Classes are conducted on the Company's premises (9 locations) in English, Spanish and Russian. 160 employees and associates participate in the programme.

5.4. Performance reviews

In Selena Group, periodic staff performance reviews are carried out by individual companies, taking into account the subject and scope of their operations.

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

6. Diversity management

6.1. Selena Group's diversity management strategies

Diversity and openness are fundamental values of Selena Group and have a major impact on its development. The values are reflected in the Group's strategy, one of its pillars being the principle of respecting diversity in all the Group's activities.

Since the very beginning, one of the main success factors at Selena Group has been diversity and the resulting work in interdisciplinary teams that have various work experience in different markets and teams composed of different personalities. Accordingly, it has always been the Group's priority to provide such working conditions in which employees will feel that diversity is the Group's driver and a source of synergies rather than an obstacle in achieving global objectives.

The most important values lived by Selena Group include:

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

6.2. The principle of respecting diversity at the recruitment stage

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

6.3. The principle of respecting diversity in the workplace

In order to provide the employees of Selena Group with a work environment characterised 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.

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

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

6.5. The Group's diversity support measures

As part of supporting diversity, the Group employs persons who are in the course of serving a prison sentence. At two production plants in Lower Silesia, 21 people provide service under a contract with the Detention Centre.

6.6. Results of respecting diversity

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

7. Human rights

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

Selena Group makes every effort to ensure that its actions do not undermine the respect of fundamental rights and freedoms guaranteed by such legal acts as the UN's Universal Declaration of Human Rights, the European Convention on Human Rights or the Constitution of the Republic of Poland. Aspects of the respect for human rights are included 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 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. or Remuneration Regulations at Selena FM S.A.

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

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

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

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

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

Partnership and open dialogue are the values by this 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 the reporting period.

8. Local communities and social commitment

8.1. Impact on the social environment

Selena Group has its roots in Lower Silesia. This is also the region of origin of the firm's main shareholder and now its CEO 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:

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

In its activities Selena Group has always emphasised 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. Selena FM S.A. also focuses on responsible development. On the one hand, Selena ensures that business development has a positive impact on residents (so that projects are not burdensome for residents or the environment). On the other hand, the company supports local initiatives run by the Urban Agglomeration Development Agency, including: Made in Wrocław – press conference with a job fair (during which Selena presented development opportunities in the international Group, as well as its innovative product portfolio, and the CEO Krzysztof Domarecki shared his knowledge with participants of the conference “Leadership and Change in the Age of (R)evolution”).

Selena Group’s employees are get engaged in social activities. In 2019, during the Christmas meeting, Selena Group supported the Between Heaven and Earth (Między Niebem i Ziemią) foundation, which helps terminally ill children. The amount collected by employees was doubled by the Management Board and paid into the foundation's account.

Krzysztof Domarecki takes very active part in both local and national events. In 2019, he took part in lectures during the Made in Wrocław event, sharing with students his experience in the area of effective leadership in the age of (r)evolution. He also supported with his knowledge the Family Business Initiative during the 12th U-RODZINY Congress of Family Businesses, speaking of possibilities of foreign expansion and of products carrying the Made in Poland mark. He also took part in the Congress of Polish Economists preparing a lecture entitled “Where are we heading?” on the impact of new technologies on society.

Krzysztof Domarecki was also awarded by the Prime Minister of Poland Mateusz Morawiecki with the Medal of Poland’s 100th Independence Anniversary in recognition of his contribution to the Polish economy. The medal, awarded as part of the celebrations marking the anniversary of Poland regaining its independence, goes to the individuals who have contributed to building civic community and the country's economic well-being.

Furthermore, Selena Group is engaged in the development of local activities, e.g. by supporting charitable campaigns, foundations and associations. In 2019, we provided financial support to e.g. the Tertio Millennio Institute Foundation and the MANUS Foundation.

Selena Group also continues to support the student initiative originated at the Wrocław University of Technology – PWR Racing Team. As part of the cooperation, the University students receive construction chemistry materials and financial support from the Group for implementation of their project.

The Selena Group, including local companies, actively participate in industry events (including Budma, PSB, Bricomarche shows in Poland, and foreign shows: Figan, BIG Market, Expocadena, Tektonica, Construmat and others). The Group is also involved in social initiatives. Below are the most important CSR initiatives and events from 2019:

Selena S.A. awarded as the Construction Company of 2018 – 24 January 2019

For the seventh time, Selena S.A. received an award for the Construction Company of the Year. At the same time, Andrzej Ulfig, the CEO of Selena S.A., was honoured with the Personality of the Year title, which is awarded to the most effective managers in the industry. The awards were granted by the Judging Panel chaired by prof. Leonard Runkiewicz. In addition to trading performance, the award criteria included innovativeness of the products and services offered, reliability and stability of the business and achievements vs. competitors.

Selena Labs attends a seminar on 28 February 2019

Selena Labs participated in a seminar as part of the InnoPeer AVM project aimed at raising the awareness of SMEs in the region with respect to changes taking place in the economy. The seminar dealt with issues related to the implementation of the Agile Stage Gate model in the new product development (NPD) process at Selena, as well as the impact on innovation and challenges faced by R&D.

Selena FM S.A. and Selena S.A. participate in 4YoungEngineers – 5 March 2019

Selena FM S.A. and Selena S.A. participated in the Young Engineer Days in Warsaw, an event organised as part of 4YoungEngineers. During the event, one of the top Selena products was promoted – the innovative, highly reflective COOL-R coating.

Awards for Selena S.A. – 21 March 2019

Selena S.A. won TopBuilder awards for 4 Tytan Professional products: Fix2 GT, Aquaprotect and P70 Ultra Foams foam adhesive for plasterboards, and participated in the Award Gala in Warsaw. Representatives of Selena S.A. received awards for 4 Tytan Professional products.

Opening of Selena Labs – 2 April 2019

The company opened its main laboratory centre in the city of Dzierżonów, in the Wałbrzych Special Economic Zone (WSEZ) "INVEST-PARK". With a value of PLN 8 million and usable area of more than 4,000 m², the project will significantly increase the company's ability to develop and put on global markets construction chemicals with unique parameters. The opening ceremony was attended by representatives of central government and local authorities, WSEZ authorities as well as representatives of EU institutions and universities.

Selena FM SELENA FM S.A. and Selena S.A – participation in the Corporate Run –April 2019

Employees of Selena Group participated in the Corporate Run, an initiative combining charity goals and the promotion of a healthy and active lifestyle. About 50 runners from the company ran the designated distance; supporters and employees could bond and spend time together in Selena's chillout zone.

Medal of Poland's 100th Independence Anniversary – 8 May 2019

Krzysztof Domarecki was awarded by the Prime Minister of Poland Mateusz Morawiecki with the Medal of Poland's 100th Independence Anniversary in recognition of his contribution to the Polish economy. The medal, awarded as part of the celebrations marking the anniversary of Poland regaining its independence, goes to the individuals who have contributed to building civic community and the country's economic well-being.

"Jedynka Gazety Wyborczej" award – 16 May 2019

On 16 May, Selena Group was awarded at the conference "30th anniversary of economic transformation of Lower Silesia" in Wrocław. The award granted by the "Jedynka Gazety Wyborczej" news service to the "30th Anniversary Companies chosen by Gazeta Wyborcza" for significant contribution to the region's development was received on behalf of Selena by Andrzej Zygadło, Global Head of HR of Selena Group. Selena was also a conference partner and participated as a speaker in the panel titled "The role and impact of business on the development of Lower Silesia over the last 30 years". The purpose of the conference was to demonstrate the changes that the region had seen over thirty years and to outline possible developments in the years to come.

COOL-R receives the EPD and GREEN CARD

COOL-R, the innovative product of Selena FM S.A. obtained the International Product Declaration (EPD) from the Building Research Institute, and the GREEN CARD from DEKRA, the certification company. In addition, COOL-R also received Type II declaration in accordance with ISO 14012, which confirms reduction of electricity consumption, and obtained the ITB EKO label. COOL-R is a highly reflective, waterproofing room coating, reducing temperature of the roof by as much as 70%, so the temperature inside the building can be lowered by a significant 10°C, which affects a number of factors: creates better work conditions, increases work comfort in the rooms under the coating as well as decreases operating costs of buildings and reduces their energy consumption.

Selena S.A. – participation in the BUILDERS FOR YOUNG ENGINEERS programme – 10 July 2019

Selena was a Strategic Partner of the nationwide BUILDERS FOR YOUNG ENGINEERS programme. It prepared materials concerning Tytan Professional and Cool-R solutions and other products recommended for the national Competition for Young Engineers. Selena S.A. also participated in publications about the programme (including the "Engineer Profile").

Selena S.A. – participation in the "We Build Sporty Poland" programme – 15 July 2019

Selena S.A. took part in the "We Build Sporty Poland" programme, which is dedicated to companies, municipalities and districts involved in the construction of sports infrastructure and support for sports initiatives in Poland. For the

third time in its history, Selena was honoured as the Sporty Poland Ambassador, and for the first time as an Ambassador could nominate companies for the title of the “Perfect Company” (“Firma na Medal”) and the “Enthusiast of Sporty Poland” (“Pasionat Sportowej Polski”) titles.

Award for Selena Sulamericana – 20 August 2019

Selena Sulamericana received an “Oscar” in the retail construction industry in Brazil. The Brazilian company participated in the 28th edition of the Anamaco Award, an event which took place in Espaço das Américas in São Paulo. During the event, Selena Sulamericana was recognised in the area of silicones, in the large clients category. The award is granted based on surveys carried out by Anamaco among retail companies. Interviews were held with more than 1000 DIY stores, wholesalers and other entities.

ECC Roadshow after Kazakhstan – Q2 2019

Selena Kazakhstan continued a series of meetings with end users (a group of over 700 builders). Training courses were prepared by the ECC team and technical advisors. During the meetings, product systems and application fields for Selena’s products were discussed.

Selena FM SA’s participation in “Made in Wrocław” – 17 October 2019

Selena took part in the “Made in Wrocław” event at the Exhibition Center at the Centennial Hall (Hala Stulecia) organised by the Wrocław Agglomeration Development Agency. Selena participated in job fairs organised for young residents of Lower Silesia, and the CEO Krzysztof Domarecki took part in the discussion panel entitled “Leadership in the Age of (R)evolution”. By participating in the event, Selena allowed potential new employees to become acquainted with the Company’s innovative product portfolio, presented itself as one of the major, Polish-owned employers in Lower Silesia.

CEO’s participation in the U-RODZINY (WITH THE FAMILY) congress of family-run – October 2019

The Management Board’s President Krzysztof Domarecki took part in the congress’s kick-off panel, during which issues related to “Made in Poland” products were discussed. During the panel discussion, he shared his knowledge about the security of foreign expansion based on his experience.

Selena Iberia (Quilosa) Gold Medal from APCMC – December 2019

Selena Iberia (Quilosa) received a gold medal from the Portuguese Association of Traders of Materials of Construction (APCMC) for companies operating in the market for over 75 years. The award was received by Luis Filipe Faustino, who is responsible for the Portuguese region at Selena Iberia.

Selena FM SA awarded with the title of Hidden Masters 2019 – December 2019

Selena FM S.A. received the Hidden Masters award. The Polish Hidden Masters survey is conducted on behalf of the European Bank for Reconstruction and Development and coordinated by IEDC-Bled School of Management and Postgraduate Studies and the The International Association for Management Development in Dynamic Societies (CEEMAN). The criteria considered were: the company’s market presence for at least 5 years; income below USD 1 billion, and the first or second position in the global or regional market.

Selena FM SA as a partner in the Women’s Faces (Kobiece Twarze) – December 2019

In December 2019, Selena FM SA was a partner of the Women’s Faces campaign. This initiative promotes women’s entrepreneurship and equality in business. Women are awarded for their activities in the categories of Beginners; Professionals in Large Enterprises; Personality and Women Friendly Company. Selena Group was a partner of the event.

8.2. Results of social involvement

The Group’s policy of supporting the development of Lower Silesia and the strong involvement in local, regional or national initiatives by most of the Group’s companies earn Selena the recognition of its partners, customers and the public, but also of regional authorities and cooperating institutions. Through its activities, Selena 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.

One of the effective forms of reaching out to the Users of Selena Group is education through roadshows with “can in the hand” presentations in which each participant will be able to test themselves the capabilities of the Group’s innovative product.

Selena’s founder Krzysztof Domarecki is actively involved in different 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.

In 2019, during the Christmas season, Selena became involved in helping the Between Heaven and Earth (Między Niebem a Ziemią) Foundation, which helps terminally ill children.

In 2019, Selena’s founder Krzysztof Domarecki was awarded by the Prime Minister of Poland Mateusz Morawiecki with the Medal of Poland’s 100th Independence Anniversary in recognition of his contribution to the Polish economy. The medal, awarded as part of the celebrations marking the anniversary of Poland regaining its independence, goes to the individuals who have contributed to building civic community and the country’s economic well-being. Selena enjoys consumer confidence, which is evidenced by the following awards received in 2019:

- BUILDER AWARDS Construction Company of the Year for Selena S.A.
- Construction Creator 2019 for Selena S.A.
- Ambassador of Sporty Poland title and certificate for Selena S.A.
- “Jedynka Gazety Wyborczej” award for 2019
- Hidden Masters 2019
- Golden Medal for Selena Iberia from the Building Materials Association
- Oscar in the construction sector for Selena Sulamericana.

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

9. Prevention of corruption

9.1. General

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

In order to raise the awareness of the Group’s employees and partners regarding activities that bear traces of corruption and to combat corruption, in 2014 Selena Group introduced *Selena Group’s Anti-Corruption Policy* (“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.

9.2. 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.

9.3. Dissemination of Anti-Corruption Policy

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

9.4. Results of application of the Anti-Corruption Policy

In 2019, 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.

10. Product and consumer safety

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

- **Define immediate protective measures** – in the event of a quality problem, the priority is to protect customers against the related effects. For this reason, before addressing the problem, employees first consider the need to take the potentially non-compliant product off the market.
- **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.
- **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 problem, which entails: description of the problem, its location, time and size. A correct description of the problem is the starting point for further stages of the analysis.
- **Define and implement temporary corrective measures** – in order to protect customers against continued effects of the problem until introduction of permanent corrective measures, working group employees apply temporary corrective measures. These include for example: introducing additional controls, stopping production, segregating products or informing customers about the identified problem.
- **Define the cause of the problem:** at this stage the team identifies the cause of the problem. In addition, in order to avoid similar mistakes in the future, the team also determines why the problem was not noticed at the

time of its occurrence. When determining the cause of the problem, working group members use quality tools, such as risk analysis (FMEA), Ishikawa diagram, the 80/20 method or the 5 WHY method.

- **Define long-term corrective measures:** after a comprehensive diagnosis of the problem, the team develops several solutions to select the optimal one.
- **Implement long-term corrective measures:** at this stage, the persons appointed by the team first implement corrective measures and then check their effectiveness and efficiency.
- **Define and implement preventive measures:** in order to prevent the problem from reoccurring, the team determines preventive measures.
- **Assess and finalise actions:** having worked through the problem, the team members compare the “as is” state with the state in which the problem occurred. Next, the outcome of this comparison is reflected in the 8D report, containing e.g. a description of the causes of the problem and temporary and long-term corrective measures.

11. Marketing communication

11.1. Marketing communication with Customers

Good communication with Clients is the basis for building good relationships with Users, and this is what Selena Group greatly focuses on. It is thanks to customers' opinions and comments that the Group can improve its products. For this reason, the Group develops an active communication with the Users of its products, systems and solutions. In the era of widespread digitalisation, the Group contacts its users not only directly (e.g. by participating in industry events, fairs and training courses organised by Technical Support), but also through modern communication channels, including social media (YouTube, LinkedIn and Facebook). Selena Group also organises focus studies with Users, on the basis of which it determines both further communication of its product brands and its corporate brand.

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 organised, for example, by the Polish company Selena S.A. in Poland in cooperation with building wholesalers and industry associations. We want to be as close as possible to Users, i.e. builders, that is why we organise Design Thinking training and technical marketing trainings together with selected groups. In 2019, in addition to the R&D Centre Selena Labs in Dzierżoniów, we also opened a TRAINING AND VALIDATION CENTRE in Lubin, in which we conduct training courses and product workshops with contractors, and carry out product validation processes. Products are tested at every stage of their life cycle. We test both new products (NPDs) and existing ones to check their quality on an ongoing basis, and to identify those whose formulations need to be corrected. This is a place where we and contractors can see how products work in practice.

In order to build its corporate brand image and the image of its product brands, Selena Group also 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 and PR articles concerning products, technologies and the Group's activities. We also invite influencers to cooperate with us. For example, a video with a test of the adhesive strength of our Fix2GT product was made by AdBuster. We also focus on short video materials that present the essence of our products, systems and technologies (e.g. an interview on our hybrid technologies).

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 <http://www.selena.pl/pl/kontakt/>, by sending an email to: kontakt@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.

Selena Group is also engaged in regular communication and PR activities. It regularly publishes information on current events, participation in fairs, plebiscites and conferences, as well as product materials and financial results.

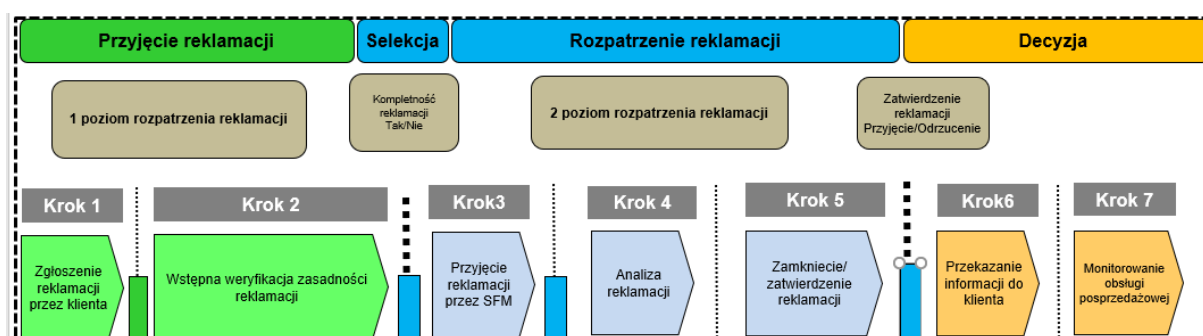
11.2. Complaints procedure

In order to improve and streamline the complaint handling process, Selena has introduced a global procedure a special procedure in this area for all the Group companies. The procedure is based on the intention to standardise the complaint handling process in companies located in various parts of the world. The whole process is supervised by a central team, whose tasks include:

- active participation in considering complaints with an identified special reason;
- 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 current process model geared towards reliable analysis of the root cause, verification of corrective actions and drawing conclusions. The whole process is strictly defined in time so as to ensure fact-based and timely communication with the client.

Considering the dynamics of the business environment, the complaint handling process will be reviewed and updated in 2020.



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 center, separately the complaint handling department). In addition, roadshow trainings are organised in most Group companies. They give an opportunity for our customers to test our 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.

Thanks to the active, professional and planned marketing communication, in its pilot digital campaigns the company reached almost 36,000 users in the Polish market.

In 2019, thanks to media relations, in the Polish market Selena Group generated nearly 1,700 publications and reached more than 1.7 million readers. In total, Selena Group got 833 mentions in release headings, and statements of the company's representatives appeared in more than 935 information materials. These activities were strengthened through publications in Selena Group's own social media channels, including: YouTube, LinkedIn and Facebook.

12. Privacy protection

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

13. Product labelling

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

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

Moreover, in order to ensure the best possible level of protection of human health and the environment against chemical products, Selena Group has developed *General guidelines for the preparation of labels and placing alerts for the visually impaired*. The document applies to the whole Selena Group. Labelling activities are coordinated at the Company level.

In 2019, Selena Group began implementing a project to optimise 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 minimise product losses due to the end of shelf life as products can be transferred between different foreign companies. We also optimise the storage of finished products thanks to the possibility of combining orders from different locations.

14. 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.