



2022 | CONSOLIDATED NON-FINANCIAL REPORT

The Sanok Rubber Company is located in Sanok, a city situated in the San River Valley at the foot of the Słonne Mountains near the Natura 2000 area. Sanok is known as the gateway to the Bieszczady Mountains, a region belonging to the Eastern Beskids, which are the westernmost part of the Eastern Carpathians. Bieszczady is primarily known for its unspoiled and wild nature, as well as its beautiful mountains with popular trails to Tarnica, Połonina Wetlińska, and Caryńska, as well as Bukowe Berdo, Rozsypaniec, Halicz, Wielka, and Mała Rawka. These areas attract over half a million tourists annually with their charm.

Considering the uniqueness of this region, our company's priority is to carry out production processes with special care for the environment, taking into account the principles of sustainable development.



CONSOLIDATED NON-FINANCIAL REPORT
2022

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INTRODUCTION

We are pleased to present to you a report on non-financial information of Sanok Rubber Group. The report is published in the form of a consolidated report covering both Sanok Rubber Company SA and Sanok Rubber Group. [SRC-16] The consolidated report covers the year 2022 and refers to 2021 data. Additionally, GHG emissions have been reported for a four-year period.

[SRC-17] Previous reports covered the years 2017, 2018, 2019, 2020, and 2021. They were published respectively on March 20, 2018, March 19, 2019, April 28, 2020, March 26, 2021, and March 25, 2022.

[SRC-18] The Group develops and publishes the report once a year.

This report on the Group’s activities is a collection of information on our sustainable development - how we operate and what results we achieve. In the report, we present our stakeholders with our activities in the social, employee, human rights, environmental protection, and anti-corruption spheres. We refer to the results of the Group’s actions in these areas and present the initiatives we undertake. We also present our business model, applied policies, their results, and significant risks along with how we manage them. In the report, we also address the topic of climate change. We report on greenhouse gas emissions and refer to environmentally sustainable activities concerning criteria arising from the Taxonomy. Due to the global significance of the need to reduce greenhouse gas emissions, we consider our greenhouse gas emissions indicator to be crucial.

Non-financial indicators, marked in the text with the symbol SRC and consecutive numbers, have been developed for reporting purposes. The indicators were developed using the GRI Standards and SIN guidelines for preparing

sustainable development reports. The report also meets the requirements of the Accounting Act of September 29, 1994, and takes into account the recommendations of the European Commission in the Commission Communication - Guidelines on non-financial reporting (methodology for non-financial reporting), published in notification no. 2017/C 215/01, as well as the supplement concerning reporting on climate-related information (2019/C 209/01). Reporting on the Taxonomy is based on the documents: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and delegated regulations of June 4, 2021 (EU) 2021/2139 and July 6, 2021 (EU) 2021/2178.

To maintain transparency in the presentation of data in the report compared to previous years, the structure and numbering of indicators have been retained.

Our efforts in reporting on climate issues have been recognized by the high rating received in last year’s Climate Crisis Awareness survey. Our company was distinguished by the Reporting Standards Foundation, the Association of Stock Exchange Issuers (SEG) and Bureau Veritas as a Climate Awareness Leader. Out of the 152 reports evaluated for reporting on climate issues, the Sanok RC Group Non-Financial Report ranked 10th.

Corporate social responsibility is an important element of modern management. It is an activity based on values that puts people at the center. By meeting the expectations of our stakeholders, we publish this report as confirmation of our actions based on the principles of sustainable development.





MANAGEMENT AREA



Business model

Basic data

[SRC-1] Sanok Rubber Company is a global company with a 90-year tradition and extensive technological experience in the production of rubber, rubber-metal, rubber combination with other materials, and rubber compounds.

The history of Sanok Rubber Group dates back to the 1990s, when the first companies were incorporated into the Group: Stomil East Sp. z o.o., Stomet Sp. z o.o., and Świerkowy Zdrój Medical SPA Sp. z o.o. (previously Stomil Sanatorium and Tourist Enterprise Sp. z o.o.). During this period, the Group also entered Eastern markets, producing and distributing products through its subsidiaries in Russia, Ukraine, and Belarus. The 21st century marked a period of increased activity in the West. In recent years, Sanok RC SA decided to acquire two companies: German Drahtex Automotive GmbH and French Rubber & Plastic Systems S.A.S. The company also acquired shares in Colmant Cuvelier S.A., a 120-year-old French manufacturer of V-belts, mainly supplying its products to the markets of North Africa and Western Europe. Another milestone in the Group’s development was the focus on the Far East, where Sanok RC SA acquired Qingdao Meteor Rubber & Plastic Co. Ltd. to fully realize production and distribution of products in the Chinese market. The Group also includes SMX Rubber Company S.A. de C.V. located in Mexico and conducting operational activities based on Sanok RC SA’s production formula „shelter.”

[SRC-3, SRC-4] Currently, the Sanok Rubber Group consists of 12 subsidiaries in addition to the dominant unit, Sanok RC SA.

On 11.10.2022, Sanok RC S.A. sold all of its ownership rights, amounting to 79.71% of the shares in the capital

of QMRP, and thus no longer exercises control over its subsidiary QMRP within the meaning of International Financial Reporting Standard 10 (“IFRS 10”). It should be noted that Drahtex Automotive GmbH, a company that is 100% owned by Sanok RC S.A., still holds 14.49% of the ownership rights in the capital of QMRP.

[SRC-5] In its current legal form as a joint-stock company, the controlling entity Sanok RC S.A. has been operating since December 29, 1990, and was created as a result of the transformation of a state-owned enterprise. Since 1997, the shares of Sanok RC S.A. (formerly SANOCKIE ZAKŁADY PRZEMYSŁU GUMOWEGO “STOMIL SANOK” S.A.) have been listed on the Warsaw Stock Exchange. As of the date of this report, the fully paid-up share capital amounts to PLN 5,376,384.40 and is divided into 26,881,922 shares with a nominal value of PLN 0.20 each. Sanok RC S.A. is registered with the National Court Register by the District Court in Rzeszów under KRS number 0000099813. Most of the subsidiaries of the Group (8 business entities) are limited liability companies, with the exception of:

- French company Colmant Cuvelier RPS S.A.S. which is a simplified joint-stock company;
- Russian company Wiatka which is a closed joint-stock company;
- Belarusian unitary enterprise Stomil Sanok BR;
- Mexican variable capital stock corporation SMX Rubber Company S.A. de C.V.

[SRC-11] The share capital of Sanok RC S.A. - the controlling entity - did not change in 2022, but there was a change in the structure of the equity capital, as stated in the Company’s financial statements for 2022.

[SRC-2] The primary activity of Sanok RC S.A. and the entire

Entity	% shares / % votes	Core business description
Polish companies		
Stomil Sanok Dystrybucja Sp. z o.o.	100 % / 100 %	Sales of Sanok RC S.A. manufactured products on the secondary market, as well as sales of spare parts, consumables, and machinery for agriculture.
PHU Stomil East Sp. z o.o.	65.7 % / 79.3 %	Trade on the CIS markets (sales of products not only from Sanok RC S.A. but also from other Polish companies) and sales of products from Belarusian and Ukrainian companies on the Polish market..
Stomet Sp. z o.o.	100 % / 100 %	Manufacturing of equipment for the production of rubber and plastic products, as well as performing machine and equipment repairs - mainly on order for the companies within the Group.
Świerkowy Zdrój Medical SPA Sp. z o.o.	100 % / 100 %	Organizing and providing services in the field of medicine, sanatorium, rehabilitation, recreation, tourism, hospitality and gastronomy.
Foreign companies		
Stomil Sanok RUS OOO	100 % / 100 %	Distribution and sale of products manufactured by the Sanok RC Group on the Russian market.
Stomil Sanok Ukraina OOO	100 % / 100 %	Distribution and sale of products manufactured by the Sanok RC Group on the Ukrainian market
Stomil Sanok Wiatka ZAO	81.1 % / 81.1 %	Production & sale of products made of rubber and other goods on northern Russian market.
PHUP Stomil Sanok BR	100 % / 100 %	Production of extruded products for window joinery and production of molded products for household appliances. Sales are carried out to Sanok RC distribution companies in Russia and Ukraine, as well as directly on the Belarusian and Russian markets.
Colmant Cuvelier RPS S.A.S.	100 % / 100 %	Production and sale of body sealing systems made of plastics (PVC, PVC+TPE, and TPE) and rubber compounds.
Sanok (Qingdao) Auto Parts Ltd.	100 % / 100 %	Marketing activities related to the Chinese market, both for customers and suppliers. The primary focus of their activity is the import, export, and sale of products to customers in the automotive segment on the local market.
Drahtex Automotive GmbH	100 % / 100 %	Production and sale of body seals for the premium car sector in the German market. The company holds shares (14.5%) in the production company Qingdao Masters of Rubber and Plastics Co. Ltd (QMRP) based in Jiaozhou City (China).
SMX Rubber Company S.A. de C.V.	99 % / 99 %	SMX was established as a separate legal entity, intended to carry out direct sales to customers located in Mexico. SMX remains a dependent company with a minimum scope of operations and minimal resources in order to optimize costs associated with the development of Sanok RC Group. The remaining 1% of shares are owned by Stomet Sp. z o.o.



Sanok Rubber Group is the production and sale of rubber products (according to the Polish Classification of Activities PKD, the Company’s activity is classified as the production of other rubber products), which can be divided into 4 main groups based on the production technology:

- molded articles,
- extruded articles,
- V-belts,
- rubber compounds.

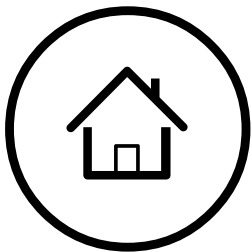
In addition, the Company conducts research and development work and sells their results related to the launch of new products, as well as, to a small extent, sells energy media and goods and materials

Using the criterion of dividing sales of products and services by industries/products, in both the dominant Company and Sanok Rubber Capital Group, there are five main operating segments identified, and in them product lines:



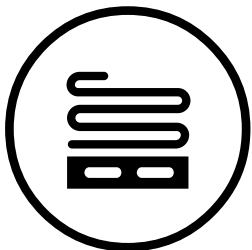
AUTOMOTIVE

sales of rubber, rubber-metal, rubber-thermoplastic elastomer TPE products (mainly used in body sealing systems and suspension systems of cars as well as exhaust system suspensions), as well as the results of R&D, tools and equipment from this area,



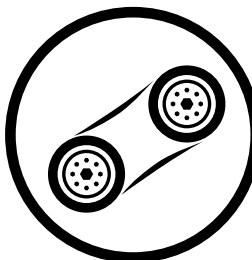
BUILDING

sales of system seals used in the production of windows and doors (plastic, wooden, aluminum), gutter and ventilation systems as well as self-adhesive seals used for sealing already installed joinery



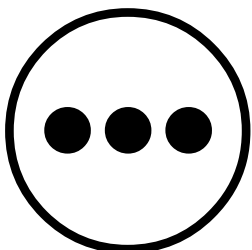
COMPOUNDS

concerns the production of rubber compounds for own production needs and the sale of compounds for rubber product manufacturers, which are produced within production capacities not dedicated to own products



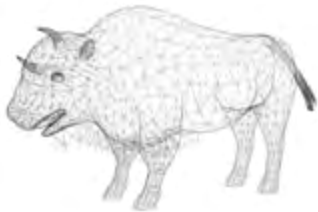
AGRICULTURE AND INDUSTRY

sales of belts under the brand name: Harvest Belts, Garden Belts, Vege Belts, OptimumPro and other accessories (products for agriculture are primarily sold to the subsidiary SSD Sp. z o.o.), as well as products for pharmaceuticals (corks for closing glass vials and plastic packaging with antibiotics, infusion fluids and blood preparations, as well as piston heads for disposable syringes) and rubber products for household appliances,



OTHER

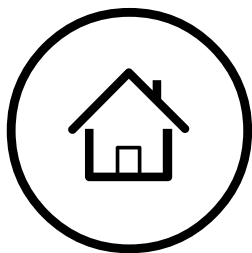
concerns the sale of other products and services not included in the activities mentioned in the above segments, and includes, among others, sanatorium and recreation services, as well as industrial services: manufacturing equipment for the production of rubber and plastic products and performing repairs of machines and equipment.



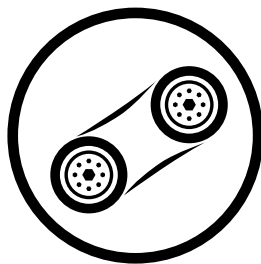
Business activity of subsidiaries of Sanok Rubber Capital Group by economic sectors:



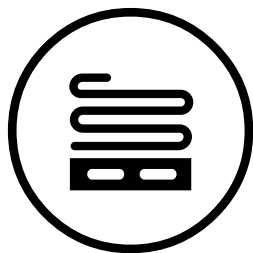
Automotive
sector



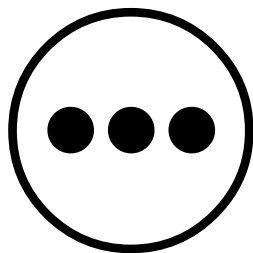
Building
sector



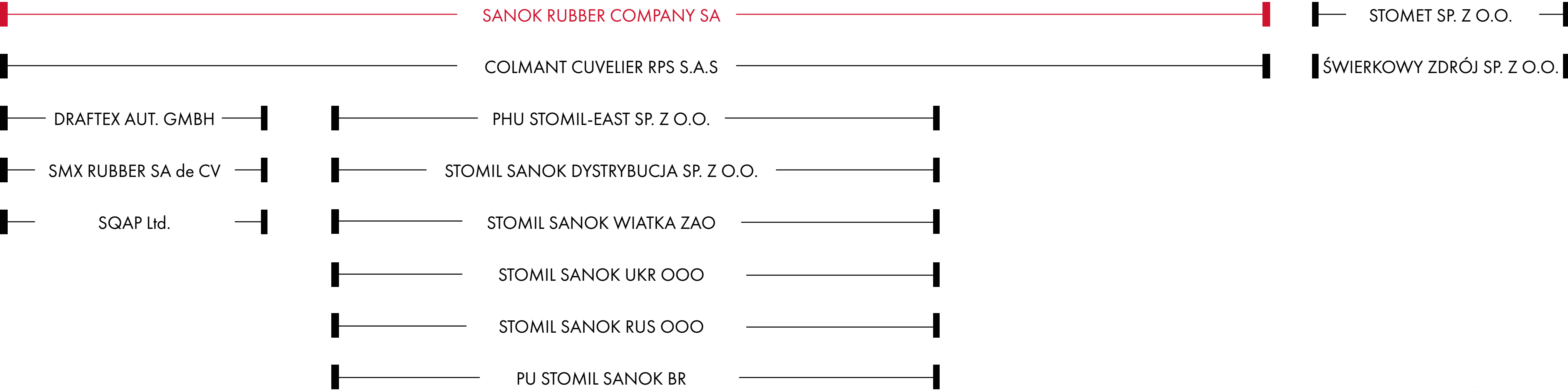
Agriculture & Industry
sector



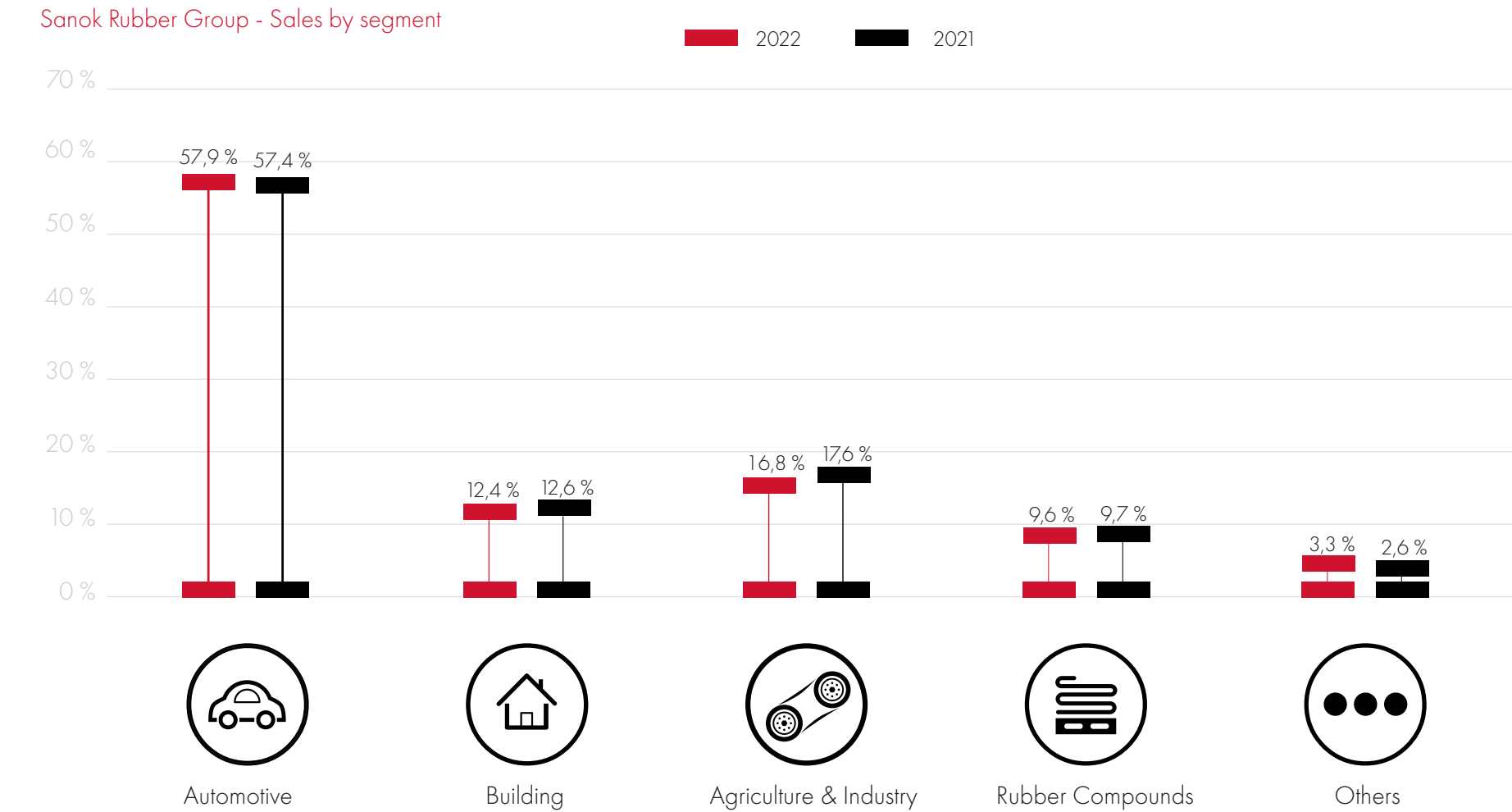
Rubber compounds
sector



Others

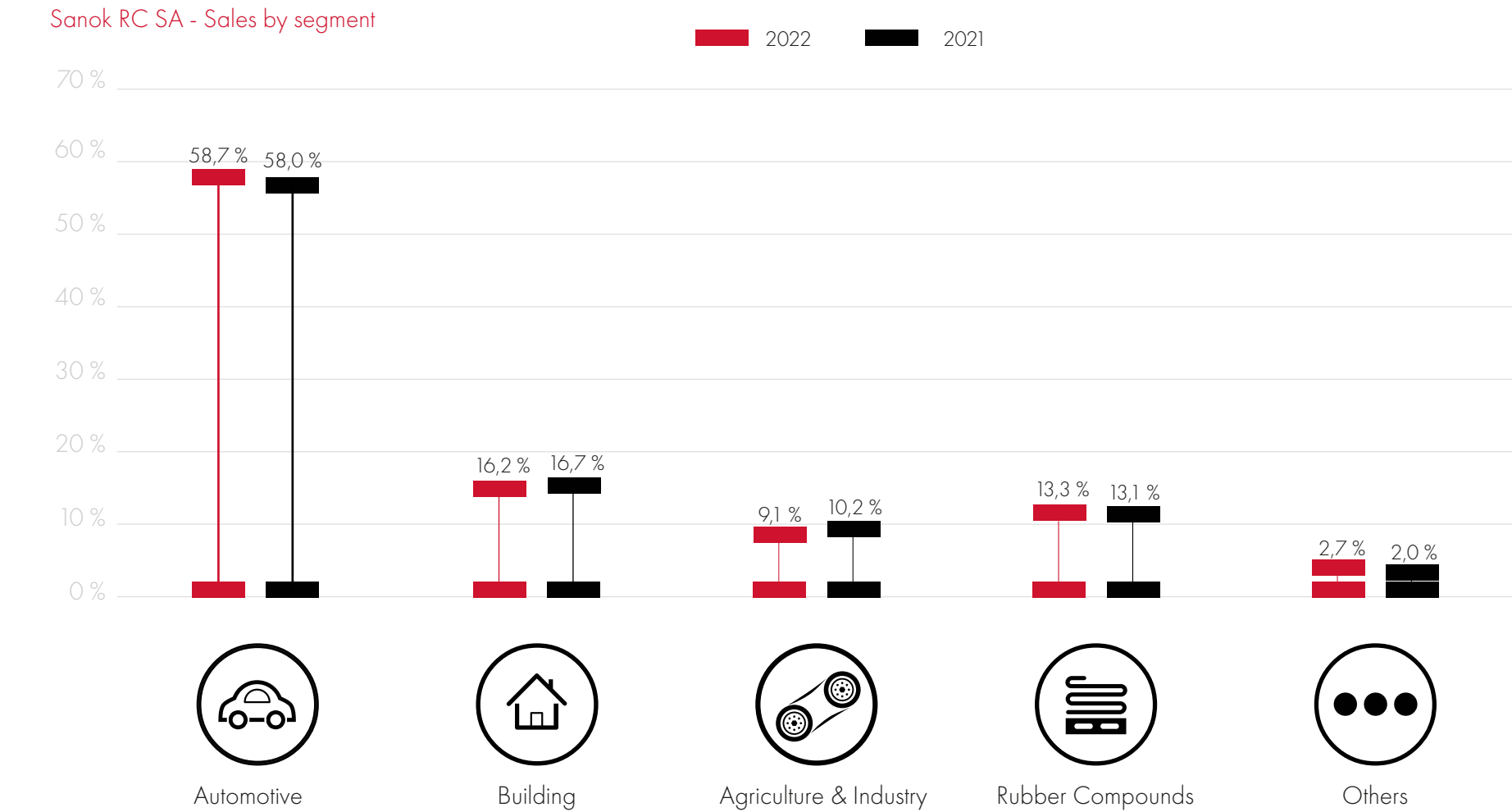


The percentage sales structure in the operating segments of the Sanok Rubber Capital Group and Sanok RC SA in the years 2021-2022 are presented in the charts below:

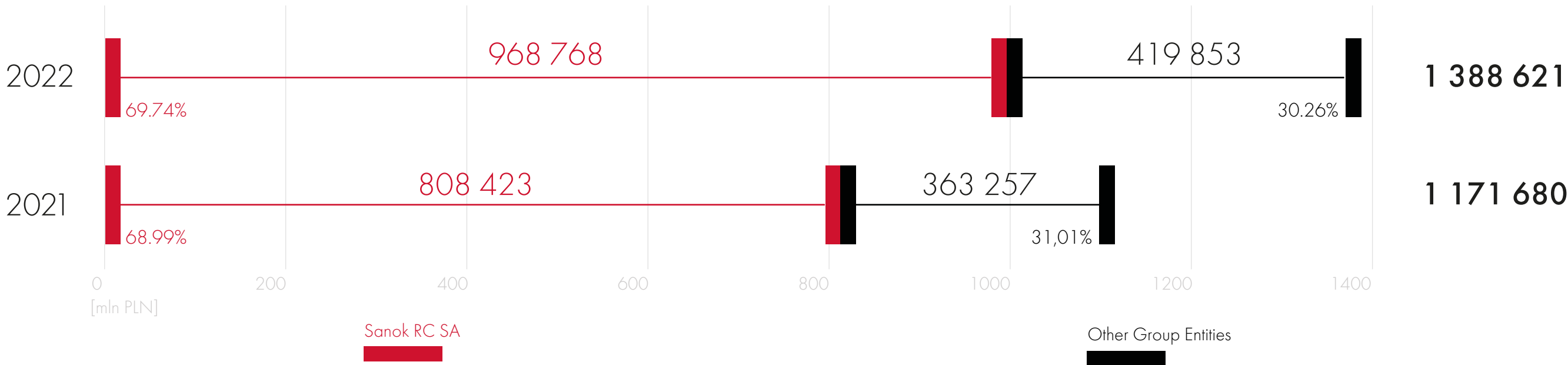


In 2022, the customer portfolio in the operating segments of the Capital Group remained unchanged, which is reflected in the comparable percentage sales structure compared to the previous year. Some regular customers increased their purchases within the Group, which resulted in revenue growth.

[SRC-7] The main source of revenue for Sanok Rubber Capital Group in 2022, as in the previous year, was the activity of the dominant unit, Sanok RC SA, which accounted for about 70% of the Group’s total sales. Overall, the Group’s sales revenue in 2022 amounted to PLN 1.388 billion, of which PLN 969 million belonged to the dominant unit and PLN 300 million to subsidiary companies. Compared to 2021, sales in the dominant unit were higher by over PLN 160 millions, while in the Capital Group they were higher by PLN 100 million.



In the segment of industrial and agricultural activity of the dominant company, a decrease in revenue was noted in the Eastern markets as well as in the domestic market, which is related to the current geopolitical situation and a weaker agricultural season than in the previous year.



[SRC-6] The priority of Sanok Rubber Capital Group and Sanok RC SA is to have a strong brand, which will enable the Group’s companies, based on their locations, to effectively and reliably fulfill customer orders on a global scale. The geographic structure of revenues from the sale of the Group and Sanok RC SA in 2021-2022 is presented in the charts.

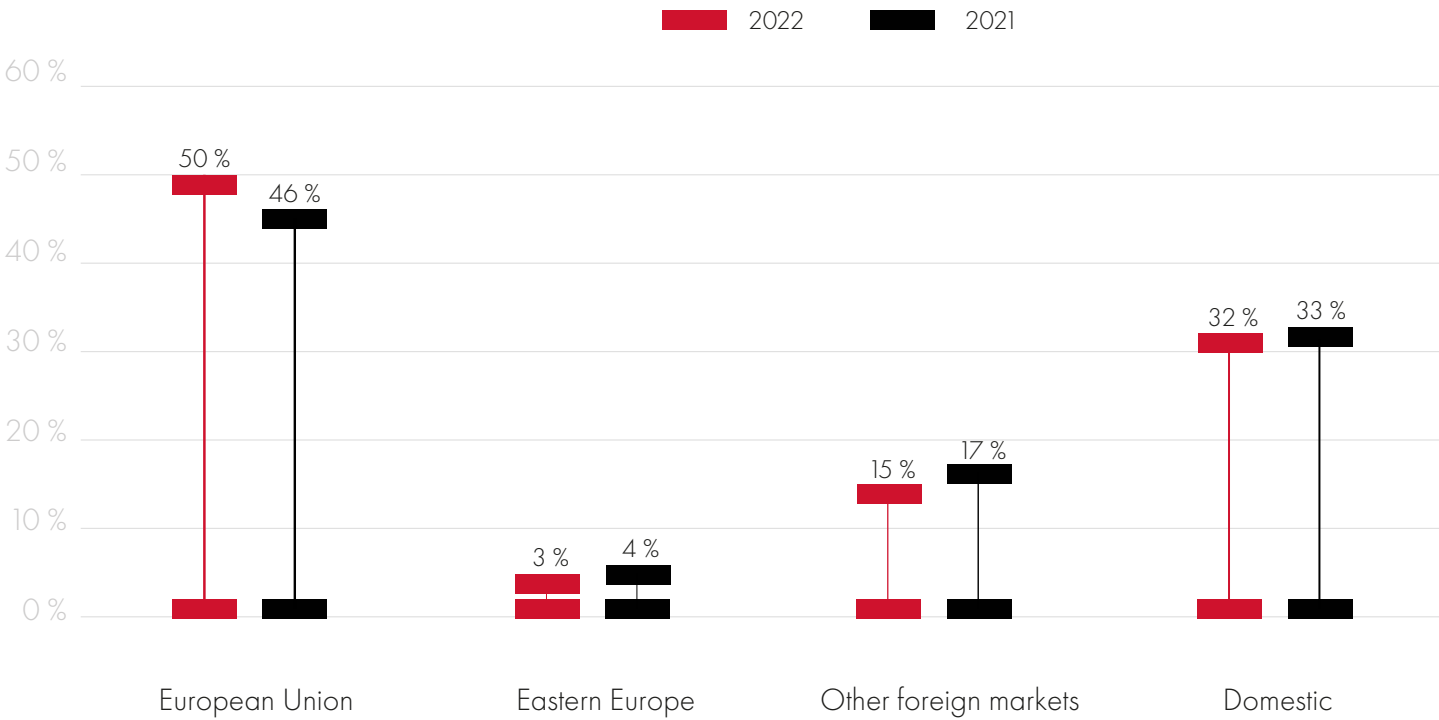
Sales increased slightly in both the Sanok Rubber Capital Group and Sanok RC SA in EU countries. However, compared to the previous year, there was a slight decrease in sales to Eastern European countries and other foreign markets.

According to the Warsaw Stock Exchange classification, the activity of the Capital Group’s dominant entity is located in the automotive sector. Revenues from sales in this segment for the Capital Group amounted to around 58% of total sales in 2022.

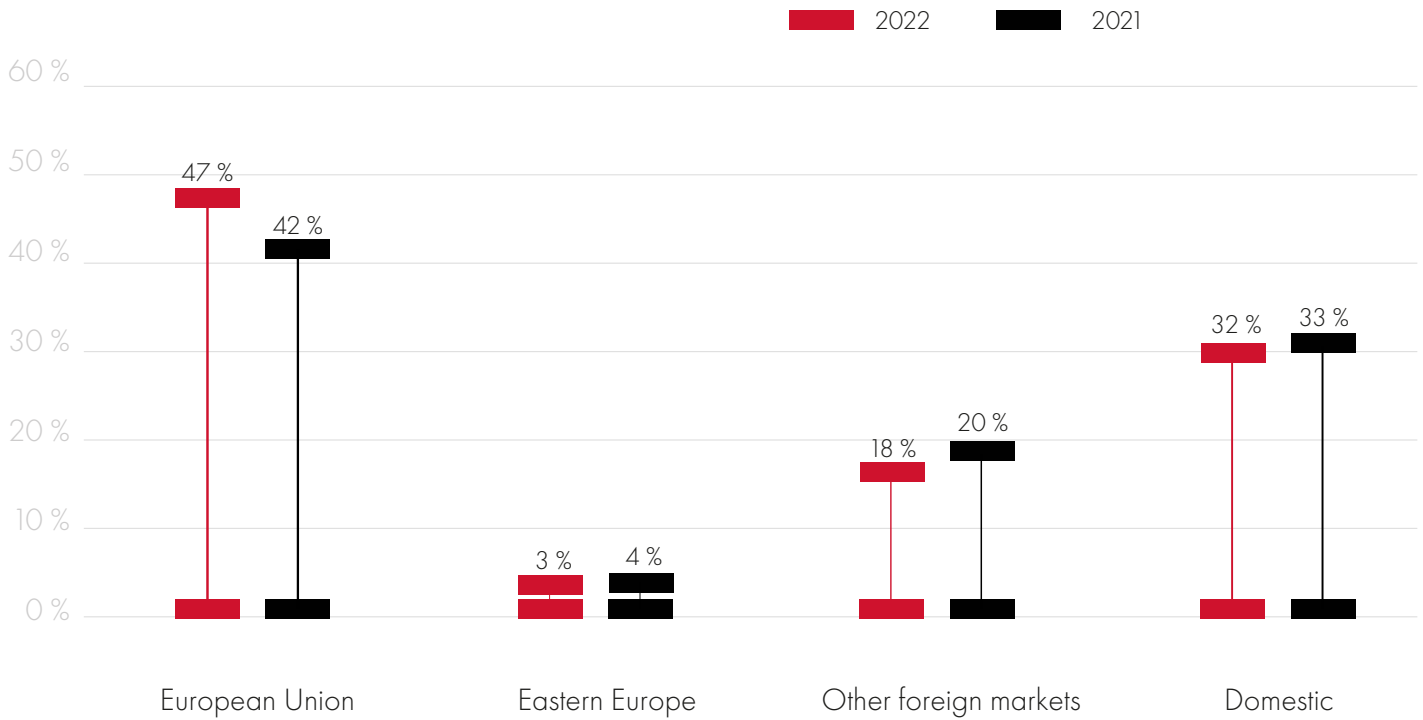
We deliver automotive products to both original equipment manufacturers (OEM) and their suppliers - Tier 1.

On right, are charts comparing the percentage of sales structure in 2021-2022, according to the types of automotive customers of Sanok Rubber Group and the dominant entity. In comparison to 2021, the sales to key Tier1 customer for Magna within the automotive segment of the Sanok Rubber Capital Group’s structure increased by almost 50%. There was no change in the customer structure within the automotive segment reported by Sanok RC SA in the given year.

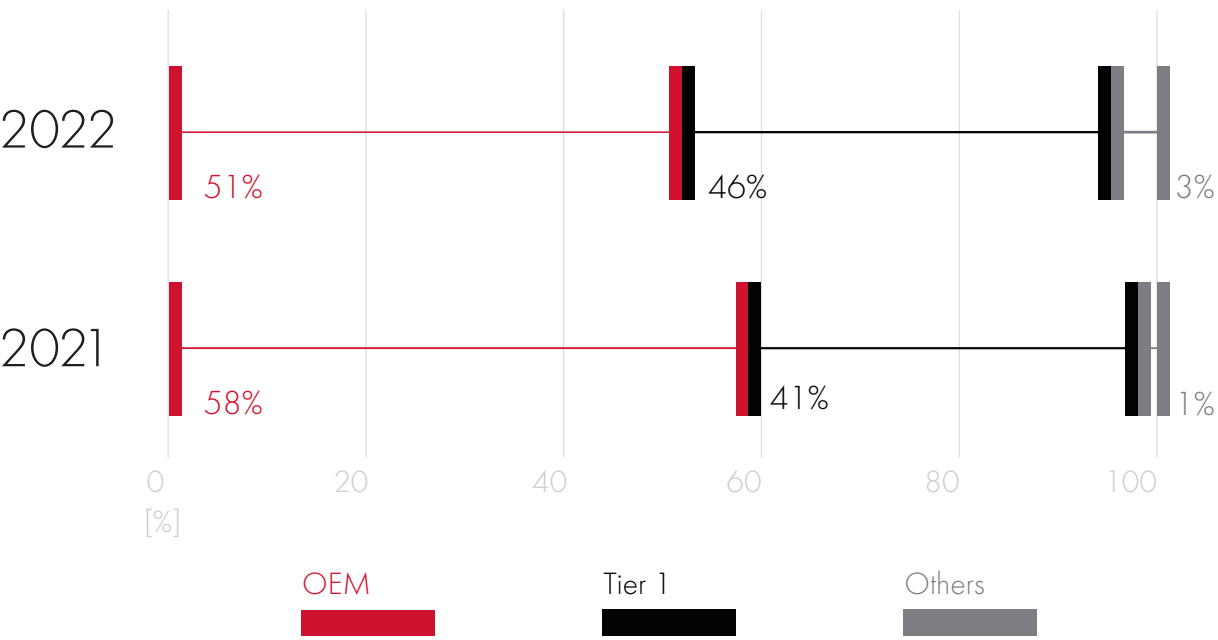
Sanok Rubber Group - Sales by geographical structure



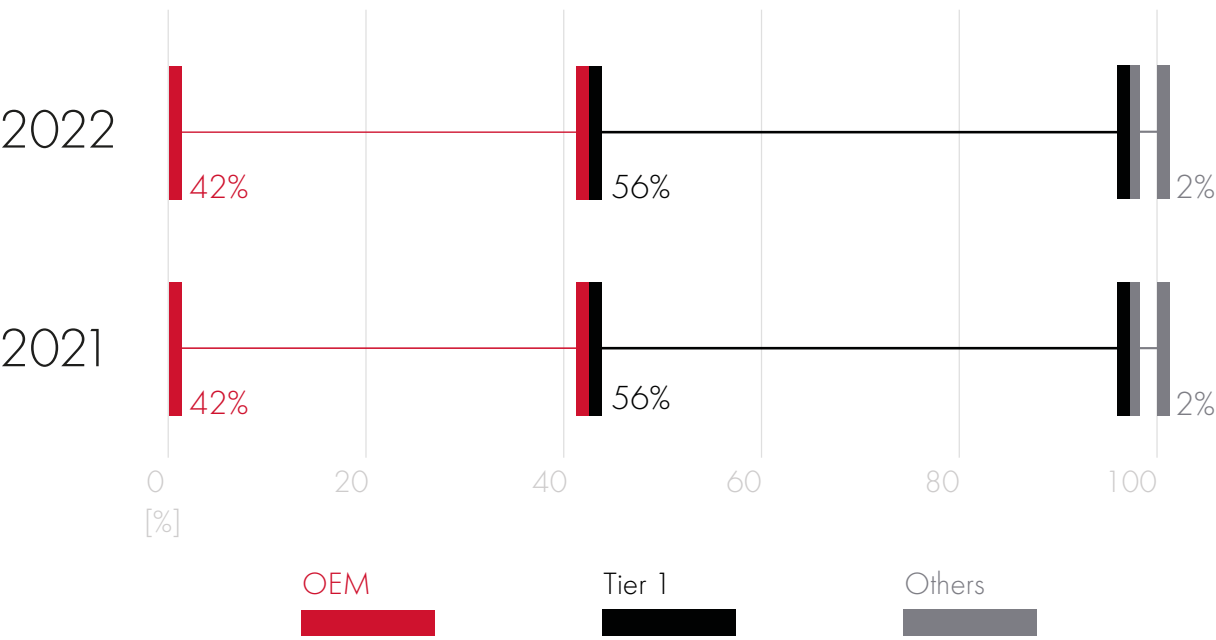
Sanok RC SA - Sales by geographical structure



Sanok Rubber Group - Sales broken down by automotive customers type



Sanok RC SA - Sales broken down by automotive customers type



[SRC-12] The primary goal of the Sanok Rubber Capital Group is to build added value for our shareholders through continuous improvement of product quality, utilizing the latest technologies, including environmental protection, safety and health at work. In 2022, Sanok RC SA and other companies in the Group cooperated with industry associations and organizations, including:

- Polish Automotive Group (PGM)
- Association of Listed Companies (SEG)
- Podkarpacki Business Club
- AGROMA Foundation for Agricultural Supply Market Development
- West Pomeranian Chemical Cluster „Green Chemistry”
- Association of Accountants in Poland
- International Union of Polish Entrepreneurs in Ukraine
- Wirtschaftsverband der deutschen Kautschukindustrie e.V. (German Rubber Industry Association)
- Industriegewerkschaft Bergbau, Chemie, Energie (IG BCE) (Trade union representing workers in the chemical, rubber, and mining industries)

2022 was another year of the Sanok Capital Group’s participation in the Polish Automotive Group (PGM). Continuation of SRC’s activities within various working groups focused on PGM, such as the Human Resources working group, the Industry 4.0 working group, the Purchasing working group, or the Environmental Protection working group, enables easier access to many interesting information, mutual exchange of experiences, or getting to know interesting solutions in specific areas. Numerous meetings/teleconferences are organized within the

aforementioned working groups, and experts from various fields are invited to participate.

In 2022, we continued to cooperate with scientific institutions, especially in the development of new materials and technologies. Based on the agreement signed last year between the Lodz University of Technology and the Company, a training program for Sanok RC SA employees was developed, in which the first group of engineers will participate in 2023. The training program includes numerous lectures that will allow for the organization and expansion of knowledge in the field of elastomeric materials and technology. The program also includes the implementation of joint projects, which, in addition to obvious benefits resulting from solving a production problem, will allow for the integration of the field of science and industry.

Cooperation with the Lodz University of Technology is also being continued in research areas, with particular emphasis on new properties of elastomeric materials for industrial applications. The area of waste management in production, which is an integral part of almost every production process, is also a very interesting direction of cooperation. High raw material prices make this resource increasingly attractive from a business point of view, but also, thanks to its appropriate processing and management, our products will become more „green”.

In 2022, Sanok RC SA intensified its cooperation with Warsaw University of Technology. Numerous expert consultations in the areas of materials and technology, analyses, and research provided both sides with a broader perspective on the potential for further development. So far, two research projects have been jointly initiated, aimed at developing entirely new functionalities of materials produced by Sanok

RC SA for use in products dedicated to the automotive and construction industries. Basic research planned for 2023 will be a starting point for further development of innovative products.

In 2022, Sanok RC SA became a member of the Economic Council of the Faculty of Mechanical Engineering and Aviation at Rzeszow University of Technology. Membership in the Economic Council means a real influence on a range of areas, such as creating and improving the education process of Rzeszow University of Technology, advising and proposing actions related to increasing the efficiency of education for industry personnel, supporting the possibility of conducting diploma and doctoral theses in the industry, and cooperating in defining and specifying the directions of scientific research development.

In 2022, a confidentiality agreement was signed between Sanok RC SA and the Łukasiewicz Research Network - Institute of Microelectronics and Photonics. The planned cooperation will concern the use of innovative materials produced by the institute in the production of rubber compounds with new, unique properties for rubber.

In 2022, Sanok RC SA and the J. Grodek Technical University in Sanok signed a cooperation agreement, which concerns the joint activities of the parties in the field of educational, training, developmental, and promotional activities.

We are distinguished by awards

In 2022, Sanok RC SA once again received an award confirming its position as the Leader of the 2022 Window and Door Seal Market as a supplier of seals for windows and doors. The Centers: Świerkowy Zdrój Medical Spa Rymanów-Zdrój and Iwonicz-Zdrój of the Group were also appreciated. They received the Good Practices Certificate

awarded by the Polish Tourist Organization, confirming the high quality of services provided by tourist entities. Also, Draftex Automotive GmbH received second place in the “Aufbruch 2022” competition as an innovative socially engaged employer.

Business Model Assumptions

The Capital Group’s business model is determined by a process approach to broadly understood management and is based on:



long-term cooperation with business partners, both suppliers and customers, building partnership relations that enable mutual benefits in the long term perspective



optimal cost-effective use of key resources



creating added value for our shareholders, customers, and other stakeholders



continuous improvement of both basic activities and all processes carried out by the Group

Our Partners - the Value Chain of the Group

The main part of the Group’s value chain consists of operational processes related to the production of products. However, another important element of our business model is partnership with suppliers of raw materials, materials, media, and services. The operations in our value chain performed by



other entities include acquiring raw materials, production of components, tools, machines, production of packaging, production of energy media.

Suppliers of raw materials for the production of rubber mixtures, as well as a group of suppliers of metal parts and fabrics, directly determine both the cost structure of our products and their quality. To secure against the risk arising from fluctuations in raw material prices, the Group implements a policy of contracting for supplies of raw materials and materials with an extended, optimal time horizon. Supply security in terms of quality, timeliness, and availability of materials is guaranteed through a policy of independence from a single source of supply.

The purchasing policy based on diversification of supply sources and securing the interests of the Sanok Rubber Group through agreements defining the principles of cooperation is also permanently implemented in the area of media and heat purchasing. Similar principles, including broad competitiveness, are implemented and applied in cooperation with providers of IT, design, and logistics services.

To responsibly manage the supply chain in terms of sustainable development, the dominant company in contracts with contractors has a provision obliging them to comply with the standards described in the Sanok Rubber Group Code of Ethical Conduct.

Each year, a questionnaire is sent to suppliers, in which they confirm compliance with the Company's requirements regarding management systems, compliance with legal requirements in chemical management, and compliance with the guidelines contained in the Code of Ethical Conduct. Suppliers are required to pass on the Company's

requirements in their supply chains.

The third element of the value chain consists of processes related to the finished product - transport and distribution, the usage phase, and the end-of-life phase. According to this model, the calculation of the Sanok Group's greenhouse gas emissions takes place.

[SRC-10] In 2022, there were no significant changes in the supply chain structure of the Capital Group. Around 4,000 suppliers were engaged in cooperation with the Capital Group, including about 1,800 with the dominant company. The largest number of Sanok RC SA suppliers came from Poland, Germany, the United States of America, France, Mexico, the United Kingdom, and Italy.





[SRC-8]

Vision & Strategy

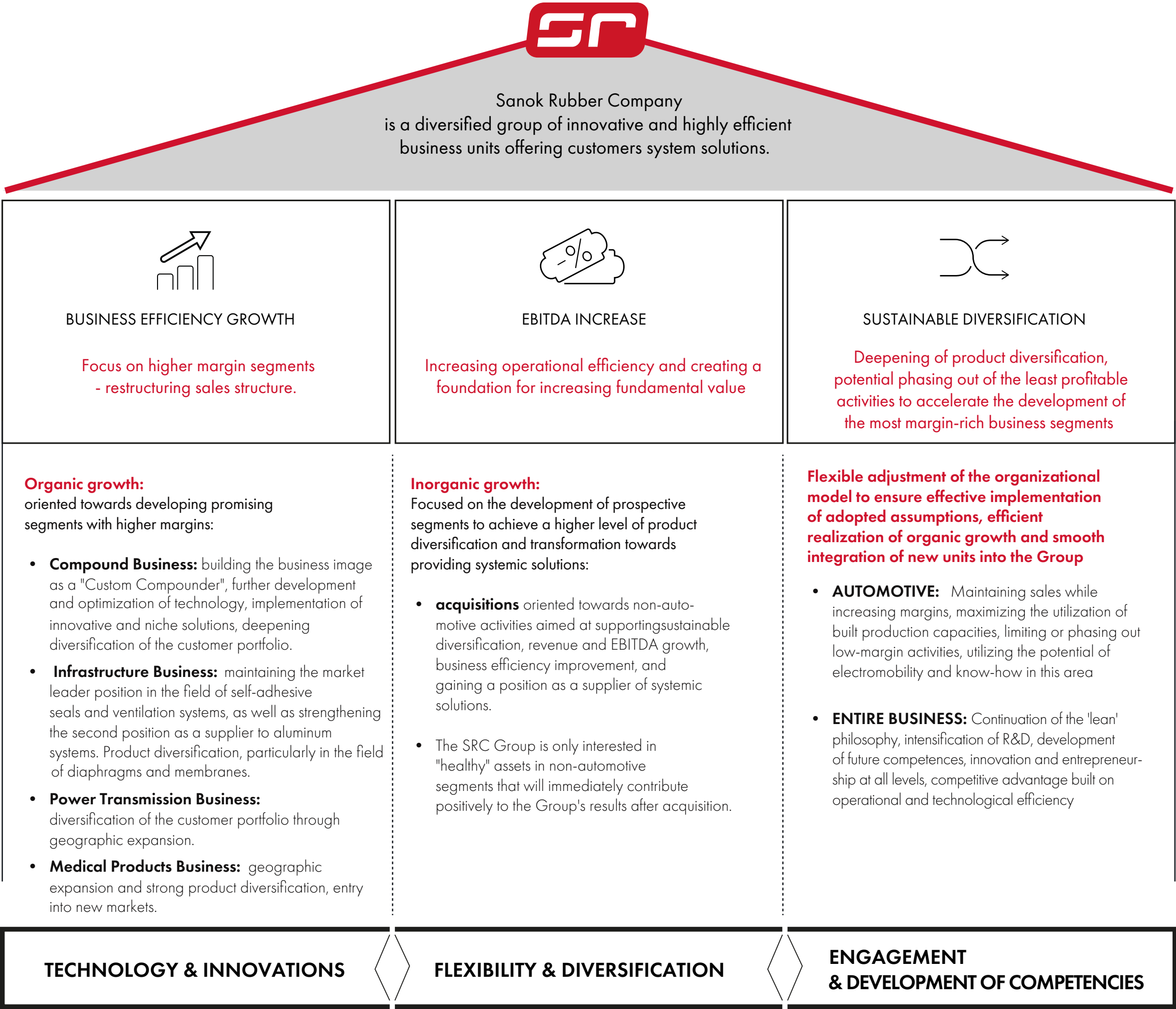
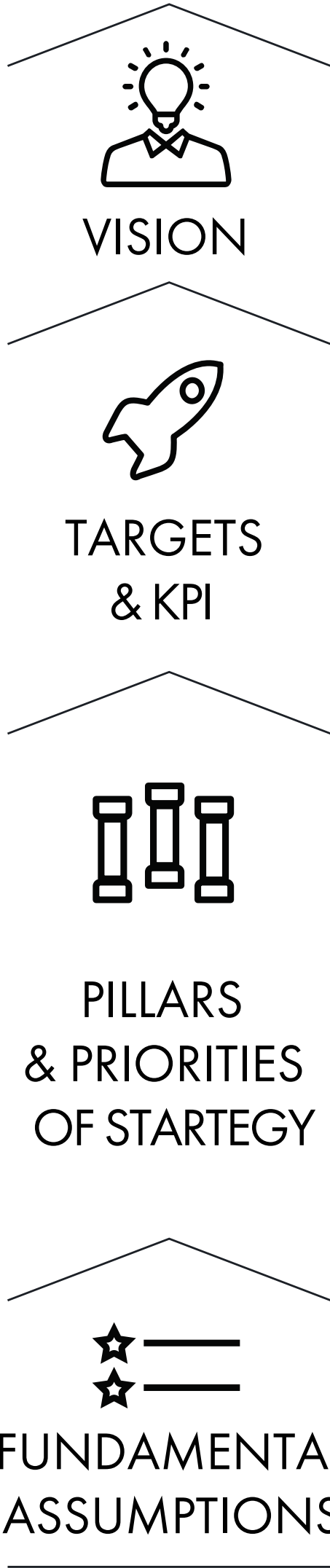
Our vision
The Sanok Rubber Capital Group aims to become a leader in quality, technology, and efficiency in the European market for rubber products manufacturers in the medium-term perspective.

Our mission
Sanok Rubber Capital Group is a leading producer of rubber and plastic products, increasing its market share in Europe and worldwide. Both the dominant company and the entire Capital Group operate on the principles of partnership with customers present in various markets, mainly in the automotive, construction, and V-belts and rubber compounds markets.

We provide our customers with service and value in the form of material and technical solutions that meet their needs in terms of costs and expected technical parameters.

Our plans involve achieving top positions in the field of quality and ensuring profitability that creates conditions for our development rate to exceed the development rate of the markets we serve.

Our strategy
The Management Board of the Company on June 14, 2022 adopted a resolution approving and accepting for implementation the „Strategic directions of development of the Sanok Rubber Company Group for the years 2022-2024“ („Strategic Directions“). As part of the Strategic Directions, after a long-term focus on the development of the Group in the automotive product segment, the Group will focus on developing other business segments, with a focus on maximizing margins



Strategic directions: ESG

For years, the SRC Group has been conducting its business in a socially responsible manner, focused on sustainable growth while maintaining the highest regard for aspects related to workplace safety and hygiene, employee health and quality of life, as well as respect for and protection of the natural environment.

The strategic goal of the Sanok Rubber Group is to expand its range of activities oriented towards sustainable growth and to consistently implement them.



**GOALS
& DIRECTIONS**

The Company’s actions have been, and will continue to be, focused on the long-term value creation for shareholders while maintaining transparency and model fulfilment of its obligations as a public company that is open to dialogue with stakeholders.

Over the coming months, the Group will be intensifying its educational activities for its employees, aimed at building a high level of awareness regarding aspects of sustainable growth.

At the same time, the Group has incorporated the aspect of building a positive company image by demonstrating knowledge and application of the principles of corporate social responsibility (CSR) and sustainable growth by each employee into the competency model.

The Company intends to remain active in the area of social responsibility, supporting the local community and responding flexibly to its needs within the established budgets.

The commitment to the cultural and social life of the region will continue through support for local projects, foundations, public benefit organizations, especially in the areas of cultural life, health protection, assistance to the disabled and the poor, as well as sports initiatives. The Group’s goal is also to create the best possible working and development conditions for its employees, thereby strengthening the Group’s brand and its companies in the job market.

The Group intends to continue its long-term efforts to reduce its carbon footprint by approximately 9.5% by 2030, with a significant reduction in greenhouse gas emissions. The replacement of coal boilers with other sources of energy, including the potential use of renewable energy sources (RES), is being considered. In 2021, the share of RES in purchased electrical energy was over 20%. By 2025, the Group plans to increase the share of RES in purchased electrical energy and to implement its own photovoltaic farm projects.



Organizational structure

A dramatic landscape photograph featuring rolling hills in the foreground and middle ground. The hills are covered in green grass and patches of yellow, suggesting autumn. In the background, a dense forest of trees with yellow and orange foliage sits atop a hill. The sky is filled with heavy, dark, and textured clouds, creating a moody atmosphere. The foreground is dominated by a field of tall, dry, and somewhat out-of-focus grass. A semi-transparent white rectangular box is positioned on the left side of the image, containing the text 'Organizational structure' in a black, sans-serif font.

The authorities of Sanok RC SA make decisions concerning the Company in a transparent manner and in accordance with ethical principles, taking into account the opinions of shareholders, employees, local communities, and other groups of individuals and institutions that are directly or indirectly associated with the Company.

All shares issued by Sanok RC SA, i.e. 26,881,922 shares, are listed on the Warsaw Stock Exchange on the main market. As a result of the implementation by Sanok RC SA of the share buyback program on the terms specified in the resolution of the General Meeting of Shareholders dated June 28, 2022, on August 30, 2022, the Company acquired a total of 807,457 own shares, representing 2.999% of the share capital of the Company.

The Company presents a current list of the main shareholders of Sanok RC SA on the website www.sanokrubber.com/investor-relations.

Sanok RC SA is the dominant entity in the Sanok Rubber Group, which as of December 31, 2022, includes 12 entities in addition to the dominant unit. In November 2022, the sale of shares in the Chinese subsidiary, Qingdao Masters of Rubber and Plastic Co., Ltd., was completed. The Company reported on the ongoing sales process in its published interim reports. Draftex Automotive GmbH, a company that is 100% owned by Sanok RC S.A., still holds a 14.49% stake in QMRP.

The Group structure is presented in this report, in the section describing the Business Model. Sanok RC SA holds a significant stake in the capital of all of its subsidiary companies (ranging from 65.7% to 100%).

[SRC-20] MANAGEMENT STRUCTURE AND OWNER SUPERVISION

The management boards of companies are executive bodies that conduct their affairs and represent them externally. Supervisory bodies exercise continuous supervision over the activities of companies and their management boards in all areas of their operations, handling the affairs of the companies within their assigned competencies.

In companies where there are no supervisory boards, their competencies are held by Owners and Shareholders' Assemblies.

In Sanok RC SA, the Supervisory Board appoints the President of the Management Board, and upon his/her proposal, the other Members of the Management Board. The Management Board of the Company consists of the President of the Management Board and two to six Members of the Management Board. The term of office of the Management Board members is joint and lasts three years.

As of December 31, 2022, the Management Board consisted of five persons, including:

- Piotr Szamburski - President of the Management Board, General Director,
- Marcin Saramak - Vice President of the Management Board, Director of Business Development and Information Systems,
- Rafał Grzybowski - Vice President of the Management Board, Director of Automotive and Drive Systems,
- Piotr Dołęga - Member of the Management Board, CFO,
- Martijn Merks - Member of the Management Board, Director of Business Transformation.

The Management Board in the above composition was appointed by the Supervisory Board by a resolution

dated June 30, 2020. The professional biographies of the Management Board Members were published in the current report, available, among others, on the Company's website in the Investor Relations section.

The Management Board of Sanok RC SA is an entity operating in accordance with the provisions of the Commercial Companies Code, the Company's Articles of Association, and the Management Board Regulations adopted by the Management Board and approved by the Supervisory Board.

In the remaining companies of the Capital Group, changes in the Management Boards during the reporting period concerned changes in the composition of the boards or the appointment of existing authorities to new terms of office.

SQAP company has had a legal representative appointed by Sanok RC SA since August 3, 2020. As of 2022, the company did not employ any employees or engage in any business activities. Members of the Sanok Rubber Company Supervisory Board (RN), including the Chairman and Vice Chairman (Deputy Chairman), are appointed and dismissed by the General Meeting for a joint term of three years. The Supervisory Board consists of 5 to 7 members.

As of December 31, 2022, the members of the Sanok RC SA Supervisory Board were:

- Jan Woźniak – Chairman of the Supervisory Board,
- Marek Łęcki – Deputy Chairman of the Supervisory Board,
- Elżbieta Häuser- Schöneich - Member of the Supervisory Board,
- Radosław Leszek Kwaśnicki - Member of the Supervisory Board,
- Anna Plakwicz – Member of the Supervisory Board,

- Marta Rudnicka – Member of the Supervisory Board,
- Grażyna Sudzińska - Amroziewicz – Member of the Supervisory Board.

The current composition of the Supervisory Board was established by a resolution of the General Meeting on June 28, 2021. Details of the resolutions appointing and biographies of the Supervisory Board members were published in current reports, which are available on the Company's website in the Investor Relations section.

The Supervisory Board exercises ongoing supervision over the Company's activities in accordance with the provisions of the Commercial Companies Code, the Company's Articles of Association, and the Supervisory Board's Regulations.

The Supervisory Board appoints from among its members the Audit Committee, which consists of 3 to 5 members, including the Chairman of the Audit Committee. The Supervisory Board establishes the Audit Committee's Rules of Procedure. The Audit Committee is composed of:

- Grażyna Sudzińska-Amroziewicz, Independent Member of the Supervisory Board in accordance with the requirements of Article 129(3) of the Act of May 11, 2017, on statutory auditors, audit firms and public supervision (i.e., Journal of Laws of 2020, item 1415), who serves as the Chairman of the Audit Committee,
- Radosław Kwaśnicki, Independent Member of the Supervisory Board in accordance with the requirements of Article 129(3) of the Act of May 11, 2017, on statutory auditors, audit firms and public supervision (i.e., Journal of Laws of 2020, item 1415), who serves as a member of the Audit Committee,
- who serves as a member of the Audit Committee.



The Audit Committee has developed policies and procedures required by the Act of May 11, 2017, on statutory auditors, audit firms and public supervision (Journal of Laws of 2017, item 1089), i.e., the policy and procedure for selecting an audit firm to conduct an audit and the policy for providing additional services by the audit firm conducting the audit.

The Sanok Rubber Company SA Supervisory Board has also established a Nomination and Remuneration Committee within the Board. The Nomination and Remuneration Committee is composed of:

- Jan Woźniak, Chairman of the Nomination and Remuneration Committee,
- Marek Łęcki, Member of the Nomination and Remuneration Committee,
- Grażyna Sudzińska-Amroziewicz, Member of the Nomination and Remuneration Committee
- Członek Komitetu Nominacji i Wynagrodzeń Elżbieta Häuser – Schöneich.

The Supervisory Board as a whole performs the functions assigned to the audit committee as defined in the European Commission Recommendation No. 2005/162/EC of February 15, 2005 on the role of non-executive or supervisory board members of listed companies and the board committee.

The number of entities in which individual bodies appear is presented in the table below:

Shareholders Meeting	Supervisory	Executive
13	3*	13

* the supervisor appointed in SMX does not have competencies and characteristics typical or identical to the powers of supervisory authorities in other companies of the Group. .

[SRC-45] In 2021 and 2022, the compositions of the supervisory and executive bodies of Sanok Rubber Group companies (as of the end of the year) were as follows::

gender	Sanok Rubber Group 2022		including Sanok RC 2022		Sanok Rubber Group 2021		including Sanok RC 2021	
	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage
Women	7	24.14 %	4	33.33 %	11	31.43 %	4	33.33 %
Men	22	75.86 %	8	66.67 %	24	68.57 %	8	66.67 %
Total	29	100.00 %	12	100.00 %	35	100.00 %	12	100.00 %

gender	Sanok Rubber Group 2022		including Sanok RC 2022		Sanok Rubber Group 2021		including Sanok RC 2021	
	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage
≤ 29 yrs	0	0 %	0	0 %	0	0 %	0	0 %
30 - 50 yrs	14	48.28 %	6	50.00 %	19	54.29 %	8	66.67 %
≥ 51 yrs	15	51.72 %	6	50.00 %	16	45.71 %	4	33.33 %
Total	29	100.00 %	12	100.00 %	35	100.00 %	12	100.00 %

[SRC-45] In 2022 and 2021, the structure of the Management Team of the Sanok Rubber Group companies (as at the end of the year) was as follows (Division and Department Directors/Plant Managers, including management personnel)::

gender	Sanok Rubber Group 2022		including Sanok RC 2022		Sanok Rubber Group 2021		including Sanok RC 2021	
	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage
Women	15	20.55 %	6	25.00 %	17	24.29 %	4	18.18 %
Men	58	79.45 %	18	75.00 %	53	75.71 %	18	81.82 %
Total	73	100.00 %	24	100.00 %	70	100.00 %	22	100.00 %

gender	Sanok Rubber Group 2022		including Sanok RC 2022		Sanok Rubber Group 2021		including Sanok RC 2021	
	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage	No. of people	Percentage
≤ 29 yrs	0	0 %	0	0 %	1	1.43 %	0	0 %
30 - 50 yrs	46	63.01 %	16	66.67 %	43	61.43 %	15	68.18 %
≥ 51 yrs	27	36.99 %	8	33.33 %	26	37.14 %	7	31.82 %
Total	73	100.00 %	24	100.00 %	70	100.00 %	22	100.00 %



The last Shareholders’ Meeting of Sanok RC SA took place on June 28, 2022. The adopted resolutions were posted on the Company’s website and published in current reports sent to the Financial Supervision Authority and the press agency. In addition to typical resolutions for the Ordinary Shareholders’ Meeting regarding approval of financial reports or granting discharge, on June 28, 2022, the Shareholders’ Meeting also adopted resolutions regarding a share buyback program and creation of a motivational program.

As of the reporting date, the ownership structure of Sanok RC SA was as follows:

Shareholder	[%] of shares on GSM
Allianz Polska OFE, Allianz Polska DFE, Drugi Allianz Polska OFE – managed by PTE Allianz Polska	15.41 %
Marek Łęcki	11.04 %
Nationale-Nederlanden Otwarty Fundusz Emerytalny	10.33 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	10.06 %
Generali OFE, Generali DFE, NNLife OFE, NNLife DFE – managed by Generali PTE	6.03 %

In companies where Sanok RC SA owns less than 100% of shares/stocks, the remaining capital is owned by:

- a person (in the case of Stomil East),
- a local company from the industry (Stomil Sanok Wiatka),
- a subsidiary company Stomet (regarding SMX Rubber Company).

The form of remuneration for Owners/Shareholders is a dividend.

From 2008 to 2022, the dominant company did not pay

a dividend three times: from profits for 2008, 2019, and 2021. In other years, the Ordinary General Meeting of Shareholders decided to allocate part of the profits to dividends - the amounts paid varied from PLN 0.45 to PLN 3.60 per share.

In 2022, the Group companies that paid dividends were Stomil East and SSD. The year before, dividends were paid to owners by Stomil East, Stomet, SSD, and Stomil Sanok Wiatka.

[SRC-20.1] CERTIFIED MANAGEMENT SYSTEMS

Certified management systems in the Group’s companies are listed in the table below.

An audit for compliance with the ISO 9001:2015 standard and the IATF 16949:2016 standard, in addition to Stomet Sp. z o.o., is conducted within the corporate scheme of the Group.

COMMUNICATION WITH THE ENVIRONMENT / STAKEHOLDERS

Communication with stakeholders is secured, among other things, by conducting such communication with the environment that allows for ongoing monitoring of the companies’ activities and results and ensures access to important data about them.

The Group’s companies use the following in communication with the environment::

	ISO 9001:2015	IATF 16949:2016	ISO 14001:2015	ISO 45001:2018	ISO 50001:2018
Entity	Certificate termination date				
Sanok RC SA	23.08.2024	23.08.2024	23.07.2024	02.08.2024	-
including Z-MX	18.09.2025	18.09.2025	-	-	-
Stomet Sp. z o.o.	15.11.2023	15.11.2023	-	-	-
Draftex Automotive GmbH	06.08.2024	06.08.2024	11.04.2024	-	27.05.2024
QMRP Co., Ltd.	Due to the sale of shares in QMRP Co., Ltd., the certificates were cancelled as of October 2, 2022.				
Colmant Cuvelier RPS S.A.S	20.10.2025	20.10.2025			

- their own websites,
- customer satisfaction surveys and research,
- periodic assessments performed by customers,
- analysis of obtained requests for proposals,
- analysis of the type of orders obtained,
- meetings and conversations with customers,
- meetings and conversations with suppliers for the industry in which they operate,
- periodic reports provided to owners,
- advertising in industry publications.

As a result of restrictions from the Covid-19 pandemic, there is a much more frequent use of online tools in contacts with stakeholders.

The parent company is obliged to disclose confidential information within the meaning of Regulation (EU) No. 596/2014 of the European Parliament and of the Council (MAR), current and periodic reports, to the public. In order to properly handle information, qualify information as confidential and eliminate unequal access to information, the Company has developed procedures/regulations for current reporting, periodic reporting, and circulation of confidential information.

The Company does not discriminate in access to data for any group of investors when conducting informational activities.

After the publication of periodic reports, the Management

Board organizes meetings with analysts.

In 2022, for the first time, participation in the General Meeting was also possible using electronic communication means (e-GM).

Sanok Rubber Company S.A. uses social media and has an active Facebook account where current information about the Company is posted.

Basic information about the Company, its history and offer, is available on the website www.sanokrubber.pl. There, information on investor relations is also available: the Company’s Articles of Association, regulations of the Supervisory Board and the Management Board, current and periodic reports, information on convened General Meetings, and the results of the capital group with commentary from the Management Board in the form of a presentation are published. The website also provides basic contact information for Group companies.

The company’s website (including the Investor Relations section) is optimized for mobile devices.

In 2016, the first edition of the Code of Ethical Conduct was developed, defining ethical standards and codes of conduct in the Company and the Group, which serve as guidelines in relations with the environment. The third edition of this document has been in force since June 15, 2022.

The appointment of an Ethics Spokesperson in the Company provides, among other things, the possibility to report violations of the Code. The Code of Ethical Conduct is described in more detail in the chapter on the application of social responsibility policies.

RISK MANAGEMENT IN THE MANAGEMENT AREA

Internal control in companies



concerns areas such as personal data processing, work order, information security, and responsibility. The processes carried out in individual departments/segments are evaluated (whether they are complete, compliant with legal requirements and existing instructions and procedures, properly documented, etc.).

The introduction of electronic circulation of invoices and incoming documents in Sanok RC SA allowed for their control to be organized and accelerated. In subsidiary entities, the risk of conflicts of interest has been identified. It is eliminated through appropriate provisions in the Articles of Association and employment contracts. The management boards of the companies ensure that conflicts of interest and corruption do not occur, and that the activities of the companies comply with the law and the principles set out in the Code of Ethics. Employees are trained in the regulations governing these issues. Any cases of violating the rules are subject to penalties, including termination of employment contracts.

The main risks and threats associated with the activities of the parent company include market risk, resulting from the competitiveness of the markets on which the Company operates, exchange rate risk resulting from the strengthening of the PLN against other currencies, and the risk of changes in the prices of key raw materials.

Information protection covers personal data, financial data, confidential information in the meaning of MAR, and information related to the applied technologies. Failure to ensure such protection may result in legal consequences, loss of competitiveness, or production delays. Therefore, Sanok RC S.A. ensures information security through effective physical and electronic access control to information assets,

using modern methods and means of protection. Information security issues are described in indicator [SRC-62].

The risk of unequal access to information by stakeholders is eliminated through established procedures regarding confidential information and information security policy. The risk of conflicts of interest is eliminated through appropriate provisions in the regulations of the Supervisory Board and the Management Board and in the Code of Ethics of the Sanok Rubber Group.

The Policy on Remuneration of the Members of the Management Board and the Supervisory Board adopted by the Extraordinary General Meeting of Shareholders of Sanok RC SA in 2020 is intended to contribute to the implementation of the business strategy and long-term interests and stability of the Company. It is also a supporting element for the Company in minimizing risks in the management area, as it supports actions aimed at: shaping the level of remuneration of the Members of the Management Board and the Supervisory Board in connection with the performance of the set management objectives, translating into the implementation of the Strategy and development directions, shaping the level of remuneration of the Members of the Management Board and the Supervisory Board in a manner appropriate for acquiring, retaining, and motivating people with the necessary competencies to properly manage the Company and supervise it, ensuring a coherent and motivational remuneration system, linking the principles of remuneration with monitoring the implementation and implementation of the adopted strategic plan and medium- and short-term plans and the implementation of projects crucial for the functioning and development of the Company.

The most significant external factors that may affect the operations and results of the Group companies in the upcoming reporting periods include:

- the impact of the ongoing war in Ukraine and its effect on the global economy.
- rising commodity and energy prices.
- the level of inflation and interest rates.
- the global political and economic situation, including in Eastern Europe, the Middle East, North Africa, and Southeast Asia.
- the situation in the labor market.
- exchange rates of EUR/PLN, BYN/PLN, UAH/PLN, RUB/PLN, including potential devaluation of UAH, RUB, BYN.
- the availability of loans for direct and indirect customers of the Company's products, especially for individuals, including those running their own businesses (important for the agriculture and construction segments).

INFORMATION SECURITY

[SRC-62] Keeping in mind the importance of information security and personal data protection in business operations, Sanok RC S.A. has implemented an Information Security System. The company has implemented a Personal Data Protection Policy, based on the provisions of the European Parliament and Council Regulation (EU) 2016/679 of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (GDPR). The document contains information on the principles of processing, securing, managing, protecting, and distributing personal data within the organization, as well as in business relations.

Additionally, the organization has implemented an Information Security Policy that describes the protection of information assets through effective physical and electronic access control, using modern protection methods and measures. The policy regulates, among other things, the principles of maintaining the confidentiality of trade secrets, access control, protection of the organization's external borders, video monitoring, the use of official computers and mobile devices, and the use of email.

In order to ensure the effectiveness of the Information Security System, Sanok RC SA underwent a TISAX audit in 2020 and obtained a compliance certificate with VDA ISA requirements, which are based on international standards ISO/IEC 27001 and ISO/IEC 27002. In 2022, preparations for recertification began, which will take place in the first quarter of 2023.

In the interest of the highest security of information assets, Sanok Rubber Company regularly monitors and analyzes security incidents and potential threats. In 2022, there were 11 incidents. All of them were email-based social engineering attacks, none of which involved a breach of personal data protection. Incidents are analyzed according to an internal procedure, and as a result, improvement actions are introduced and the training program for Sanok Rubber Group employees is updated.

Sanok RC SA provides all employees with regular training to increase awareness in the field of information security and personal data protection. At the same time, the organization develops its information security management system, improving its effectiveness and efficiency.





The Significance Test,
Key Stakeholders,
and Key Performance Indicators.

[SRC-13] As part of the agreement on the content of the report, a materiality assessment was conducted to determine which aspects of sustainable development are significant for the Group and its stakeholders. During the assessment, the importance of information reported in previous years was evaluated, and the scope of relevant information for the current reporting period was determined. As part of this process, the relevance of internal and external stakeholder groups, which are impacted by the Capital Group and also impact it, was analyzed. The areas of non-financial interaction between the Group and its environment were also analyzed.

The materiality assessment was conducted in the second half of 2022. The conclusions drawn from the assessment serve as the foundation of the content of this document.

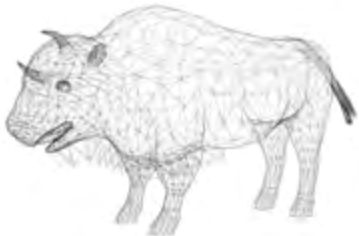
[SRC-15] Significant stakeholder groups of the Sanok Rubber Capital Group include:

- Group employees
- Shareholders
- Investors from the Warsaw Stock Exchange
- External and internal customers
- Users (of products or goods that include products of the Group)
- Suppliers, service providers
- Local community
- Scientific institutions, schools
- Labor unions
- Media
- Analysts
- External institutions (government agencies, medical entities, banks, insurance companies)

[SRC-14] Key non-financial indicators of the Group’s

- effectiveness include:
- In the area of the natural environment
- SRC-25 Energy consumption within the organization
 - SRC-32 Number of environmental incidents
 - SRC-61 Greenhouse gas emissions
- In the area of employment
- SRC-35 Number of employees by type of employment
 - SRC-36 Employment by employee category
- In the area of health and safety at work
- SRC-42 Workplace accidents
- In the social area
- SRC-53 Confirmed cases of corruption and actions taken

Reference to individual significant non-financial issues can be found in the further sections of the report.





CORPORATE SOCIAL RESPONSIBILITY POLICIES

[SRC-21] The policies presented in this report regarding employee, environmental, social, and human rights issues, as well as anti-corruption efforts, are based on the Code of Ethical Conduct. The Code has been in place in the Group since the second half of 2016. This document defines the Group’s fundamental values and covers various areas, including:

- The employee area
 - Personnel strategy
 - Forced labor, discrimination, and persecution
 - Right to associate
 - Non-employment of children
 - Workplace safety and hygiene
 - Work-life balance, behavior outside the workplace
 - Use of Group property]
 - Contact with public institutions
- The business partnership area
 - Fair competition
 - Anti-corruption and conflict of interest
 - Compliance with laws and regulations
 - Respect for property rights
- The environmental area
 - Prevention of pollution
 - Sustainable use of resources
 - Due diligence in the supply chain
- Local community ,
- Handling of information
 - Protection of personal data and data security
 - Confidentiality and handling of confidential information
 - Reporting .

The Code also describes the role of the Ethics Advocate and the possibility of reporting violations of the Code’s

provisions.

In June 2022, the third edition of the Code was published. The changes included the addition of chapters on compliance with laws and regulations and due diligence in the supply chain, as well as supplements regarding contemporary slavery, discrimination criteria, and the provision of individual and collective protective equipment, as well as requirements for subcontractors. The document was made applicable throughout the Capital Group and was also published on the website of the parent company <https://www.sanokrubber.com/poznaj-nas#responsibility>, as well as on the websites of some subsidiaries. Every employee, job applicant, and interested party has the opportunity to familiarize themselves with this document.

[SRC-22] Mechanisms for reporting ethical violations are contained in the Code of Ethical Conduct and the Anonymous Reporting Procedure at Sanok Rubber Company SA. Employees have the ability to report violations of the Code to the Ethics Officer, their supervisors, and the company’s management. Confidentiality is provided to those reporting violations, and impartial proceedings are conducted in a manner that protects the identity and reputation of those involved. The Ethics Officer investigates the matter independently or engages other individuals to support the clarification of the issue and the taking of action. If necessary, the Ethics Officer informs the Director/Manager of the area where the violation occurred about the violation and the actions taken. The reporting individual receives a response regarding the consideration of the report.

Sanok RC SA, Stomil Sanok Dystrybucja, Draftex Automotive GmbH, Colmant Cuvelier RPS S.A.S., and Stomil Sanok Ukraina Sp. z o.o. have appointed individuals to serve

as Ethics Officers while exercising due diligence. In the other companies, the role of Ethics Officer is fulfilled by the Ethics Officer of the dominant company. These individuals disseminate the rules of conduct contained in the Code, support employees in adhering to the Code, clarify doubts regarding compliance with the Code’s principles, and conduct investigations into violations of ethical conduct. The email addresses of all Ethics Officers in the Group are included in the Code of Ethical Conduct.

All stakeholders have the opportunity to anonymously report irregularities through the form provided on Sanok RC SA’s website.



A landscape photograph featuring a wooden staircase that ascends a grassy hill. The staircase is constructed from wide wooden planks, secured with metal brackets, and leads towards a small, solitary tree at the crest of the hill. The surrounding vegetation consists of tall, dry grasses and shrubs. The sky is filled with large, white, fluffy clouds against a bright background. A semi-transparent grey box is positioned on the left side of the image, containing the word "Employees" in a black, sans-serif font.

Employees

The entire issue concerning this area is the subject of the developed Employee Policy. The policy sets out the basic principles regarding relationships with employees.

EMPLOYEE POLICY

An important element of the personnel strategy is to create an atmosphere that allows for the fulfillment of the needs and expectations of both employees and the employer, through dialogue, and as a result, building a culture of high work efficiency.

The Sanok Rubber Group supports and promotes initiatives of innovation and autonomy of employees as well as professional skills development in the work process.

We search, employ, and support the career development of employees based on their qualifications and skills. Both the recruitment process and career development paths, employee evaluations, promotions, are carried out in a way that ensures equal treatment of employees and job candidates, and enables the functioning and development of the Sanok Rubber Group under any conditions. We support the realization of employees’ professional ambitions through professional development and their personal growth. Each employee is obliged to perform tasks using their skills, best knowledge, and abilities. The Group provides financial resources for employee skill development and defines basic training policies.

Employees are prohibited from accepting or extorting benefits, exerting pressure on co-workers, or doing favors to have someone hired, change working conditions, or secure a promotion.

Business relationships are based on honesty, clearly defined requirements, and expectations. We respect the employees’ right to freely associate and participate in political parties

and associations.

In the Sanok Rubber Group, all employees are treated equally, regardless of gender, age, skin color, appearance, disability, ethnic origin, nationality, religion, belief, sexual orientation, parenthood, financial status, political beliefs, union affiliation, position held, length of service, employment status, full or part-time employment, or other conditions on which discrimination is based. We make every effort to oppose all forms of discrimination, harassment, mobbing, victimization, and bullying.

We care for the health and life of employees and prevent workplace accidents.

DESCRIPTION OF THE RESULTS OF POLICY APPLICATION

In describing the results of policy application, the Sanok Rubber Group referred to the employment, development, and education of employees as well as safety and occupational health.

EMPLOYMENT

[SRC-9] The employment of employees in the Sanok Rubber Capital Group as of December 31, 2022, was 2947 people, including 2174 people (73.77% of the Group’s employment) for the dominant unit of Sanok RC SA. Due to the diversity of the Group’s activities, such as production, trade, or services, it has various groups of employees in its structure. Production and non-production employees are defined in the report respectively as physical and mental workers.

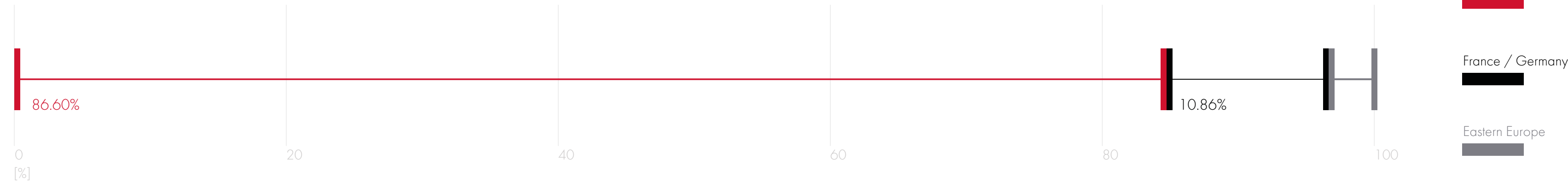
Capital Group has implemented a common employment policy based on the assumptions of the personnel strategy and values presented in the report. However, individual companies within the Group, operating in different

locations and based on different legal regulations, have autonomy in the implementation of individual practices and tools in the area of personnel management. The selection of appropriate practices also depends on the size of the company in relation to the level of employment and the type of business conducted. The overriding principle, however, is to comply with the guidelines set out in the Code of Ethical Conduct in the area of employee relations. In addition, each company operates based on the applicable legal regulations in the given region regarding the employer’s obligations towards employees. Work regulations have been adopted in all entities, as well as wage regulations or collective agreements, in accordance with systemic and legal requirements.

Employment in Sanok Rubber Group was based on employment contracts adapted to the legislation of each country where the given business entity belonging to the Group is located. Employees were primarily employed on a full-time basis, and those employed on a part-time basis accounted for only 0.75% of the total number of employees. The majority of employees were employed mainly in Poland, accounting for 86.60% of the total number of employees. The lowest level of employment was recorded in the companies of Eastern Europe (2.54%). Two companies in the Group cooperate with temporary employment agencies when employing temporary workers. In the dominant company, Sanok RC SA (including the production plant located in Mexico), at the end of the reporting period, 141 people were employed through temporary employment agency.



Employment structure in individual regions:



[SRC-35] Total number of employees in the Sanok Rubber Group by type of employment as of December 31, 2022:

Gender	Full time employees		Part time employees		Total	
	2021	2022	2021	2022	2021	2022
Women	1282	1171	13	10	1295	1181
Men	1927	1754	11	12	1938	1766
Total	3209	2925	24	22	3233	2947

including Sanok RC SA:

Gender	Full time employees		Part time employees		Total	
	2021	2022	2021	2022	2021	2022
Women	1009	930	1	0	1010	930
Men	1332	1243	1	1	1333	1244
Total	2341	2173	2	1	2343	2174

[SRC-36, SRC-37] Employment broken down by employee category and gender

Gender	White-collars		Blue-collars		Total	
	2021	2022	2021	2022	2021	2022
Women	342	323	953	858	1295	1181
Men	467	433	1471	1333	1938	1766
Total	809	756	2424	2191	3233	2947

w tym Sanok RC SA:

Gender	White-collars		Blue-collars		Total	
	2021	2022	2021	2022	2021	2022
Women	212	201	798	729	1010	930
Men	292	274	1041	970	1333	1244
Total	504	475	1839	1699	2343	2174

In 2022, employees of different nationalities, ethnic groups, and religions were employed. In addition to Polish nationality, German, French, Russian, Ukrainian, and Belarusian nationalities were represented. In total, the percentage of nationalities other than Polish in the Sanok Rubber Group was 14.12%.

In the Group, due to the predominance of companies with a production character, the highest level of employment was among physical workers (74.35%), and the dominant age group was in the age range of 30 to 50 years.

Taking into account the overall number of employees in the Group at the end of the reporting period and its division by gender structure, 40.07% of employees were women, and 59.93% were men. The detailed numerical distribution in individual groups is presented below.

Sanok Rubber Capital Group applies a structured policy of employment contracts reflecting the legal regulations in force in the country where the given company is located. These principles are clear and communicated to employees at the recruitment stage. During the reporting period, most employees worked on indefinite contracts. Fixed-term contracts are concluded to verify the skills and abilities of recruited candidates, potential employees to perform

specific tasks at a given position, to provide replacements for employees with long-term absences, e.g. maternity leave, as well as to secure the level of employment during seasonal production periods or expected changes in its volume.

[SRC-38] Number of newly employed workers

In 2022, the total number of newly employed people in the Group was 126, including 61 in Sanok RC. In the case of companies located outside of Poland, the highest rate of newly employed people was recorded by Draftex Automotive GmbH in Germany. The recruitment and employment process in the Group was mainly due to the rotation of previously employed workers, periodic increases in production, and securing the required level of employment to implement the development plans of individual entities.



[SRC-39] Number of employees dismissed

In the reporting period, the employee turnover rate in relation to the employment level at the end of December 2022 for the entire Capital Group was 10.55%, which was higher than in the previous reporting period. Employee turnover and dismissals mainly affected companies engaged in production and trade and services in Poland and Germany. The geopolitical situation had a significant impact on the level of dismissed employees, and they also resulted from natural departures of employees on retirement benefits. The number of dismissed employees in the dominant Company was 227.

[SRC-40] In the case of termination of contracts with notice, the minimum period of such notice results from the application of the applicable legal regulations in the country where the Group company is located.

The Group respects the right to freedom of association and collective bargaining. Collective agreements apply to companies registered in the European Union (CC RPS, Draftex Automotive GmbH, Sanok RC SA) and contain provisions regarding the legal regulations required in particular countries. Other companies operate based on internal remuneration regulations. There are labor unions in five companies of the Group.

EMPLOYEES SELF-DEVELOPMENT & EDUCATION

Sanok RC SA is a company that supports the professional development of its employees through vocational training. The company’s training system is based on the principle of ensuring the achievement of its goals. The training is an element of the human resource management process and is closely related to other elements of this process, such as employment relationships, the motivational system, and

employee evaluations. The Sanok RC SA training system includes training for both the company’s employees and employees of external companies providing services to the company. The aim of training for Sanok RC SA employees is to develop the knowledge, skills, and attitudes necessary to perform tasks that are essential to achieving the company’s goals and needs. The aim of training for employees of external companies providing services to Sanok RC SA is to ensure the proper course of processes carried out in the company, in accordance with established procedures and the requirements of quality management systems, environmental management, health and safety, information security, as well as the requirements of the Authorized Economic Operator (AEO) status.

The training system includes periodic training in occupational health and safety, fire protection, and other areas requiring renewal or updating of qualifications necessary for the work performed. The frequency of these trainings is determined by the Labor Code and executive regulations. There are also supplementary trainings aimed at changes in legal regulations, changes in processes, changes related to the improvement and development of the quality management system and environmental management, new processes and new products, new or changing customer requirements, and technological progress. Moreover, advanced training is organized to increase the effectiveness and efficiency in achieving the company’s goals, quality awareness, and environmental consciousness of employees.

The effectiveness of the training process is monitored by the number of training hours per employee, and the training efficiency is evaluated by managers both during ongoing

training and annual employee evaluations. **[SRC-44]** In 2022, the average number of training hours per employee in the Sanok RC SA Group was 21.24, and it involved 4,172 training participants. The training rate per employee includes all trainings conducted during the reporting period, excluding trainings at workstations. As part of the training plan, language learning programs, such as English and German, were organized for a total of eight training groups. A total of 924 lesson hours were devoted to language learning

[SRC-40.1] In 2022, most companies in the Group provided benefits for their employees. Sanok RC SA, through the Social Committee, granted its employees various benefits from the basic reserve, including:

- random subsidies,
- rehabilitation stays for employees at the Świerkowy Zdrój Medical SPA in Rymanów Zdrój,
- increased holiday benefits supplemented by the amount of financing from the company’s social fund,
- Christmas benefits,
- school starter kits for first-graders,
- Santa Claus packages,
- subsidies for sports and recreational meetings in the Łączki facility
- picnic for children from the orphanage

SAFETY AND OCCUPATIONAL HEALTH

Ensuring a high level of occupational safety, protecting health and life, preventing accidents and occupational diseases, and maintaining the number of industrial fires and accidents at zero are the Group’s constant priorities. Our goal is to

build a uniform standard for all companies in the field of safety. Compliance with legal regulations and standards is a top priority, and the implementation of good practices in the dominant company that builds a safety culture within the Group is additionally emphasized.

The dominant company operates a safety and occupational health management system certified to comply with the ISO 45001 standard. External audits confirm the compliance of the integrated management system in the company with the requirements of the standards.

In May 2022, the established common Environmental and Occupational Health Policy was updated. Maintaining and continuously improving the implemented system is an important element of striving for the set goals, so the policy specifies the basic intentions and directions of the company’s actions in the field of occupational health and environmental protection.

Preventing accidents and occupational diseases is a priority, which is why we systematically identify potential hazards and estimate occupational risks. We try to eliminate or minimize the possibility of threats to health or life by using new technologies, machines, and tools that meet safety standards, designing safe workstations with ergonomic principles, providing high-quality collective and individual protective equipment tailored to job requirements.

The new policy was consulted with Union Representatives, disseminated throughout the Company, and made available to interested parties. The Occupational Health and Safety system is constantly analyzed for efficiency, with the possibility of implementing quick corrective actions. Responsibilities and authorizations of persons



playing a significant role in the Occupational Health and Safety management system have been assigned and communicated on the Company’s intranet and on Occupational Health and Safety boards.

The Occupational Health and Safety culture throughout the Group includes actions focused on protecting employees’ lives and health, as well as actions aimed at implementing organizational and interorganizational practices whose main intention is individual employee and workplace protection.

OCCUPATIONAL HEALTH AND SAFETY ACTIONS AND INITIATIVES

The Company constantly strives to provide its employees with adequate conditions for performing tasks, with ergonomic principles in mind, which directly affects the quality of work and safety standards. The Group’s results in this area are presented below in the SRC-42 indicator.

Increasing people’s awareness and knowledge of potential hazards effectively reduces the risk of unfavorable events that may affect safety. Therefore, we promote Occupational Health and Safety policy in the company and raise awareness among employees, guests, and subcontractors through Occupational Health and Safety training, and engage employees in safety and occupational health activities.

The situation related to the epidemic threat caused by SARS CoV-2 requires us to continuously monitor the situation and take appropriate measures in real-time.

The company’s intranet site publishes occupational health and safety instructions as well as emergency procedures, which constitute a collection of general regulations, principles, and guidelines aimed at providing employees

with knowledge about how to proceed and safely perform work. In case of a threat or an accident, coordination and speed of actions are essential, which is why procedures have been developed for dealing with such events. Occupational health and safety instructions are also made available at workstations.

In daily occupational health and safety activities, effective communication is crucial, which is implemented by allowing the reporting of potentially accident-prone and emergency incidents. Reporting such events by employees provides a basis for their analysis and the application of appropriate actions to eliminate or reduce the possibility of accidents occurring in the future. Each identified hazardous event is recorded, and appropriate preventive and corrective actions are implemented. Data obtained from investigations into the causes of occupational accidents, occupational diseases, health and safety inspection protocols, and external reports from labor authorities are used to analyze actions. The company has taken appropriate steps to improve the flow of information. Intranet and publicly available forms for reporting potentially accident-prone and emergency incidents are the tools used for this purpose.

In 2022, the leading company continued the informational campaign for employees, “Healthy and Safe Workplace. Lift with Your Head,” which began in 2021. Projections, animations, and information were displayed on monitors, including safety regulations for manual transportation work. In order to improve the quality of training, modern VR goggles were used in 2022 for fire protection and first aid training, which allows employees to become familiar with the danger by simulating real threats. The training guarantees faster retention of information combined with physical training and

is highly regarded and positively evaluated by employees. In case of a threat or an accident, speed of action is essential, which is why designated employees acquire the necessary knowledge during annual first aid training. In the leading company, such training is conducted by an experienced emergency medical technician. Employees gain both important theoretical and practical knowledge through exercises using phantoms, an automatic external defibrillator (AED), and an Act Fast choking vest used to teach the Heimlich maneuver.

In 2022, the leading company introduced a preventive water containing natural flavor compounds with vitamin C called Sanok Rubber, which was produced to order during the summer. Before its delivery, a positive opinion from union representatives was obtained, and an information campaign was conducted among employees regarding the benefits and chemical composition of Sanok Rubber water.

Additionally, during the summer, in the leading company, due to prevailing weather conditions, extra breaks for employees and a flexible approach to work time were implemented. Workplaces particularly exposed to high temperatures were equipped with fans and air conditioning. In addition to providing appropriate equipment, summer pants were allocated to physical workers to improve their work comfort. Informations on how to deal with fainting and encouragement to lead a healthy lifestyle was displayed on monitors.

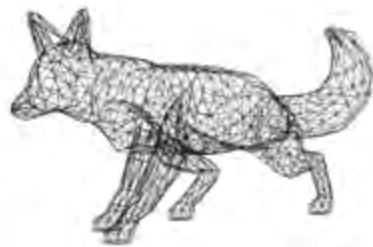
In accordance with fire protection regulations, every year the leading company conducted exercises to check evacuation conditions with the participation of the Fire and Rescue Unit. The crew evacuation process went smoothly, and all employees left designated buildings and gathered

at the designated meeting place, where the Fire and Rescue Unit Commander conducted training on fire protection.

In 2022, training and exercises on fire extinguishing methods were conducted for employees of the Hall Fire Brigade with the participation of the local Fire and Rescue Unit. As part of the training and exercises, a controlled fire was ignited on the maneuvering ground and then extinguished by the participants using various firefighting methods, including those used by the Fire and Rescue Unit. During the exercises, employees were able to use portable firefighting equipment and hydrants from the Sanok RC resources. The principles of extinguishing fires in enclosed spaces with smoke and limited visibility were discussed, as well as the principles of evacuating employees.

In 2022, dedicated training was conducted for employees operating microwave lines to remind them of the risks associated with operating devices that emit electromagnetic radiation and the implemented security measures.

An essential issue is ensuring the safety of guests and employees of external companies present on the leading company’s premises. An instructional film on hazards in production facilities, warehouses, and laboratories complements the information on environmental and occupational safety requirements contained in informational leaflets. External company employees receive LMRA (Last Minute Risk Analysis) templates during training to use immediately before starting work. Guests, on the other hand, are equipped with a set of protective accessories - a vest, safety glasses, and due to the requirement for protective footwear with a protective toe cap by employees, shoe covers.



Communication with non-managerial employees has also been incorporated into Sanok RC SA’s communication and the scope of occupational safety consultations has been clarified. The Intranet and publications displayed on monitors, among other things, on safe behaviour, are effective communication tools with employees in shaping safe attitudes at work in the leading company.

The above-mentioned actions in 2022 at the leading company led to a decrease in the work accident frequency rate and the TRR rate, as described in relation to the SRC-42 indicator.

[SRC-41] Occupational Health and Safety Committees

Occupational Health and Safety Committees function in companies where their appointment is required by law. During committee meetings, all actions related to occupational health and safety are consulted with employee representatives. In the case of other companies, employees are represented by trade unions, Social Labor Inspectors, Plant Social Labor Inspectors, or employee representatives. In the parent company, the Occupational Health and Safety Committee operates with the participation of employee representatives, including trade unions and the Plant Social Labor Inspector, as well as a company doctor who provides preventive medical care for employees.

[SRC-42] Workplace accidents

In 2022, the Group recorded an increase in the number of workplace accidents compared to the previous year. Most accidents occurred due to insufficient attention by the injured party while performing work duties. Throughout the Group, ongoing technical and organizational measures are being implemented to eliminate hazards and reduce risks, prioritizing collective protection measures.

During the reporting period, no fatal workplace accidents were recorded in the Sanok Rubber Group.

The number of workplace accidents of Sanok Rubber Group employees in 2021 and 2022:

	2021	2022
Sanok Rubber Group	24	23
Sanok RC SA	11	7

The number of workplace accidents in the Group increased by 3 in 2022 compared to the previous year, with the number of accidents in the parent company decreasing by 4. In 2022, the most common cause of accidents in the parent company was failure to exercise due caution by employees while moving.

In 2022, the parent company saw a significant decrease in the number of accidents among women over 50 compared to the previous year. However, the number of accidents remained almost at the same level for both women and men in other age groups.

In 2022, the number of days of incapacity for work of employees affected by accidents at work in the Sanok Rubber Group decreased among women, while it increased among men compared to the previous year. However, in the dominant Company, it decreased among both women and men compared to the previous year, which is related to a smaller number of accidents. In 2022, the number of days of incapacity to work for employees injured in workplace accidents decreased among women in the Sanok Rubber Group, while it increased among men compared to the previous year. However, in the dominant company, it decreased among both women and men compared to the previous year, which is related to the lower number of

Number of workplace accidents in the Sanok Rubber Group in 2021-2022, broken down by gender and age groups:

Age	under 30		30 - 50		above 50	
	2021	2022	2021	2022	2021	2022
Women	0	1	6	5	8	4
Men	1	2	4	5	5	6

including Sanok RC SA:

Age	under 30		30 - 50		above 50	
	2021	2022	2021	2022	2021	2022
Women	0	1	2	2	4	1
Men	1	0	2	1	2	2

Number of days of incapacity for work of employees affected in workplace accidents at Sanok Rubber Group broken down by gender in 2021-2022:

	Incapacity [days]			
	Sanok Rubber Group		including Sanok RC SA	
	2021	2022	2021	2022
Women	757	449	577	396
Men	398	441	317	52
Total	1155	890	894	448

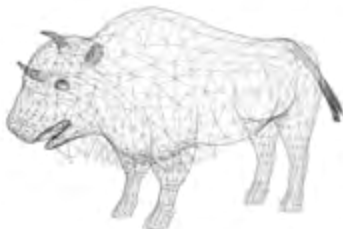
Statistical analysis of work accident indicators among Sanok Rubber Group employees in 2021-2022:

	Safety performance indicators			
	Sanok Rubber Group		including Sanok RC SA	
	2021	2022	2021	2022
Frequency*	7.42	7.80	4.69	3.22
TRR**	4.48	4.60	2.83	1.87

* Frequency rate = (number of injured workers x 1000) / (total number of employees)
** TRR rate = (number of accidents x million) / (total number of hours worked by employees)

accidents that occurred. Analyzing the indicators of workplace accidents, an upward trend can be observed in the Group compared to the previous year, while in the dominant company, the indicators have decreased. Considering that the most

common cause of accidents is “human factors”, in addition to training, the dominant company places great emphasis on discussions about safe methods of work, visualization of correct and incorrect practices,



and employee participation in creating and maintaining an ergonomic, clean, and safe workplace. The employees’ awareness is consistently built on the proper assessment of situations, knowledge of potential risks and ways to reduce them, compliance with procedures and safety rules, correct use of protective equipment, and the necessity of reporting observations regarding potential hazardous situations.

The system of rules concerning reporting and recording accident-related data.

The practices regarding the reporting and recording of accident data in the Sanok Rubber Group comply with the legal regulations in force in each country. Internal procedures or instructions have been developed and implemented to ensure the reporting of all dangerous events, including potentially accident-prone ones. After accidents, corrective and preventive actions are developed to prevent similar events in the future. According to local law, accident registers are kept at the headquarters of each company in the Group.

Information about accidents that occurred in Sanok RC SA is disseminated in the form of “OSH Alerts” by email, posted on the intranet, displayed on the Safety Management System boards, and shown on monitors. In addition, the current information about the number of accident-free days is displayed on electronic boards located in the production areas of the Company.

[SRC-43] In the Group, no collective workplace accidents were recorded in 2022.

In Group companies where harmful factors exist in the work process, working conditions are monitored. For identified harmful and burdensome factors that could have a negative impact on employees’ health, systemic preventive measures

have been implemented, mainly in the form of collective and individual protective solutions. The Group’s production companies have a formalized way of allocating personal protective equipment, workwear, and footwear for a given position.

The goal of improving working conditions is to monitor the state of safety and hygiene at work by measuring environmental factors. On the studied workstations in the dominant company, no exceedances of permissible standards were found, which means that the tested harmful substances occur in trace amounts, and work at these workstations is safe in terms of the tested factors.

DESCRIPTION OF SIGNIFICANT RISKS AND THEIR MANAGEMENT

Various risks have influenced the management of the employee area in the Group, and their type and level were primarily related to the size of a given company, the region in which it operates, and the nature of the activities conducted. The level of individual risks increases depending on the company’s location and the area of risk related to military actions. These risks are continuously monitored, and actions taken are adjusted to the situation. To varying degrees, individual risks have also influenced the shaping of the policy for managing them and taking actions aimed at minimizing their effects.

• **Absences from work**

This risk is significant for the entire Group, especially for companies located in Poland and the East. The Group continuously strives to mitigate the effects of this risk and undertakes preventive measures to limit its occurrence and keep it within acceptable levels. The Group aims to minimize the significance of this risk by monitoring absences

and identifying their causes, for example, by conducting interviews and conversations with employees, improving working conditions, or in some companies by introducing an absence indicator into the financial incentive system.

• **Lack of employees on the labor market**

This risk was primarily significant for Polish and Eastern companies in 2022. It resulted mainly from demographics and the outflow of workers abroad but also for geopolitical reasons. Companies in the Group manage this risk by offering competitive employment conditions, promoting a solid employer image, and automating production processes.

• **Inadequate skills and qualifications of employees available on the market to meet the Group’s needs**

This risk is considered significant mainly for Polish and Eastern companies. The Group promotes a culture of sharing knowledge and experience, supported by training systems to acquire the necessary skills. Actions are taken to promote multidisciplinary. Highly qualified employees implement and train new employees.

• **Employee turnover**

This risk varied in degree among the different companies in the Group. Companies engaged in production and trade in Eastern Europe, Poland, and Germany were most exposed to it. Various actions have been taken in the Group to minimize and prevent this risk, such as improving working conditions and the work environment, enhancing ergonomics, reducing work hardship, or increasing automation. An employee turnover indicator has been introduced into the financial incentive system.

• **Mobbing**

Given the size and diversity of the Group, the risk of mobbing is considered significant and requires preventive action. Risk management is based on employee training, conveying value chain requirements for compliance with the principles specified in the Code of Ethics. Considering that workplace mobbing can occur at different levels of employment and in various forms, all employees are involved in identifying the phenomenon and taking anti-mobbing measures. Any violations can be reported to the Ethics Representative in the dominant company and also to the supervisor or higher management.

• **Workplace accidents**

After each accident, an Accident Investigation Team is established to determine the circumstances and causes of the accident in detail. Preventive measures are identified and implemented to avoid similar events in the future. One of the priorities is work aimed at eliminating accidents caused by human factors by eliminating attitudes and habits that contribute to accidents. Identifying hazards and conducting occupational risk assessments are essential.

Employees can submit their own ideas for improving workplace safety through so-called Kaizen projects.





Environment

In 2022, there were no significant changes in the impact on the environment within the Sanok Rubber Group. The impact of each company in the Group on the environment results from the nature of its business activities. Production companies, primarily the dominant company, have the greatest impact through the emission of particulate and gaseous pollutants, water consumption, wastewater emissions, and waste generation. The impact of trading companies is negligible. Given the location of the dominant company at the foothills of the Bieszczady Mountains, in close proximity to areas of importance to the Community (the Słonne Mountains and the Upper San River Basin), we attach particular importance to actions that reduce negative impacts on the environment. These actions are described in further detail in this chapter

ENVIRONMENTAL POLICY

Due to the connection of environmental goals with employee matters, the environmental policy is integrated with the safety and occupational health policy. In May 2022, the policy was updated by clarifying provisions related to the continuous reduction of emissions to the environment and commitments related to safety and occupational health

The policy is a declaration by the Group regarding the environmental effects of its activities and safety at work. The policy of Sanok Rubber Company SA is to conduct business activities based on the principles of sustainable development, with respect for the natural environment and in a way that ensures a high level of safety at work.

By implementing our policy, we commit to:

- preventing workplace accidents and occupational diseases,
- preventing environmental pollution,
- continuously reducing emissions of pollutants to air,

- water, and soil,
 - meeting legal requirements and other requirements applicable to the Company,
 - preventing fires and other emergency situations,
 - efficient use of raw materials, materials, and energy media,
 - limiting employees’ exposure to chemical factors,
 - continuous improvement of the Integrated Management System.
- We achieve these commitments through:
- implementing modern technical and organizational solutions,
 - using machines and tools that meet safety standards requirements,
 - designing safe workstations, taking into account ergonomic principles,
 - continuous monitoring of chemical factors, installations, and technological processes,
 - using collective and individual protective measures,
 - replacing hazardous chemicals with safer ones,
 - eliminating hazards and reducing risks related to occupational health and safety and the natural environment,
 - engaging employees and their representatives in activities related to occupational health and safety and environmental protection,
 - raising awareness among employees, guests, and subcontractors

DESCRIPTION OF RESULTS OF ENVIRONMENTAL POLICY IMPLEMENTATION

In reference to the results of implementing the Environmental Policy, the Capital Group addressed the use of energy

resources, air pollution emissions including greenhouse gases emissions, wastewater emissions, waste generation, as well as exercising due diligence in monitoring environmental impact. The Group also took into account identification of hazards and emergency procedures, compliance with legal environmental requirements, and promoting environmental awareness.

Data regarding environmental impact in 2022 was monitored in all production companies according to local requirements and the nature of their activities. Commercial companies that only use office spaces, although they obtain more information in this area, do not have complete data. However, due to their negligible environmental impact, the lack of this data does not affect the Group’s overall environmental impact assessment.

ENERGY RESOURCES

Energy consumption, air pollution emissions, wastewater emissions, and waste generation at the Rubber Products Manufacturing Plant in Mexico (ZMX) were added to the energy consumption of Sanok RC SA.

All processes in the Group are carried out with care for efficient use of energy resources. The Group companies monitor their energy consumption on an ongoing basis

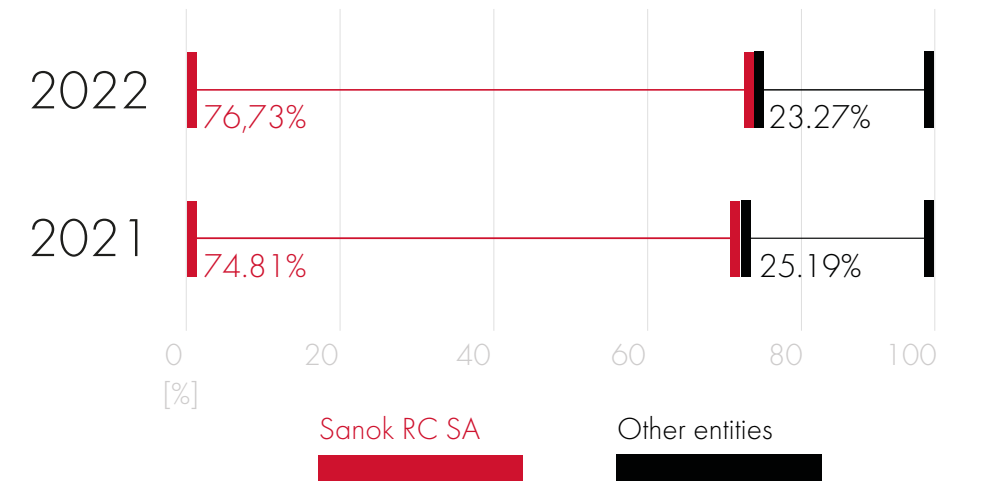
In 2022, compared to the previous year, the dominant company in the Group reduced its energy consumption by 17,272,383 kWh, which is equivalent to 62,180 GJ, significantly reducing the overall energy consumption of the Group.

[SRC-25] Energy consumption in the Group in 2021 and 2022
Total energy consumed by the Group companies:

Type of energy	Sanok Rubber Group	
	2021 [kWh]	2022 [kWh]
Electrical	76 147 702	66 782 797
Heat	42 631 191	33 204 816
Steam	19 048 333	16 588 611
Gas	24 141 199	18 844 712
Total [kWh]	161 968 425	135 420 937
Total [GJ]	583 086	487 515

including Sanok RC SA

Type of energy	Sanok RC SA	
	2021 [kWh]	2022 [kWh]
Electrical	58 004 209	51 946 368
Heat	34 326 667	26 517 778
Steam	19 048 333	16 588 611
Gas	9 795 000	8 849 069
Total [kWh]	121 174 209	103 901 826
Total [GJ]	436 227	374 047



There was a significant decrease in the amount of donated electricity due to a reduced demand from the recipient, which was the result of the recipient obtaining electricity from renewable sources (installation of photovoltaic panels)

The amount of energy sold by Sanok RC SA, broken down by type:

Type of energy	2021 [kWh]	2022 [kWh]
Electrical	1 424 416	1 096 585
Electrical (donation)	28 207	21 494
Heat	20 714 722	16 792 500
Heat (donation)	100 278	78 889
Steam	7 365 833	6 540 556

Electricity from renewable sources used by the Group’s companies located in Poland.

Due to the energy supplier’s report on fuel structure for 2022 being published in March 2023 (after the publication deadline for this report), the calculation of the proportion of electricity from renewable sources used by the Group’s companies located in Poland was based on the 2021 indicator, which was 23%.

Electrical energy from renewable resources	Sanok Rubber Group 2022 (companies located in Poland)		including Sanok RC SA 2022	
	2021	2022	2021	2022
kWh	11 572 420	12 431 241	11 122 029	11 947 246
GJ	41 660	44 752	40 039	43 010

The table below shows the structure of fuels and other primary energy sources used to generate electricity purchased in 2020 and 2021 by Sanok RC SA. Data for 2022 is not presented due to the end of the energy supplier’s settlement period in March 2023, which will occur after the submission of this report. Therefore, the year 2021 was used to estimate the environmental impact of electricity generation for Sanok RC SA.

Energy source	Share of fuels in electricity generation [%]	
	2020	2021
Renewable sources:	0.80	23.10
• biomass	0.00	8.41
• hydroelectrical energy	0.13	2.01
• wind energy	0.67	11.50
• solar energy	-	1.18
Hard coal / anthracite	3.37	41.43
Brown coal / lignite	1.79	22.23
Natrual gas	89.67	10.17
Others	4.37	3.07

Emissions generated during the production of electricity for Sanok RC SA in 2020 and 2021.:

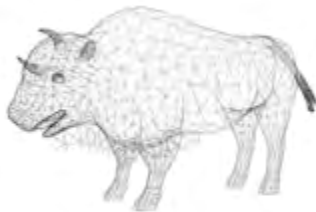
Emission of:	Emmision gross [Mg]	
	2020	2021
CO ₂	19 355	38 733
SO ₂	2	135
NO _x	8	989

Due to the fact that emissions are calculated based on data from the energy supplier, the above emissions breakdown only relates to Sanok RC SA. Differences in the data regarding the fuel structure and emissions produced during electricity production are due to variations in the performance of energy supply companies (there was a change of electricity supplier in 2021).

WATER CONSUMPTION

The majority of the Group’s companies use water from municipal water supply networks for their operations. The dominant company, as well as Draftex Automotive GmbH, partially use water from their own wells. The water supply at the ZMX plant was obtained from the municipal supply. Two of the companies use water supplied by Sanok RC SA. In Sanok RC SA, water is obtained from the San River. After treatment, it is used for both technological purposes and for the social and living needs of employees. Water intended for consumption is subject to testing in accordance with legal requirements.

The companies that use water for production purposes have



the greatest impact on the environment in terms of water consumption. In other companies, water is primarily used for social purposes.

EMISSIONS

Emissions of dust and gas pollutants, wastewater, and waste generated during production processes are monitored in the Group’s manufacturing companies

AIR EMISSIONS

[SRC-28] Air emissions are monitored in Sanok RC SA and the Group’s manufacturing companies in accordance with legal requirements. Significant air emissions are a result of fuel combustion and production processes. In the dominant company, the combustion process is carried out in the Heat Production Department, with a nominal installation power of 85.38 MW.

Continuous monitoring of emission levels into the environment is conducted in Sanok RC SA with due diligence. All measurements of dust and gas emissions are conducted by accredited research laboratories using reference methodologies.

[SRC-27] Total water consumption

Water intake	Sanok Rubber Group		including Sanok RC		
	[m³]	2021	2022	2021	2022
from own wells		319 312	298 314	314 237	295 297
from municipal water network		39 617	37 846	3 792 *	3 626 *
Total		358 929	336 160	318 029	298 923
Percentage of the water intake attributable to the dominant company				88.60 %	88.92 %

* concerns ZMX Plant

Magnitude of significant air emissions in Group:

Emissions magnitude [kg]						
Type of emission	Sanok Rubber Group		including Sanok RC		proces, z którego pochodzi emisja	The magnitude of emissions from the process of burning coal depends directly on the quantity consumed and its quality (heating value, sulfur content). The magnitude of volatile organic compounds emissions is determined based on measurements taken.
	2021	2022	2021	2022		
Sulphur dioxide	130 987	127 189	130 952	127 177	Coal combustion	
Nitrogen oxide	66 944	55 601	65 962	54 820	Coal combustion	
Combustion particulate matter	28 741	42 449	28 681	42 432	Coal combustion	
Volatile organic compounds	5 199	4 866	4 231	3 024	Application of adhesives, painting, coating	
CO ₂ emission [kg]	48 714 000	39 715 235	40 647 000	31 917 700	In Group companies, carbon dioxide emissions were associated with production processes and gas combustion, while in the dominant company with coal combustion.	



WASTE WATER EMISSIONS

[SRC-29] The overwhelming majority of the Group’s wastewater recipients are municipal sewage treatment plants. This is also the case for the dominant Company. In 2022, Sanok RC SA wastewater treatment plant received 80.85% of its wastewater (79.17% in 2021). These were mainly domestic and industrial wastewater from cleaning the floors of production halls, testing laboratory of V-belts, phosphate line wastewater treatment plant, and acidic wastewater neutralizers. Part of the dominant Company’s wastewater (20.83% in 2021, 19.15% in 2022), including mainly rainfall and a small amount of process wastewater, is discharged through a system of purifiers to the river. In relation to the amount of wastewater of the entire Group, this represents approximately 14.15% (15.26% in 2021). The amount of wastewater discharges complies with the integrated permit and water permit

The amount of wastewater discharged by the Group:

- 2021: 142 385 m3,
- 2022 : 132 675 m3.

In 2022, there were no unplanned wastewater discharges. Water is not reused by any of the companies.

GENERATED WASTE

Both in Sanok RC SA and in other companies of the Group, the quantities of generated waste and the method of handling them are monitored. Waste is transferred to companies with the required legal decisions. Production companies generate waste related to the processes carried out, including hazardous waste. Trading companies, due to the nature of their activity, only generate municipal waste. The settlement of the amount of waste is based on the records resulting from the local law of the companies that are part

of the Group

[SRC-30] The total amount of waste by type of waste and waste management method is presented in the tables

ENVIRONMENTAL ACTIONS

The Group’s due diligence in reducing negative impact on the environment is reflected in the continuous improvement of the processes carried out. Such actions primarily concern production companies.

[SRC-26] Reducing energy consumption

In 2022, actions were taken in Group companies that affect the efficient use of energy. Activities aimed at improving thermal insulation of facilities were continued, including the replacement of windows and insulation. The exchange of lamps for energy-efficient ones was carried out (Draftex Automotive GmbH, Rubber Products Production Plant in Mexico, Stomil Sanok - Distribution Sp. z o.o., Stomet Sp. z o.o.), machines and equipment are gradually being replaced with energy-efficient ones, and energy-efficient technological solutions are being introduced (in the Draftex Automotive GmbH company, frequency converters are used in vulcanizing presses, and in the plant in Mexico, air flow reduction was introduced in extrusion ovens). Shortening the startup time of production lines and standardizing processes is also applied, increasing their stability.

Dangerous wastes:

Treatment type	[Mg]	Sanok Rubber Group		including Sanok RC	
		2021	2022	2021	2022
Reprocessing		200.94	193.92	20.61	16.84
Recycling (including energy)		351.95	367.03	349.95	363.03
Combustion		16.88	19.12	4.79	9.06
Physico-chemical processing		435.29	430.51	406,16	411.96
Total		1 005.06	1 010.59	781.51	800.89
Percentage of waste attributable to the parent company				77.76 %	79.25 %

Other than dangerous wastes:

Treatment type	[Mg]	Sanok Rubber Group		including Sanok RC	
		2021	2022	2021	2022
Reprocessing		1 236.87	1 361.23	283.48	453.90
Recycling (including energy)		4 672.53	4 139.51	4 669.53	4 137.51
Physico-chemical processing		15.35	26.81	7.35	21.81
waste given to companies and individuals for re-use		5 891.02	4 292.17	4 819.71	3 467.75
Total		11 815.77	9 819.72	9 780.07	8 080.97
Percentage of waste attributable to the parent company				82.77 %	82.29 %



In the dominant company, due diligence in reducing negative impact on the environment is achieved through:

- taking actions that fit into biodiversity conservation
In 2022, the project of creating a 2.1 ha flower meadow on the Company’s premises was continued. A multi-species seed mixture was used, containing seeds of plants originating from crops in areas located in a similar climatic zone, permanently naturalized in the flora of Poland, and characteristic of the habitat where the Company is located. We are convinced that with each year, the positive impact of the meadow on air purification from dust pollutants, water retention, providing food and shelter for insects and small animals will increase. The flower meadow will also improve the aesthetics of the area and diversify the landscape.
- compensating for the necessary removal of trees on the Company’s premises
As compensation for the removal of trees and shrubs, the following plantings were made:
 - in 2021: 66 small-leaved lime trees,
 - in 2022: 4 birch trees and 16 thuja’s.The plantings were carried out by Company employees.
- implementing Kaizen projects
In 2022, innovations submitted by employees that have an impact on the environment mainly concerned reducing electricity consumption, reducing the consumption of technological steam, saving materials used in production, as well as improvements in waste labeling. The number of environmental Kaizen projects submitted and implemented for use:
 - in 2021 – 8,
 - in 2022 – 20.

- implementation of the Environmental Objectives and Tasks Achievement Program
In 2022, tasks planned in the program developed for the years 2021-2023 were continued to be implemented. The Environmental Objectives and Tasks Achievement Program is developed on a three-year basis and is continuously updated. It contains nearly 50 tasks that serve the achievement of environmental objectives. The program identifies responsible persons, sets deadlines and planned costs. The environmental goals set concern reducing electricity and heat consumption (thermal modernization of buildings, installation of high-speed doors to minimize heat loss, reducing the consumption of technological steam). The program also includes tasks related to improving waste segregation, reducing water consumption, and increasing the use of renewable energy sources.
- Emission reduction to the environment
Protective devices such as dust collectors, filters, scrubbers, incinerators, and LZO reduction installations are used in the Company, including the highest-class LZO reduction installation based on a zeolite wheel,
- Continuous improvement of the implemented and certified Environmental Management System
- Actions consistent with the concept of a circular economy (GOZ)
The essence of these activities is to increase resource efficiency and uninterrupted access to resources. In Sanok RC SA, they concern water, raw material management, and recycling of rubber waste.
 - Economical management of circulating cooling water.The Company has two independent, successively

modernized systems whose aim is to prepare and deliver a refrigerant with the appropriate temperature and pressure parameters to machines and production lines where there is a need to remove heat generated during production. The production and distribution system of circulating cooling water is a closed system. Water prepared (cooled) on the fan cooler is delivered to individual production facilities, and after use, it is returned for cooling again. Water losses due to evaporation and losses in production are supplemented from the water supply network.

The closed circuit of cooling water aims to:

- » economical use of water resources,
- » minimization of costs related to water intake and treatment,
- » protection of production equipment against sediment precipitation,
- » reduction of the amount of process wastewater

- Use of a low-value mixture for product manufacturing. In the Formed Article Production Plant, the mixture is used to produce blades used in snow plows.

This approach results in:

- » reducing the amount of production waste destined for disposal,
- » reducing the purchase of other raw materials that are ingredients in the mixtures.
- Economical management of raw materials.

The Company uses recycled materials, including steel, aluminum, foil, and cardboard packaging. In 2022, Sanok RC SA used recycled materials in the following proportion (average values from information obtained from suppliers were adopted):

- » steel: 20%,
 - » aluminium: 55%,
 - » foil: 50%,
 - » cardboard packaging: 90%.
- Recycling of rubber waste.
- Sanok Rubber Company’s vulcanized rubber waste, which does not contain material, metal, plastic, or tape elements, is entirely handed over to entities engaged in their recycling.
- Unirubber grinds the waste to produce rubber granulate, which is then used to build safe sports surfaces on playgrounds and pitches.
- Eko-Grandel, as an intermediary, through cooperation with an entity engaged in grinding this type of waste, obtains granulate used by customers for filling artificial turf on sports fields, creating tartan surfaces, and producing rubber products such as parking bumpers, bases for road signs, and fitness mats.
- Thank you for such an approach. About 2,000 tons of waste are recycled annually, and are used to create new products. The company constantly seeks opportunities for recycling other types of rubber waste by analyzing the waste market, searching for modern technologies that enable their reuse, and conducting tests to assess the effectiveness of the proposed solutions.

IDENTIFICATION OF THREATS AND EMERGENCY PROCEDURES

In the area of environmental impact, the greatest risk of emergency situations is associated with processes carried out in production companies. These companies have identified hazards and developed and implemented



emergency procedures. Topics related to dealing with threats are the subject of employee training.

Taking the above into account and the fact that the parent company is classified as a facility with an increased risk of a serious industrial accident, the SRC-32 indicator, the number of environmental accidents, has been identified as key.

[SRC-32] In 2021 and 2022, no environmental accidents were recorded in any of the Group’s companies.

[SRC-31] During the reporting period, no leaks of any of the materials used or waste generated into the soil and water were recorded in the Group

IMPLEMENTATION OF ENVIRONMENTAL LEGAL REQUIREMENTS

All Group companies operate in accordance with applicable legal requirements. These requirements are identified in the companies, and supervision is carried out over their implementation. The identification of other environmental requirements is based on the documentation gathered in individual companies (received decisions, contracts, adopted resolutions, plans, programs, agreements, and others) and based on a review of customer requirements. For the parent company, the basic document regulating environmental effects of its activity is the integrated permit. The company has had this document since March 2007. In January 2022, the company obtained a decision to amend the integrated permit, primarily including updating equipment and emission sources, adjusting permissible amounts of materials, raw materials, and fuels consumption. In March 2022, a consolidated text of the integrated permit was received.

The permit is published on the website <https://bip.podkarpackie.pl/index.php/informacja-o-srodowisku/pozwolenia-zintegrowane/wydane>.

[SRC-33] During the reporting period, the parent company was fined PLN 1,000 by the Provincial Inspectorate for Environmental Protection, resulting from a violation of transferring waste with code 07 02 80 to an entity without a permit to collect or process waste.

The penalty was imposed, although the waste recipient was listed in the Waste Database (BDO) as authorized to receive waste with code 07 02 80. The company appealed the decision of the Podkarpackie Provincial Inspector of Environmental Protection to the Chief Inspector of Environmental Protection in Warsaw, citing misleading information provided by the institution operating the Waste Database (BDO) and the BDO Administrator, through their failure to update the database registers in accordance with the statutory obligation. The deadline for considering the appeal has been postponed until the end of June 2023.

[SRC-34] During the reporting period, no complaints regarding the impact on the environment were recorded in the parent company.

[SRC-55] In 2022, no complaints regarding the impact of companies’ activities on society were recorded. The investment initiated in response to a complaint regarding a nuisance odor recorded in 2020 has been completed at the ZMX plant.

SPREADING ENVIRONMENTAL AWARENESS

Sanok Rubber Group promotes environmental awareness by discussing related issues during trainings for all employee groups. Above all, employees are presented with the impact of the environmental processes they carry out, as well as the

safeguards against environmental pollution that are used. The safe handling of chemical substances and their mixtures, as well as packaging for substances and mixtures that pose a risk, are also discussed. The training covers how to handle emergency situations and prevent the release of hazardous substances into the environment.

The importance and method of waste segregation is also emphasized during the trainings. Examples of positive environmental impact resulting from actions such as paper, energy, or media conservation are provided.

In 2022, energy-saving and waste segregation promotion campaigns were conducted among the employees of the leading Company. Information was disseminated throughout the Company via posters and monitors for the purpose of the campaign.



DESCRIPTION OF SIGNIFICANT RISKS AND THEIR MANAGEMENT

As part of the significance assessment conducted in the environmental area, previously identified risks and their management methods were analyzed. The risks mainly concern production companies and the service company, while these risks do not apply to commercial companies, except for non-compliance with the law and the imposition of fines

The most significant environmental risks are considered to be:

Prolongation or delay of investment processes

To prevent this risk, the Capital Group maintains cooperation only with competent companies, with particular attention paid to the careful and accurate preparation of documentation, considering various options for environmental impact during the project concept phase.

Environmental accidents

In case of an accident, the Capital Group has developed procedures communicated to employees. The processes are carried out in a way that reduces the risk of releasing substances or mixtures into the environment, and the implementation of the processes is monitored

Non-compliance with the law and the imposition of fines

Legal requirements are identified, implemented, and met on an ongoing basis within the Group. The requirements resulting from changes in the law are communicated to employees.

Use of substances/mixtures that pose a risk in production

The use of substances/mixtures that pose a risk is carried out in a manner that ensures safety for both employees and the environment. This is a result of employee awareness, through which hazards are identified and processes are monitored. Procedures have been implemented in this area, and ongoing training is conducted for employees, with supervision over the progress of the processes. Protective equipment is used to protect the environment from substances/mixtures that pose a risk.

Local community dissatisfaction due to the nuisance caused by our production activities

Our management of this risk involves taking actions to reduce the nuisance caused by our production activities through the use of protective equipment (dust collectors, filters), inspections, modernization of equipment that is a source of noise, and monitoring of environmental impact.



A photograph of a lynx standing on a mossy rock in a forest. The lynx is facing the camera, and its body is overlaid with a green wireframe mesh. The background is a dense forest with evergreen trees.

Climate changes

Global climate change and the need to reduce greenhouse gas emissions present a challenge for Sanok Rubber Group as well. Being aware of the importance of this issue, the Group has appointed a person from the Management Board of the dominant company responsible for managing climate-related issues. The person responsible is the President of the Management Board of Sanok RC SA.

As presented in this chapter, the impact of climate change on the Group’s activities is significant. There are increasingly strict legal requirements that result in the need for costly investments. Also, increases in energy prices and the prices of CO2 emission permits are significant factors in making decisions regarding the Group’s development.

The Group carries out a series of activities to adapt to climate change requirements. These include:

- reporting greenhouse gas emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, which started in 2019. The scope of data included in the calculations is expanding in subsequent years.
- identifying risks and opportunities associated with climate change - carried out in 2020 and updated in subsequent years.

The Group’s climate policy objectives are presented below. The mutual impact of the Group’s activities and climate change, as well as the resulting risks and opportunities, are described. The Taxonomy requirements are also addressed, and information on biogenic greenhouse gas emissions is provided.

CLIMATE POLICY

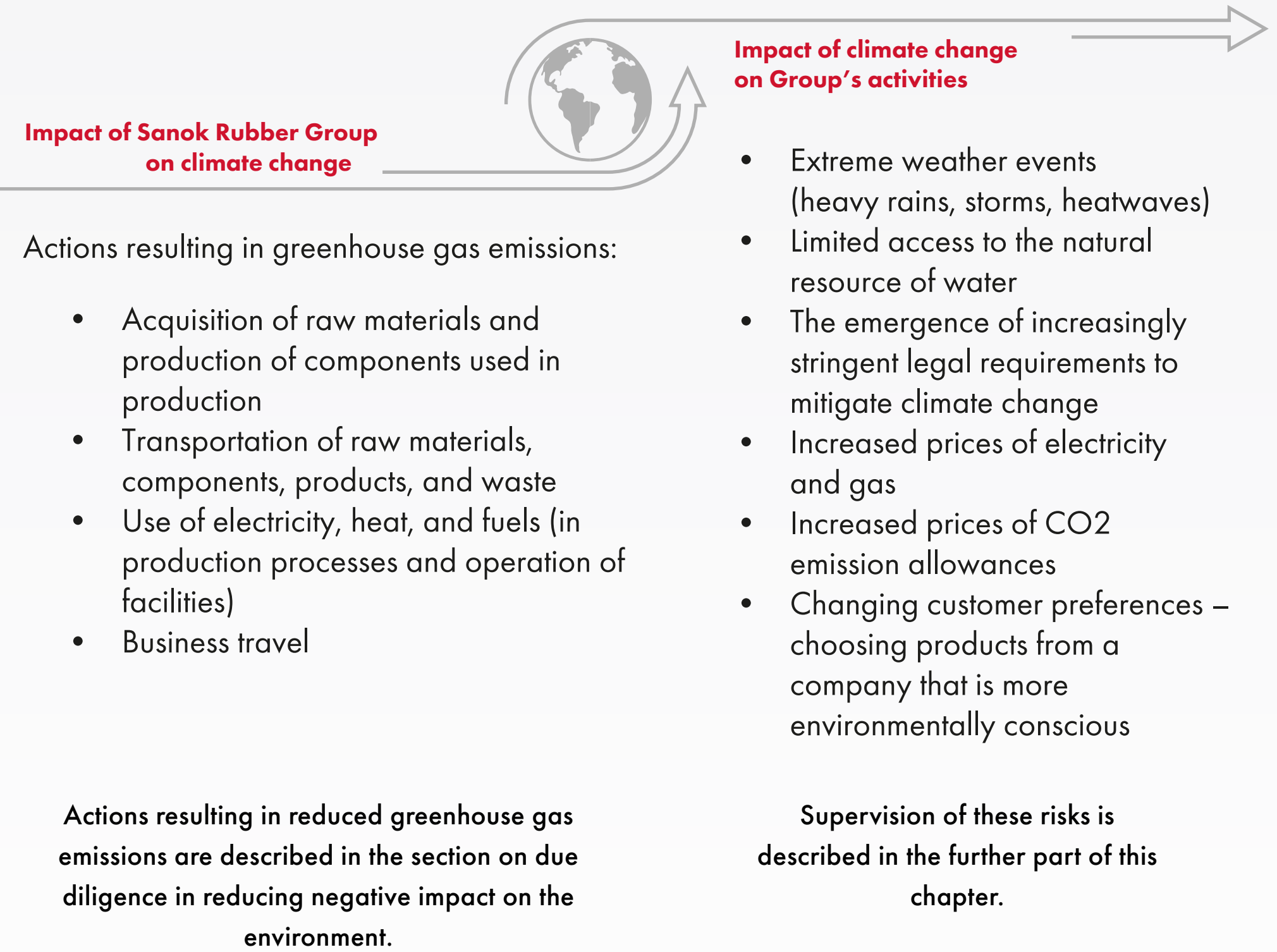
The Sanok RC SA’s climate policy is to achieve climate neutrality by 2050 and to continuously take action to limit

the negative impact on the climate.

Sanok RC SA’s emission reduction goals are as follows

- In short term (by 2025):
 - Modernization of the flue gas dust removal system of hot water boilers
 - Commencement of work on the modernization of the boiler room
 - Utilization of photovoltaic screens for the production of energy from renewable sources
 - Use of low-emission building solutions during investment implementation
- In medium term (by 2030):
 - Modernization of the flue gas dust removal system of steam boilers
 - Continuation of modernization of the boiler room
- In the long term (by 2050):
 - Consistency of the company’s objectives with the EU’s climate neutrality policy

[SRC-58] THE IMPACT OF THE GROUP ON CLIMATE CHANGE AND THE IMPACT OF CLIMATE CHANGE ON THE GROUP’S ACTIVITIES



COMPLIANCE WITH THE TAXONOMY

The Taxonomy provides criteria for qualifying contributions to climate change mitigation, adaptation to climate change, and not causing significant harm to other environmental objectives. It is based on the documents: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and the delegated regulations of 4 June 2021 (EU) 2021/2139 and 6 July 2021 (EU) 2021/2178.

Work on determining Sanok RC SA’s compliance with the Taxonomy began with identifying the NACE sector in which Sanok RC SA’s economic activity is located and verifying whether that sector is included in the Taxonomy. The NACE code for Sanok RC SA’s activity is: C Manufacturing; 22.19 Manufacture of other rubber products, which was not included in the delegated regulations specifying the technical qualifying criteria for determining the conditions under which an economic activity qualifies as contributing significantly to climate change mitigation or adaptation to climate change while also determining whether that activity does not cause significant harm to other environmental objectives.

Therefore, it is considered that all of the company’s revenue comes from non-Taxonomy classified activities. In the next stage, the processes carried out by the company were analyzed in relation to the Taxonomy. Those that fit the Systematics criteria were identified, and then the investment expenditures and expenses incurred in carrying out the identified processes were examined. The results are presented in the tables below.

The explanation of how turnover, investment expenditures,

and operating expenses were calculated is presented below:

Turnover: the denominator includes Sanok RC’s revenue presented in the individual financial statements in the profit and loss account under the item “revenue from sales.” The numerator includes revenue from qualifying activities.

Capital expenditures (CAPEX): the denominator includes all investment expenditures incurred by Sanok RC in the acquisition of fixed assets and intangible assets. The numerator includes investment expenditures on qualifying activities.

Operating expenses (OPEX): the denominator includes all costs incurred by Sanok RC classified by type presented in the individual financial statements in the explanatory note “Costs by type.” The numerator includes type-specific costs incurred on qualifying activities.

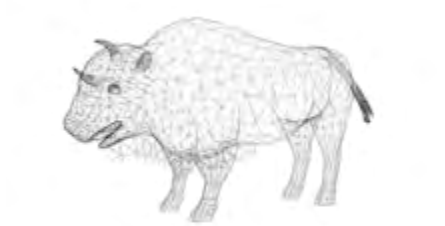
The company avoided double-counting by adjusting the financial and accounting records and conducting a thorough analysis. During the next stage, it was determined that Sanok RC has procedures in place aimed at ensuring compliance with the minimum guarantees specified in Article 18 of Regulation (EU) 2020/852 of 18 June 2020.

The Company will continuously analyze updates to delegated acts and will address any changes in subsequent reports.



Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2021

Economic activities	Code (s)	Absolute Turnover	Proportion of Turnover	Substantial contribution criteria						DNSH criteria ('Do Not Significantly Harm')						Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2021	Taxonomy-aligned proportion of turnover, year 2020	Category (enabling activity or)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems					
		thś. zł	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY- ELIGIBLE ACTIVITIES																				
A.1.Environmentally sustainable activities (Taxonomy-aligned)																				
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Turnover of environmentally snstainable activities (Taxonomy-aligned) (A.1)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Taxonomy-Eligible bnt not environmentally snstainable activities (not Taxonomy-aligned activities)																				
—	—	—	—																	
Turnover ofTaxonomyeligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	—	—	—																	
TOTAL (A.1+A.2)	—	—	—														—	—		
B. TAXONOMY-NONELIGIBLE ACTIVITIES																				
Turnover ofTaxonomynon-eligible activities (B)		808 423	100																	
TOTAL (A+B)		808 423	100																	



Proportion of Cap Ex from products or services associated with Taxonomy-aligned economic activities - **disclosure covering year 2021**

Economic activities	Code(s)	Absolute CapEx ths. zł	Proportion of CapEx %	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')						Minimum safeguards	Taxonomy-aligned proportion of CapEx year 2021 %	Taxonomy-aligned proportion of CapEx year 2020 %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Polution %	Biodiversity & ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Polution Y/N	Biodiversity & ecosystems Y/N					
A. TAXONOMY- ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Actions related to modernization of the boiler room (project execution)		110,1	0,44	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	110,1	0,44	-	-	-	-	-	-								-	-		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Replacement of existing windows with energy-efficient windows		143,3	0,57													-	-	-		
Replacement of air conditioning in the server room.		44,9	0,18													-	-	-		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2 }		188,2	0,75														-	-		
TOTAL (A.1+A.2)		298,3	1,19														-	-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-noneligible activities (B)		24 892,7	98,81																	
TOTAL (A+B)		25 190	100																	



Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - **disclosure covering year 2021**

Economic activities	Code(s)	Absolute OpEx thś. zł	Proportion of OpEx %	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')						Minimum safeguards	Taxonomy-aligned proportion of OpEx year 2021 %	Taxonomy-aligned proportion of CapEx year 2020 %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity & ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity & ecosystems Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Eksploracja instalacji wykorzystującej ciepło odpadowe z pracy sprężarek do produkcji ciepłej wody użytkowej	-	155,6	0,02	-	-	-	-	-	-							-	-	-	-	
Eksploracja systemu poboru wody	-	1 212,7	0,16	-	-	-	-	-	-							-	-	-	-	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	1368,3	0,18	-	-	-	-	-	-								-	-		
A.2 Taxonomy- Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Eksploracja sieci ciepłowniczej do dystrybucji energii cieplnej	-	2 195,6	0,29													-	-	-		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	-	2 195,6	0,29														-	-		
TOTAL (A.1+A.2)	-	3 563,9	0,47														-	-		
B. TAXONOMY-NON- ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-noneligible activities (B)	-	751 665,1	99,53																	
TOTAL (A+B)	-	755 229	100																	



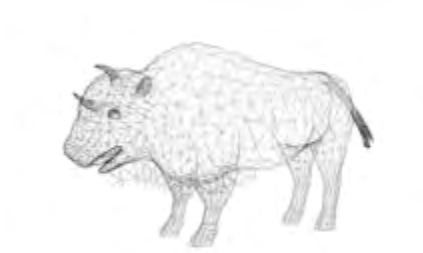
Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - **disclosure covering year 2022**

Economic activities	Code (s)	Absolute Turnover	Proportion of Turnover	Substantial contribution criteria						DNSH criteria ("Do Not Significantly Harm")						Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022	Taxonomy-aligned proportion of turnover, year 2021	Category (enabling activity or)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems					
		thś. zł	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY- ELIGIBLE ACTIVITIES																				
A.1.Environmentally sustainable activities (Taxonomy-aligned)																				
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Turnover of environmentally snstainable activities (Taxonomy-aligned) (A.1)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Taxonomy-Eligible bnt not environmentally snstainable activities (not Taxonomy-aligned activities)																				
—	—	—	—																	
Turnover ofTaxonomyeligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	—	—	—																	
TOTAL (A.1+A.2)	—	—	—														—	—		
B. TAXONOMY-NONELIGIBLE ACTIVITIES																				
Turnover ofTaxonomynon-eligible activities (B)		968 768	100																	
TOTAL (A+B)		968 768	100																	



Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - **disclosure covering year 2022**

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')											
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx year 2022	Taxonomy-aligned proportion of CapEx year 2021	Category (enabling activity)	Category (transitional activity)	
		tys. zł	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. TAXONOMY- ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Actions related to modernization of the boiler room (project execution)		156,3	0,32	0,32	0,00	0,00	0,00	0,00	0,00		T	T	nd.	T	T	T	0,32	0,44	E	-	
Modernization of water intake, treatment, and supply systems		33,2	0,07	0,07	0,00	0,00	0,00	0,00	0,00		T	T	nd.	nd.	T	T	0,07	-	E	-	
Infrastructure for personal mobility, bicycle logistics		311,1	0,63	0,63	0,00	0,00	0,00	0,00	0,00		T	T	T	T	T	T	0,63	-	E	-	
Installation, maintenance, and repair of instruments and equipment for measuring, regulating, and controlling the energy characteristics of buildings		3,8	0,01	0,01	0,00	0,00	0,00	0,00	0,00		T	nd.	nd.	nd.	nd.	T	0,01	-	E	-	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		504,4	1,03	1,03	0,00	0,00	0,00	0,00	0,00								1,03	0,44			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Installation, maintenance, and repair of equipment that increases energy efficiency		547,2	1,12													T	1,12	-			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2 }		547,2	1,12														1,12	0,75			
TOTAL (A.1+A.2)		1 051,6	2,15														2,15	1,19			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
Turnover of Taxonomy-noneligible activities (B)		47 892,8	97,85																		
TOTAL (A+B)		48 944,4	100,00																		



Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - **disclosure covering year 2022**

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')											
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx year 2022	Taxonomy-aligned proportion of CapEx year 2021	Category (enabling activity)	Category (transitional activity)	
		thś. zł	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Operation of water intake system		1 570,7	0,18	0,18	0,00	0,00	0,00	0,00	0,00		T	T	nd.	nd.	T	T	0,18	0,16	E	-	
Installation, maintenance, and repair of electric vehicle charging stations in buildings (and parking lots adjacent to buildings)		11,8	0,001	0,001	0,00	0,00	0,00	0,00	0,00		T	nd.	nd.	nd.	nd.	T	0,001	-	E	-	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1 582,5	0,18	0,18	0,00	0,00	0,00	0,00	0,00								0,18	0,16			
A.2 Taxonomy- Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Operation of district heating network for distribution of heat energy		2 495,5	0,28													T	0,28	0,29			
Operation of installation utilizing waste heat from compressor operation to produce hot water for domestic use		202,4	0,02													T	0,02	-			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2 697,9	0,30														0,30	0,29			
TOTAL (A.1+A.2)		4 280,4	0,48														0,48	0,45			
B. TAXONOMY-NON- ELIGIBLE ACTIVITIES																					
Turnover of Taxonomy-noneligible activities (B)		890 330,6	99,52																		
TOTAL (A+B)		894 611,0	100,00																		



GREENHOUSE GAS EMISSIONS

In this report, greenhouse gas emissions are reported in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Emissions have been calculated using tools provided by the GHG Protocol (<https://ghgprotocol.org/calculation-tools>).

The base year for reporting GHG emissions is 2019.

Emissions are reported on an annual basis.

During the reporting period, Sanok Rubber Group did not have any biogenic greenhouse gas emissions.

[SRC-60] The table below shows the boundaries and scopes of reported emissions:

Year	The boundaries of reported emissions	Scope of reported emissions		
		Scope 1	Scope 2	Scope 3
2019	Sanok RC SA	X	X	X
2020	Sanok RC SA	X	X	X
	Group	X	X*	X
2021	Sanok RC SA	X	X	X
	Group	X	X*	X
2022	Sanok RC SA	X	X	X
	Group	X	X*	X

*Only emissions related to companies located in Poland are presented.

The manufacturing processes carried out by production companies have the greatest impact on the amount of greenhouse gas emissions. All available data has been included in the emission calculations for each scope. Incomplete data from companies with minimal environmental impact has no significant influence on the final calculation results.

The individual scopes include:

- **Scope 1 (direct emissions)** - resulting from the combustion

of coal and natural gas in buildings and installations, as well as the combustion of fuels (gasoline, diesel, LPG) in vehicles (applies to vehicles owned by the Group),

- **Scope 2 (indirect emissions)** -resultingfromthe production of purchased electricity from an external supplier Scope 2 emissions were calculated using location-based and market-based methods. For the location-based method, averaged emission intensity indicators published by the National Centre for Emissions Management and Balancing were used, and for the market-based method, data from a report on the fuel structure used for electricity generation provided by the energy supplier were used,
- **Scope 3 (indirect emissions)** – arising in the supply chain, including business travel and waste transport services, emissions from the transport of materials and shipments of products carried out by vehicles not owned by the Group.



[SRC-61] Greenhouse gas emissions in the years 2019-2022 in Sanok RC SA and the Group in respective scopes:

		Emission magnitude of Mg CO ₂ e								
Scope	Emission source	[Mg]	Sanok RC SA				Group			
			2019	2020	2021	2022	2019	2020	2021	2022
Scope 1	Fuel consumption in buildings and installations		24 449	28 493	34 526	25 168	-	30 967	37 887	27 217
	Fuel consumption in transport		722	552	723	630	-	852	766	765
	Total emissions within scope 1		25 171	29 045	35 249	25 798	-	31 819	38 653	27 982
	Emissions of scope 1 / 1 mln PLN sales income		34	43	44	27	-	33	33	20
	Emissions of scope 1 / 1t of produced goods		0,9	1,2	1,3	0,9	-	-	1,0	0,8
Scope 2	Emissions resulting from the generation of purchased electricity (location-based calculation method)		40 242	35 952	38 821	37 571	-	-	40 393 (1)	39 861 ⁽¹⁾
	Emissions resulting from the generation of purchased electricity (market-based calculation method)		40 801	36 451	20 785	34 324	-	-	21 936(1)	35 685 ⁽¹⁾
Scopes 1 & 2	Total emissions within scopes 1 i 2 (location-based calculation method)		65 413	64 997	74 070	63 369	-	-	79 046	67 043
	Total emissions within scopes 1 i 2 (market-based calculation method)		65 972	65 496	56 034	60 122	-	-	60 589	63 668
	Total emissions within scopes 1 i 2 (location-based calculation method) / 1 mln PLN sales income		88	96	92	65	-	-	-	48
	Total emissions within scopes 1 i 2 (location-based calculation method) / 1t of produced goods		2,3	2,7	2,7	2,3	-	-	-	2,0
	Total emissions within scopes 1 i 2 (market-based calculation method) / 1 mln PLN sales income		89	97	69	62	-	-	-	46
	Total emissions within scopes 1 i 2 (market-based calculation method) / 1t of produced goods		2,3	2,7	2,0	2,2	-	-	-	1,9
Scope 3	Fuel consumptiopr in waste transport		125	109	161	152	-	162	213	222
	Fuel consumption during business trips		201	59	38	97	-	309	458	236
	Fuel consumption (Supplies)		-	542	885	780	-	-	1 131	1 243
	Fuel consumption (Deliveries)		-	767	885	961	-	-	2 203	1 116
	Total emission within scope 3		326	1 477	1 829	1 991	-	471	4004	2 817
	Scope 3 emissions / 1 mln PLN sales income		0,4	2,1	2,3	2,0	-	0,5	3,4	2,0
	Scope 3 emissions / 1t of produced goods		<0,1	<0,1	<0,1	<0,1	-	-	<0,1	<0,1
Scopes 1, 2 & 3	Total emissions within scopes 1, 2 & 3 (location-based calculation method)		65 739	66 474	75 837	65 360	-	-	83 050	69 860
	Total emissions within scopes 1, 2 & 3 (market-based calculation method)		66 298	66 973	57 801	62 113	-	-	64 593	66 485
	Total emissions within scopes 1, 2 & 3 (location-based calculation method) / 1 mln PLN sales income		88	97	94	67	-	-	-	50
	Total emissions within scopes 1, 2 & 3 (location-based calculation method) / 1t of produced goods		2,3	2,8	2,7	2,4	-	-	-	2,1
	Total emissions within scopes 1, 2 & 3 (market-based calculation method) / 1 mln PLN sales income		89	97	72	64	-	-	-	48
	Total emissions within scopes 1, 2 & 3 (market-based calculation method) / 1t of produced goods		2,3	2,8	2,1	2,3	-	-	-	2,0

⁽¹⁾Due to the lack of data on emission intensity indicators for the production of electricity in companies located outside of Poland, calculations were only made based on data obtained from companies located in Poland.



Changes in greenhouse gas emissions in Sanok RC SA:

	2021 /2020	2022/2021
Emissions of scope 1 / 1 mln PLN sales income	+2.3 %	-38.6 %
Emissions of scope 1 / 1t of produced goods	+8.3 %	-30.8 %
Total emissions within scopes 1 i 2 (location-based calculation method) / 1 mln PLN sales income	-4.2 %	-29.3 %
Total emissions within scopes 1 i 2 (location-based calculation method) / 1t of produced goods	0.0 %	-14.80 %
Total emissions within scopes 1 i 2 (market-based calculation method) / 1 mln PLN sales income	-28.9 %	-10.10 %
Total emissions within scopes 1 i 2 (market-based calculation method) / 1t of produced goods	-25.9 %	+10.00 %
Total emissions within scopes 1, 2 & 3 (location-based calculation method) / 1 mln PLN sales income	-3.1 %	-28.7 %
Total emissions within scopes 1, 2 & 3 (location-based calculation method) / 1t of produced goods	-3.6 %	-11.1 %
Total emissions within scopes 1, 2 & 3 (market-based calculation method) / 1 mln PLN sales income	-25.8 %	-11.1 %
Total emissions within scopes 1, 2 & 3 (market-based calculation method) / 1t of produced goods	-25.0 %	+9.5 %

Due to the update of data in the table showing greenhouse gas emissions, some of the above data (changes in emission levels) differ from those presented in the 2021 report

The updated greenhouse gas emissions at Sanok RC SA for scopes 1, 2, 3 combined (the arithmetic mean of both methods) were:

- in 2019 - 66 thousand tons of carbon dioxide equivalent,
- in 2020 - 66 thousand tons of carbon dioxide equivalent,
- in 2021 - 67 thousand tons of carbon dioxide equivalent,
- in 2022 - 64 thousand tons of carbon dioxide equivalent.

The greenhouse gas emissions of Sanok RC SA are at a comparable level in 2019-2022.

DESCRIPTION OF SIGNIFICANT RISKS AND THEIR MANAGEMENTI

Due to the intensifying climate changes affecting the Group, the following risks related to this have been identified:

- The impact of extreme weather events (heavy rainfall, storms, heatwaves) that may disrupt production and logistics processes. This risk is also associated with ensuring the availability of raw materials for production

We supervise this risk by being ready to react to emergency situations - verified procedures are used that include hazard characteristics and response methods.

Regarding the availability of raw materials, we identify possibilities of obtaining raw materials from alternative suppliers.

- Limited access to water that may disrupt production processes

Water is used economically in the companies, and its availability, consumption, and usage are monitored.

- Business risk related to redirecting consumer and business customers’ choices towards products and services that are less harmful to the climate, the risk of reputational loss associated with difficulty in attracting and retaining customers, employees, business partners, and investors if the company’s activity is deemed harmful to the climate

We supervise this risk by using air protection devices, employing modern technologies, conducting activities

that contribute to energy savings, and gradually replacing means of transportation with those less burdensome for the environment.

- Business risk related to meeting increasingly stringent legal requirements aimed at combating climate change. The risk is associated with the need to incur significant financial expenses

Legal requirements are monitored in the Group, and investments aimed at meeting them are planned. The Group’s budget secures funds for these investments.

- Business risk related to a significant increase in energy market prices

We supervise this risk by determining the possibility of partially obtaining electricity from renewable sources. Currently, this is at the planning stage.

- Business risk related to a significant increase in CO₂ emission rights prices

We supervise this risk by modernizing the source of thermal energy production and taking actions to reduce the size of the source. Such measures will reduce CO2 emissions and allow Sanok RC SA to exit the emissions trading system.





Human Rights

Sanok Rubber Group carries out all its tasks based on the principles of respecting human rights. The policy regarding this area is based on the provisions of the Group’s Code of Ethical Conduct.

HUMAN RIGHTS RESPECT POLICY

No changes were made to the Group’s policy on this issue during the reporting period. The Code of Ethical Conduct covers issues related to equal treatment, supporting employee development, respecting the right to association and affiliation with associations and political parties, prohibiting forced labor, prison labor, employing children, human trafficking, discrimination and persecution. The code also includes issues related to respecting property rights, ensuring safe working conditions, and protecting personal data. It also promotes maintaining a balance between work and private life.

RESULTS OF POLICY IMPLEMENTATION

In implementing the policy on respecting human rights, Sanok Rubber Group does not tolerate any form of forced labor. Forced labor is work performed by an employee against their will, for which no remuneration is paid or the remuneration is inconsistent with the applicable law. The remuneration of employees in the Group is in accordance with applicable law and internal regulations on remuneration.

The Group does not benefit from prison labor, slavery, or human trafficking. All forms of discrimination, harassment, bullying, victimization, and harassment are prohibited. The Group does not employ children or engage in human trafficking. In addition, a balance between work and private life is promoted by considering employees’ needs and life situations regarding employment flexibility and working hours (e.g., sharing parental leave and work, flexible

working hours at the employee’s request, breaks for child feeding). Another important aspect is ensuring safe working conditions.

Moreover, the right to free association, membership in associations, trade unions, and political parties is respected in the Group.

Group employees are trained in the provisions of the Code and know their rights.

[SRC-48, SRC-49, SRC-50] During the reported period, no violations of the Code of Ethics were found in the Group regarding association and collective bargaining agreements, child labor, and forced labor.

[SRC-46] In 2022, one report of discrimination was recorded in the dominant company. Following clarifying actions, the report was deemed unfounded.

No such reports were recorded in other Group companies.

[SRC-47] No other reports regarding ethical principles were recorded in 2022

DESCRIPTION OF SIGNIFICANT RISKS AND THEIR MANAGEMENT

During the reported period, risks related to the Human Rights Respect Policy were analyzed. The significant risks are as follows:

- **Collaboration with suppliers violating human rights**
To reduce the occurrence of this risk, the Group promotes ethical principles in the supply chain. We obtain declarations from business partners confirming the application of the Sanok Rubber Group’s Code of Ethics principles. Additionally, partners undergo an evaluation of their compliance with the Code’s provisions,
- **Non-compliance with laws and social norms**
We prevent this risk in relation to both working time and working conditions. In terms of working time, we manage the risk by increasing employment, training on the use of working time and applicable legal regulations, training for management staff, monitoring and settling working time to eliminate overtime. By improving working conditions, we introduce process improvements, work automation, improve ergonomics, which reduces the physical strain on employees.



A wide-angle photograph of a sunset over a body of water. The sun is low on the horizon, creating a bright, golden reflection that stretches across the water. In the middle ground, a small boat with two people is visible. In the foreground, a line of dark buoys or floats extends from the bottom left towards the center. The sky is dark, and the water is dark with the golden reflection of the sun.

Society

The Group’s policy on social issues is based on the provisions of the Code of Ethical Conduct. The policy sets the direction for Sanok Rubber Group’s social engagement, business partner and customer relations.

POLICY ON SOCIAL ISSUES

Maintaining good relationships with customers, business partners, and the local community is an essential element of Sanok Rubber Group’s strategy. Our cooperation with customers is characterized by openness and responsible marketing. In our relationships with business partners, we prioritize responsibility and trust, and we apply the principle of fair competition. We compete with our brand, business terms, and product quality.

Operating within a specific community and local environment, we strive to maintain positive and beneficial relationships for both parties. By strengthening the positive impact of our operational activities, we engage in the life of the local community.

DESCRIPTION OF RESULTS OF POLICY IMPLEMENTATION

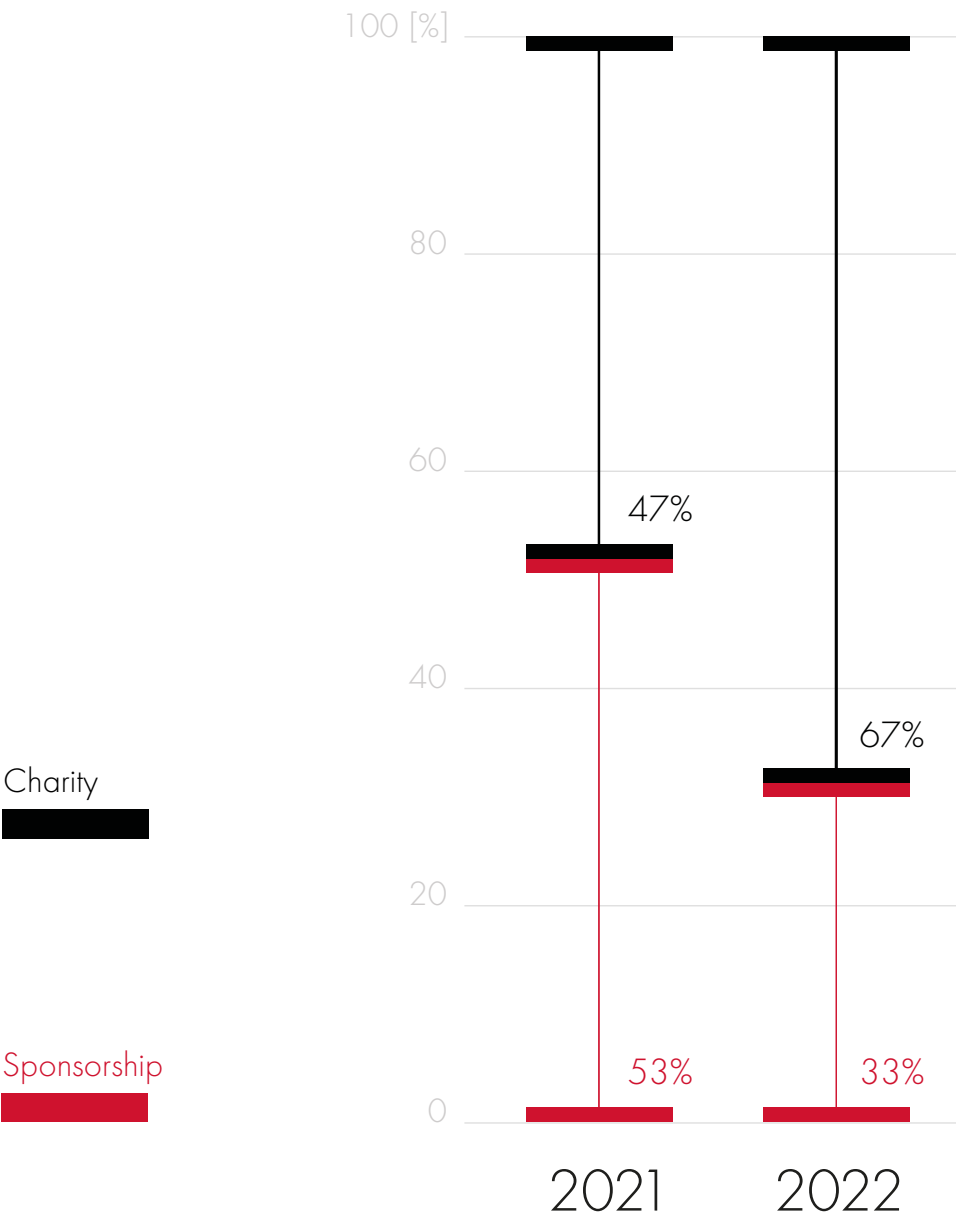
ENGAGEMENT IN THE DEVELOPMENT OF THE LOCAL COMMUNITY

Due to the small size of the business activities of most subsidiary companies, the social activity of the Group is mainly focused on the dominant unit. However, in 2022, Polish companies such as Świerkowy Zdrój Medical Spa Sp. z o. o., Stomil Sanok Dystrybucja Sp. z o. o., and German company Drahtex Automotive GmbH also engaged to a lesser extent in the sports and cultural life of local communities.

Our social activities are carried out in a transparent and responsible manner, after meeting the condition of financial and economic stability of the enterprise.

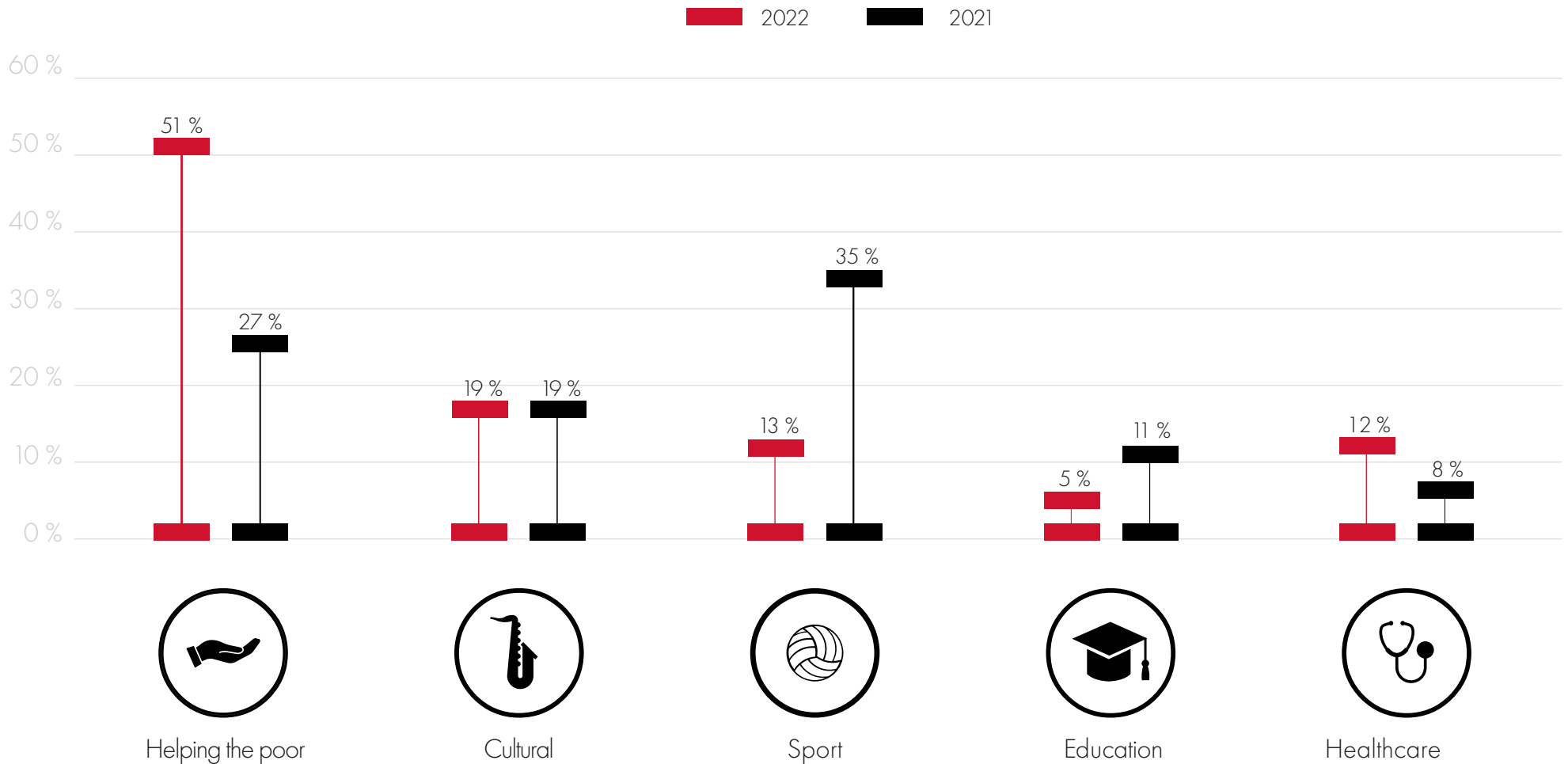
Every year, we try to respond to the needs of organizations, associations, and institutions that approach us for support. In the reporting year, we carried out a series of activities of both charitable and sponsorship nature. In 2022, the fund allocated by Sanok Rubber Group for social activities amounted to PLN 655,000 and was 10% higher compared to 2021.

The chart below shows the percentage structure of the distribution of funds for Sanok Rubber Group’s social purposes in 2021-2022:



As the basis for the Group’s social activity area, the Social Issues Policy was adopted. In 2022, the following areas of activity were defined: healthcare (foundations supporting hospitals, nursing homes, clinics), assistance to those in need (foundations and societies supporting the poorest), local sports initiatives (sports events, organizations, and clubs), culture (local festivals, music events), and education (schools, educational institutions).

The following chart shows the percentage breakdown of funds allocated to the social activity of Sanok Rubber Group in the reporting year and the previous year.



The social activity of the Sanok Rubber Group included both direct financial, service and material support. As in previous years, in 2022 Sanok RC SA provided all necessary utilities such as electricity, heat, and water to the St. Brother Albert Aid Society operating in Sanok for over a decade. As part of our support for local medical services, we also donated medical equipment purchased by Sanok RC SA to the Sanok Hospital. In the context of humanitarian aid for refugees from Ukraine, the company participated in the nationwide campaign <https://pomagamukrainie.gov.pl/> and donated equipment and materials needed by Ukrainian firefighters, medical services, and civilian population.



In 2022, our support was directed to:

- St. Brother Albert Aid Society
- Humanitarian aid for Ukraine
- Sanok Hospital
- Volleyball Sports Association “Volleyball”
- Sanok Cultural Center - Didur Festival, “Jazz Stars”
- Podkarpacka Foundation for the Development of Culture
- Sanok Health Protection Foundation
- Sanok Music Society
- Sanoczanka Sports Association
- Spice Gears Academy - LEGO robotics classes for children and youth
- Obiektyw Film Studio
- GRYF City Sports Association
- SANITAS Association for the Fight against Cancer
- St. Maximilian Maria Kolbe Rectorate - “Run for Max”
- Donation for health assistance and protection
- Sanok Tennis Club
- Podkarpackie Association of Defensive Sports DEFENDER
- NAO Foundation - THE MUSIC CONCEPT
- Sanok Ice Skating Club Górnik
- Primary School No. 8 in Sanok
- Sanok City Commune - Sanok Economic Forum
- Bieszczady Emergency Medical Services

Sanok RC SA’s social engagement towards the local community also took the form of employee volunteering. In 2022, we organized a picnic on Children’s Day for the wards of the St. Joseph Children’s Home in Sanok. At our Training and Recreation Center in Łączki, Sanok RC SA employees-volunteers and children from the orphanage participated in numerous outdoor activities together. The Sanok Rubber Group companies also engage in

activities for the local communities. Stomil Sanok Distribution co-organized harvest festivals in several locations with the Agroma Foundation last year, while Świerkowy Zdrój Medical Spa Sp. z o.o. organized the IX Family Picnic for the residents of Rymanów Zdrój and its surroundings. In 2022, German Drahtex Automotive financially and organizationally supported a local children’s aid committee by organizing a training and picnic with the fire brigade. No actions related to the Social Issues Policy were noted in other Group subsidiaries.

[SRC-23] In 2022, as part of investments in social infrastructure, the Sanok Rubber Group’s parent company allocated tens of thousands of zlotys to renovate the toilets in the Clinic building, which contributed to improving the working conditions and comfort of Sanok RC employees conducting periodic tests, as well as those of other employees and patients visiting the clinic.

In order to improve safety, new bus stops have been designated at a location that increases the safety of employees commuting to work. Vaccinations against Covid-19 were organized for employees at the Company Clinic. Approximately 200 employees were allowed to park on the Company’s premises during the first months of 2022, when the incidence of Covid-19 was high.

[SRC-24] As one of the largest employers in the region, Sanok RC SA’s indirect economic impact on local communities is mainly achieved through creating new jobs and paying taxes to local government units. In 2022, the Company allowed high school students from Sanok, including technical and economic schools, to undertake professional internships. Under the agreement signed between the Sanok County Office and Sanok RC SA on the partnership for the

implementation of the project “New Quality of Vocational Education at the School Complex No. 2 in Sanok,” technical students with a specialty in a field with a deficit in the local job market undertook professional internships. The aim of the agreement is to improve the quality of vocational education in technical fields.

As a result of the agreement’s implementation, students from School Complex No. 2 in Sanok with a specialty in Automation Technician and Environmental Protection Technician undertook paid student internships at Sanok RC SA from September 1, 2022. The aim of the internship is to acquire practical skills necessary to perform work and, in the longer term, to recruit employees in deficit professions. We also allowed students from higher education institutions to undertake internships and apprenticeships, including from Rzeszow University of Technology, Lublin University of Technology, University of Rzeszow, Catholic University of Lublin, State University named after Jan Grodek in Sanok, and AGH Krakow.

The implemented actions build a positive image for both the dominant company and the entire Capital Group, strengthen the company’s impact on the local community, and directly support social initiatives, culture, social assistance, professional and amateur associations of physical and sports activities. The Management Board of Sanok RC SA plans and approves funds for the above-mentioned purposes every year, taking into account the current needs of the local community, the situation of the supported unit, and the possibility of supervising the use of funds.

BUSINESS PARTNERS

All business contacts made by the Sanok Rubber Group are conducted with respect for the rights and interests of

customers. Our cooperation with business partners is based on fair competition and compliance with the principles of antitrust law. When working with customers, suppliers, and competitors, we adhere to the principles of fair pricing policies, fair labor practices, and respect for all market participants.

In formal matters, we fulfill the agreements we have concluded, in which we honestly and transparently establish the principles of cooperation that both parties agree to. We maintain constant communication, good relationships, as evidenced by numerous industry meetings and training sessions, our technological support, substantive assistance, and flexibility in our actions with our business partners. In various situations, including unexpected ones, we demonstrate flexibility and a quick response time when dealing with our business partners.

[SRC-54] During the reported period, there were no cases of violations of principles of free competition and monopolistic practices in the Sanok Rubber Group. Therefore, the Group was not subject to any legal proceedings in this regard.

CUSTOMERS

[SRC-57] In the Capital Group, the level of customer satisfaction is monitored in most companies. Analyses are carried out based on surveys, indicators received from customers, indicators published on customer portals, and based on internal indicators. Customer satisfaction surveys are a way of measuring their level of satisfaction and monitoring changes. They also provide information about customer expectations and the degree of satisfaction of their needs, allow identification of weaknesses, and implementation of appropriate



corrective solutions. The level of customer satisfaction is monitored in the Group, analyses are carried out based on surveys, indicators received from customers, including those published on customer portals, and based on indicators defined by subsidiaries.

In order to ensure the safety of products and consumers, products manufactured in the Group meet the requirements of the REACH regulation (Regulation (EC) No 1907/2006 of the European Parliament and of the Council). In our supply chain, we require declarations of conformity with REACH for raw materials and components.

In order to confirm the safety of products, the dominant company has obtained the following hygienic certificates issued by the National Institute of Public Health:

- Hygienic certificate No. B-BK-60211-1242/19 with expiry date of 5.12.2024, for the product: rubber gaskets for the automotive industry:
 - profile gaskets made of solid rubber,
 - profile gaskets made of porous rubber,
 - multi-component profile gaskets,
 - flocked profile gaskets,
- Hygienic certificate No. B-BK-60211-0077/21 with expiry date of 25.05.2026, for the product: self-adhesive rubber gaskets for use in construction for: windows and doors, gutter systems, steel and aluminum structures, garage doors, slides, and ventilation systems.

Furthermore, in all production companies, products are designed and manufactured in such a way as not to pose a threat to the safety of our product recipients. The dominant company has its own laboratory where tests are carried out according to the specifications of our customers. This laboratory also conducts tests for other companies within

the Group. Tests are also commissioned to independent, external accredited laboratories.

In addition, appropriate inventory levels are maintained in the companies to meet customer requirements and expectations. Products are delivered in accordance with the contracts. The Group also has appropriate equipment and provides professional after-sales services.

Focusing on brand promotion, the Group conducts responsible marketing by presenting only reliable information about products in presentations and advertising materials published in specialist magazines or on the website. Data is constantly updated. When preparing marketing messages, we are guided by the values written in the Code of Ethical Conduct.

[SRC-56] In the reported period, there were no fines due to non-compliance with the law and regulations in the Capital Group.

DESCRIPTION OF SIGNIFICANT RISKS AND THEIR MANAGEMENT

In the area of implementing Social Policy Issues, the identified risks from previous years and the way of managing them have been analyzed. The following risks are still considered significant:

- **Choosing an unreliable social partner**
To prevent this risk, the credibility of social partners is checked by seeking opinions, conducting interviews, and verifying information on websites.
- **Choosing an unreliable business partner**
Companies verify the credibility of business partners through online databases, cooperation history, seeking opinions from other partners, applying an internal procedure for selecting suppliers, and signing contracts

related to cooperation.

- **Financial and tax risk**
Considering this risk, companies identify legal requirements, apply due diligence to the tax qualification of social projects, and external and internal audits are conducted,
- **Product defects and consequently, loss of reputation and customers**
A significant portion of the Group’s manufacturing companies have implemented and certified a quality management system that reduces the occurrence of this risk. In other companies, production quality control procedures are also in place, and a qualified staff with extensive experience maintains processes at a high level.
- **Non-compliant and untimely product deliveries and consequently, loss of reputation and customers**
To minimize the possibility of this risk, the Group oversees and monitors the timeliness and quality of deliveries on an ongoing basis. Production planning is carried out in such a way that materials can be ordered on time. Contractual commitments are analyzed in terms of production volume in relation to production capacity. Additionally, companies within the Group solve problems together and can count on mutual support.



Prevention of corruption



The principles of the Sanok Rubber Group’s strategy in this area are described in the Code of Ethical Conduct of the Sanok Rubber Group.

ANTI-CORRUPTION POLICY

Employees of the Sanok Rubber Group are required to adhere to the highest standards of honesty in relationships with colleagues and business partners. Group employees are prohibited from using business contacts to gain benefits, whether personal or on behalf of others, or to act against the interests of the Group. No employee of the Sanok Rubber Group grants or receives profits that would affect their decision-making process.

The Sanok Rubber Group complies with the principles of fair competition, prevention of bribery, illegal payments, and corruption. The duty of Group employees is to avoid corrupt behaviors, such as accepting or offering financial, personal, or other benefits that could be considered inappropriate compensation or benefits in the course of conducting business activities.

An improper benefit is one that may be considered a bribe to the recipient, given in order to fulfill their official duties as expected by the giver of the financial benefit. Such a prohibited benefit may consist of cash, gifts, entertainment or leisure travel, or other services. However, it does not apply to business meetings (lunches, dinners) with customers or business partners that take place as part of carrying out official duties, as well as minor occasional gifts given and received by business partners.

We recommend that gift funds be donated to a noble cause designated by us, rather than occasional gifts being given to our employees.

We do not engage in activities recognized as money

laundering, nor do we accept or use money that arises from criminal acts. Before entering into business cooperation, we verify the credibility of the partner and the legality of their business activities.

Within the Group, we prevent conflicts of interest and respect property rights.

DESCRIPTION OF THE RESULTS OF POLICY IMPLEMENTATION

[SRC-52] By implementing an anti-corruption policy, the Sanok Rubber Group undertakes a number of actions aimed at reducing the risk of this abuse. These actions include:

- providing employees and contractors with information about the Group’s policy on anti-corruption, bribery, and conflict of interest prevention,
- conducting training on the content of the Code of Ethical Conduct,
- supervising employees’ actions by their superiors,
- verifying the credibility of business partners and the legality of their activities,
- using only legal software in accordance with the law,
- ensuring fair payment for acquired or used property,
- applying the principle of confidentiality of information by employees,
- entering into agreements with contractors,
- introducing provisions on anti-corruption in investment contracts and orders in Sanok RC SA,
- implementing the Anonymous Violation Reporting Procedure in Sanok Rubber Company SA,
- issuing periodic reports on the implementation of the anti-corruption policy in Sanok
- Sending a letter to Sanok RC SA’s contractors recommending the transfer of Christmas funds to a noble

cause supporting an institution or foundation working for the public good.

[SRC-53] During the reported period, there were no cases of corruption in the Sanok Rubber Group, therefore no actions were taken in this regard. No legal proceedings related to corruption were filed against the organization during the reporting period. Given the size of the Group, locations of subsidiaries, diversity of activities, and number of stakeholders, indicator SRC-53 Confirmed cases of corruption and actions taken was considered a key indicator.

[SRC-51] During the reported period, the Sanok Rubber Group complied with the principles set out in the Code of Ethics, including those related to respect for human rights and anti-corruption measures, by gradually passing them on to our suppliers. The parent company obtained declarations of compliance from its suppliers. In companies where supplier audits were conducted and the Sanok Rubber Group’s Code of Ethics was provided, no violations of the principles described in the Code were identified.

DESCRIPTION OF SIGNIFICANT RISKS AND THEIR MANAGEMENT

Although no cases of corruption were recorded in the Group, due to its size, location, diversified activities, and multitude of stakeholders, potential risks of corrupt actions were identified. The Group manages identified risks by implementing the principles of conduct contained in the Code, supervision of superiors over employees’ actions, and transparent procedures for selecting suppliers of goods and services in production companies. All employees of the Group and non-employees have the opportunity to report any irregularities.





DUE DILLIGENCE

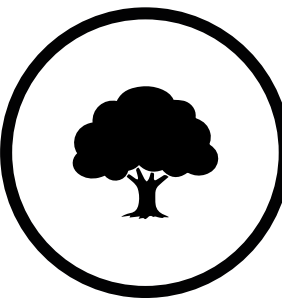
The Sanok Rubber Group carries out all tasks with due diligence, using the necessary knowledge, skills, and experience of its employees. Due diligence of Group employees is demonstrated by conscientious task execution, compliance with legal regulations, customer specifications, technical standards and requirements. Tasks are performed on time and lead to the achievement of set goals. In almost all production companies, a quality management system has been implemented and certified, in two - an environmental management system, in the parent company - a health and safety management system. A number of procedures and instructions have been developed, which provide a framework for proper process implementation. In other subsidiaries, the principles of conduct are adopted from the parent company, which monitors the proper implementation of tasks. The Sanok Rubber Group’s Code of Ethics defines standards of due conduct in the area of human rights, social issues, and anti-corruption.

Similarly to previous years, confirming the application of due diligence, we present examples referring to individual areas:



EMPLOYEES

The Group undertakes a number of activities, such as identifying needs and analyzing employee opinions, basing the recruitment process on the qualifications and skills of job applicants (analyzing CVs, conducting job interviews, openly conducting recruitment processes by directing offers to the internal and external job markets), supporting professional development (providing access to training, courses, and funding for employees’ post-graduate studies), paying salaries in accordance with applicable law, and on time. In terms of training in every area, we ensure that the training is conducted by competent individuals who are specialists in their fields.



ENVIRONMENT

The production companies within the Group monitor the impact on the environment. Where required, they carry out measurements of dust and gas emissions, noise levels, and the quality and quantity of wastewater in accordance with local laws. In addition, all quantitative data is based on actual monitoring, not estimates. We take due care in monitoring the quantity of discharged wastewater, using legalized meters and equipment subject to inspections.



SOCIETY, HUMAN RIGHTS & PREVENTION OF CORRUPTION

The ethical principles and the ways to report any breaches of these principles are communicated to all employees in the Group. The Ethics Ombudsmen disseminate the rules of conduct included in the Code of Ethics, support employees in complying with the Code, explain doubts regarding compliance with the rules, and take explanatory actions in cases of their violations. Employees have the opportunity to report violations to the Ethics Ombudsmen, superiors, and the company’s management. Acting in accordance with the principle of due diligence, the rules set out in the Code of Ethics, including those concerning respect for human rights, anti-corruption measures, and social issues, are transmitted throughout the value chain.



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Piotr Szamburski
President of Management Board

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Rafał Grzybowski
Vice - President of Management Board

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Marcin Saramak
Vice - President of Management Board

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Piotr Dołęga
Management Board Member

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Martijn Merks
Management Board Member



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