

**Secop Group Holding
GmbH, Flensburg**

*Non-Financial Report as
of 31 December 2021*

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1. Notes on the report contents and the regulatory framework

The entry into force of the CSR Directive Implementation Act (“CSR-RUG”) has established new reporting obligations for Secop. For the very first time, in the 2021 financial year we are required to supplement our financial reporting with material non-financial aspects of our business activities in the areas of employee matters, environmental matters, combating corruption, social matters and human rights.

The separate non-financial report of the Secop Group for the 2021 financial year is prepared in accordance with Sections 289b et seq. and 315b et seq. of the German Commercial code (HGB). The statements made in this consolidated non-financial report relate to the subsidiaries included in the consolidated financial statements of Secop Group Holding GmbH over which Secop Group Holding GmbH holds a controlling influence either directly or indirectly. Given that Secop Group Holding GmbH, as an individual company, did not employ more than 500 staff on average in 2021, Secop Group Holding GmbH itself is not required to prepare a separate non-financial report.

According to the CSR-RUG, Secop is required to report on the material risks associated with the business activities of the Secop Group. These are risks that are very likely to occur and which have or will have serious, negative effects on the non-financial aspects. According to an assessment by the Management Board of Secop Group Holding GmbH, no such risks exist.

The Secop Group takes its social responsibility seriously within the scope of its business activities. Secop therefore takes a structured approach to continuously monitor the developments on the German technology and financial services market and in the Secop Group and analyses how these developments impact on the business activities of the Secop Group. In light of this, Secop has identified its material CSR topics. In this case, the focus was on identifying topics that are directly linked to the commercial success and business development of the Secop Group. This materiality analysis showed that the topics of employee and environmental matters as well as combating corruption are linked to the business activities of the Secop Group. As a result, this non-financial report focuses on these three topic areas.

In the Secop Group Holding GmbH Management Board, Frank Elsen (CFO) is responsible for employee and environmental matters as well as for combating corruption. The entire Management Board is responsible for social matters and human rights. The key performance indicators on the non-financial aspects of corporate management are reviewed at appropriate intervals and evaluated by the Secop Group Holding GmbH Management Board. This allows potential deviations to be identified at an early stage and corrected by taking suitable countermeasures.

The national and international regulatory frameworks for the sustainability reporting only coincide with the reporting elements required by CSR-RUG in parts. In addition, the terminology used by the frameworks also differ from that used in the CSR-RUG, making the reporting more difficult to follow. Secop has therefore decided to prepare the non-financial report without reference to a regulatory framework.

2. Business model

Secop Group Holding GmbH is the parent company of the Secop Group companies (“Secop Group”). The Secop Group develops, produces and distributes hermetic compressors for cooling applications worldwide. This involves the use of raw and input materials such as steel, copper, aluminium and electronic components, which play an important role in the compressor control system. These raw materials are then used to manufacture compressors for domestic appliances as well as commercial and mobile equipment at the Secop Group’s production plants. The marketing and sales organisations are responsible for the global sale of the goods. The Application Engineering division provides customer service and technical sales activities with engineering expertise for the Secop Group customers.

Secop supplies advanced refrigeration compressors and controls, and provides customers with customised, sustainable solutions for light commercial, battery-powered and special cooling applications. We have a long and successful history in energy-efficient and environmentally-friendly refrigerant projects with innovative solutions for compressors and control electronics.

The Secop Stationary Cooling division (AC-supply compressors for static application) supplies compressors for light industrial applications in food retail, restaurants, merchandising, medical and special-purpose applications as well as for selected domestic applications.

The Secop Mobile Cooling division (battery-driven DC supply for mobile applications) is a global leader in hermetic high-performance DC compressors, e.g. cars, lorries, recreational vehicles, portable boxes, solar vaccination refrigerators and other mobile applications.

A more detailed description of the Secop Group’s business model is provided in the “Business and framework conditions” section of the management report in the Secop Group Holding GmbH annual report.

Secop has a long history of successful projects in the introduction of energy-efficient and green refrigerants, with innovative solutions for compressors as well as the control electronics. Secop is able to rely on exceptional know-how and reliable solutions to support cooling applications in core cooling segments, such as medical refrigeration, solar vaccination refrigerators and mobile medical solutions.

3. Employee matters

The employees are a decisive competitive factor for the Secop Group’s business model. The continued success and development of our Group relies largely on well-trained and motivated employees. Their qualification, commitment, creativity and motivation are what shape our future viability and competitiveness. Our work in the area of HR and organisational development is therefore constantly focussed on identifying talented individuals, attracting and retaining these individuals and ensuring their targeted ongoing development.

As a result, the aim of the concept in the area of employee matters is to make sure that employees identify strongly with and are passionate about their own work, that of the specific subsidiary and the Group as a whole.

A further point concerning employees is safety at the production sites, as working on machines is associated with a greater risk of accidents. At the Secop Group, encouraging and supporting occupational health and safety is therefore a vital factor for improving the well-being of employees. With respect to work safety, all Secop Group employees receive work safety training once a year. In addition, the production facility in Slovakia has been certified in line with ISO 45001 for occupational health and safety. A similar local standard has also been introduced in China.

Secop has therefore introduced several concepts to improve and measure employee matters. Annual performance reviews and annual salary reviews are held with employees. Important KPIs are collected and monitored at the Group level (e.g. turnover) to improve employee matters. Moreover, the Secop Group has launched a staff development program in the Group. Beyond this, the Secop Group also supports employee satisfaction on a voluntary basis by handing out vouchers to employees and supporting staff parties (such as Christmas parties).

4. Environmental matters

The Secop Group takes its responsibility towards society and future generations very seriously and takes measures to reduce greenhouse gas emissions and to support the responsible use of resources. Energy efficiency is critical for the Secop Group, as the manufacture and operation of cooling compressors requires a great deal of energy. Secop is therefore endeavouring to use more natural materials (e.g. refrigerants) to replace the artificial materials. Besides this, the Secop Group is constantly advancing and refining its compressors to keep energy consumption during operation to a minimum.

The operation of the production facilities and administration buildings requires energy and involves environmental risks. This generates costs as well as harmful emissions in the form of CO₂ and other greenhouse gases as well as water consumption. The Secop Group has already achieved a high environmental standard, as the two plants in Slovakia and China are ISO 14001:2105-certified and operate a verified environmental management system. Both plants were successfully recertified in 2020.

At the production sites, environmental responsibility has been assigned to dedicated local employees (e.g. EHS and environmental officers). Environmental indicators, such as energy and water consumption as well as the quantities and types of waste, are monitored. In addition, the greenhouse gas emissions at the production site in Slovakia are monitored.

The acquisition of new headquarters in Flensburg allowed Secop to reduce its environmental footprint, as it is operated entirely using green power. Besides this, the sites in Slovakia and Austria are also run entirely on green power.

The Secop Group employees as well as the staff at all other locations sort the waste that is generated in the offices and production areas. Scrap metal, circuit boards and plastics are collected in separately marked waste containers and disposed of by certified waste management companies.

The latest video conferencing systems make communication with subsidiaries or even customers and suppliers more efficient while additionally reducing business trips.

At the same time, environmental matters are also considered in the supply chain process, as Secop has introduced a supplier code of conduct that applies for all suppliers worldwide (also refer to the corruption section). In addition, the Secop Group is subject to the strict European and US environmental regulations (REACH, RoHS and Dodd-Frank Act), with which all suppliers are also required to comply.

5. Combating corruption

The Secop Group is committed to the principles of the free market economy and fair competition. We are resolutely opposed to corruption. We operate our businesses exclusively based on the principle of performance and on the basis of free and unrestricted competition.

The Secop Group does not accept any form of corruption or other criminal offences, such as extortion, fraud, bribery or the acceptance or granting of advantages. The goal of the anti-corruption concept and measures is to prevent all cases of active or passive corruption. In this case, the performance indicator is the number of such violations.

We expect every employee to act in compliance with the law and in accordance with our internal guidelines to prevent even the mere appearance of corrupt behaviour. To implement these principles, the Secop Group Holding GmbH Management Board published an Ethics Manual back in 2012 and in 2021 also commissioned an external assessment by TAUW GmbH to test the introduced internal control system.

As neither passive nor active cases of corruption have had to be pursued at Secop to date, we consider the measures that we have taken to be effective. Preventing violations will also remain the objective in the future and will be reviewed annually.

We have not identified any anti-corruption-related risks that are likely to occur and which have or will have a material, negative impact on the reportable aspects.

6. Human rights

It goes without saying that Secop Group Holding GmbH is committed to respecting human rights and preventing forced and child labour. Secop does not tolerate any violations of the UN Universal Declaration of Human Rights.

The Secop Group's core business is directly affected by the classic supply chain risks of production companies. Secop suppliers are domiciled in Western industrialised countries (Europe and USA) as well as China. These companies are subject to strict human rights regulations. In addition, all suppliers must observe Secop's strict code of conduct and verify its implementation with appropriate certifications and measures, which are audited by the Secop Group. Secop has therefore established a specific concept and concrete measures in this area.

Secop Group Holding GmbH is not aware of any violations of human rights by suppliers or service providers.

In 2021, the Secop Group started establishing a group-wide compliance management system. A future Chief Compliance Officer has been selected and has been undergoing

training since 2021. Moreover, in 2021, the Secop Group also started setting up a whistleblower system in line with the EU Whistleblower Directive.

We have not identified any human rights risks that are likely to occur and which have or will have a material, negative impact on the reportable aspects.