

Secop Group
Holding GmbH



Non-financial report as
of 31 December 2022

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1 Explanation of the content and framework

As defined in the 2018 CSR Directive Implementation Act (CSR-RUG), since 2021 Secop has been required to publish additional disclosures due to its involvement in a regulated market. The Act states that we are obliged to supplement our financial reporting with substantial non-financial aspects of our business activities in the areas of environmental matters, employee matters, combating corruption, social matters and human rights.

The separate non-financial Group report (“non-financial report”) of the Secop Group for the 2022 financial year was prepared in accordance with Sections 289b et seqq. and 315b et seqq. of the German Commercial Code (HGB). The disclosures in this non-financial Group report relate to the subsidiaries included in the consolidated financial statements of Secop Group Holding GmbH over which Secop Group Holding GmbH has a direct or indirect possibility to exercise a controlling influence. As the company Secop Group Holding GmbH did not employ, on average, more than 500 staff in 2022, Secop Group Holding GmbH itself is not required to prepare a non-financial statement.

According to the CSR-RUG, Secop is required to report on substantial risks linked to the Secop Group’s own activities. These are risks whose occurrence is highly likely and which have or will have serious, negative effects on the non-financial aspects. In the assessment of the Management Board of Secop Group Holding GmbH, an environmental risk exists, further risks could not be identified. Additional disclosures on the business risks are contained in the associated management report.

The Secop Group takes its social and environmental responsibility within the scope of its business activities seriously. The Secop Group therefore employs a structured method to continuously monitor the development on the global technology market and analyses how these developments impact on the Secop Group’s business activities. In light of this, Secop has identified substantial CSR topics.

The focus in this respect was to ensure that the selected priorities are directly associated with the business activities and the economic development of the Secop Group. This materiality analysis showed that the topics of environmental matters, social matters and governance are related to the Secop Group’s business activities. This non-financial report is therefore focussed on these three topic areas.

The entire Secop Group Holding GmbH Management Board is responsible for the topics of the environment, social matters and governance. The key performance indicators concerning non-financial aspects of corporate governance are reviewed at appropriate intervals and evaluated in the Secop Group Holding GmbH Management Board. This ensures that possible deviations are detected at an early stage and can be corrected by taking suitable countermeasures.

The sustainability reporting requirements of the public, standard setters and EU

institutions are currently undergoing a period of sweeping and rapid change. Secop is attentively monitoring the changing requirements and as part of its sustainability strategy it has set itself the goal of improving the quality and scope of its reporting. This sustainability report meets the sustainability reporting requirements as defined in Section 289 HGB, but some sections also already draw on published drafts of the extended EFRAG sustainability reporting standard within the scope of EU Directive 2022/2464.

2 Business model

The Secop Group develops, produces and sells hermetic compressors for cooling applications worldwide. In pursuing this business, it uses raw and input materials, such as steel, copper, aluminium and electrical components that are essential for the compressor control systems. The raw materials are used to manufacture compressors for household appliances, commercial appliances and mobile appliances in the Secop Group production facilities. The marketing and sales organisations are responsible for the global sale of the goods. The Application Engineering division provides customer service and technical marketing activities with engineering expertise for Secop Group customers.

In the **Stationary Cooling** segment, the Secop Group sells compressors for commercial cooling applications, which mainly include compressors for bottle coolers and glass door refrigerators, compressors for commercial refrigerators and compressors for supermarket freezers and marketing coolers. In the **Mobile Cooling** division, the Secop Group sells compressors for mobile applications, which primarily include truck refrigerators, car minibars, spot coolers, battery/accumulator coolers in the telecommunications sector and cool boxes for private and medical applications. In the **Medical Cooling** segment with its stationary and mobile solutions, Secop is a reliable partner to leading companies that support the development of a global ULT (ultra-low temperature) supply chain and optimise the medical cold chain with green and efficient solutions.

Secop Group Holding GmbH is the Group's head office for directly and indirectly held wholly-owned subsidiaries, including Secop GmbH (Flensburg/Germany) as the administrative site and distribution centre, Secop Holding GmbH (Flensburg/Germany), Motor Competence Center Holding GmbH (Flensburg/Germany), as the R&D competence centre, Secop s.r.o. (Zlaté Moravce/Slovakia) as a production site, Secop Compressors (Tianjin) Co., Ltd. (Tianjin/China) as a production site and Secop Austria GmbH (Gleisdorf/Austria) as a research site. This is joined by Secop Inc. (Roswell/USA) a sales and service company and Secop Italia S.r.l. (Milan/Italy), a sales and marketing support unit. Both Secop GmbH and Secop Inc. as well as the production sites sell compressors to third parties. The development expertise primarily resides in the Austrian site in Gleisdorft (near Graz) and the Motor Competence Center GmbH in Flensburg (Germany). The sales activities at the European sites are coordinated by the German company Secop GmbH. Secop Compressors (Tianjin) Co., Ltd. operates production facilities and also has its own sales organisation for the Chinese market.

The USA operates a sales organisation as well as a separate warehouse for products that are imported from the Secop Group’s own plants in Slovakia and China.

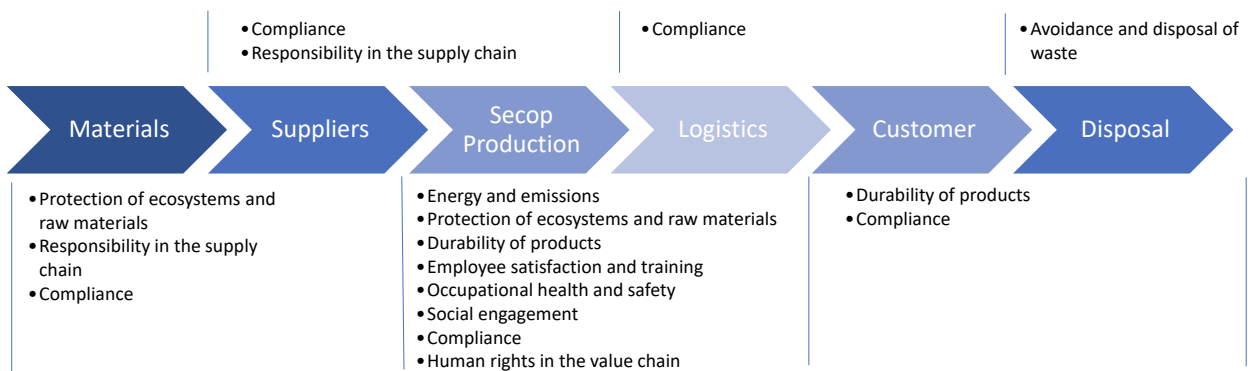
Secop has a long history of successful projects in the introduction of new, energy-efficient and green refrigerants as well as the presentation of innovative solutions for compressors as well as the control electronics. Secop is able to rely on exceptional know-how and reliable solutions to support cooling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

Risks

Just like every corporate action, the business activities of the Secop Group are associated with risks that are split into financial and non-financial risks. The non-financial risks and their effects are regularly reviewed and have been included in the routine risk management activities. As a result of the risk assessment, no non-financial risks with a very high probability of occurrence and significant negative effects on the non-financial concerns associated with own business activities as well as business relationships, products and services were identified. With regard to the financial risks, reference is made to the disclosures in the Group management report.

Value added and its relevant characteristics

The company analysed the various characteristics and risks based on the value chain, see figure.



Protection of the environment in the value chain

Besides the economic challenges, Secop is also focussed on environmental matters. The artificial refrigerants used make a substantial contribution to pollution in the atmosphere and so contribute directly to climate change, while the resources used also have a direct influence on climate change. The responsible use of resources is therefore extremely important to Secop. As a result, Secop has constantly optimised its products in particular, as well as its production methods over past decades to improve its contribution to climate change mitigation and

reduce its environmental footprint. The protection of ecosystems as well as their raw materials, the durability of the products and the prevention of waste are extremely important to the Secop Group.

3 Environment

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. This responsibility is reflected in both the carbon emissions and in the refrigerants used.

Energy efficiency is therefore critical for the Secop Group, as the manufacture and operation of air-conditioning compressors requires a great deal of energy. As a result, the Secop Group is constantly advancing and refining its compressors to keep energy consumption to a minimum during operation while at least keeping the cooling power constant. The second environmental aspect is the use of artificial refrigerants, which also has a negative impact on climate change. Secop is therefore striving to make greater use of natural materials (e.g. natural "green" refrigerants) to replace the artificial materials and protect the climate.

3.1 Climate change

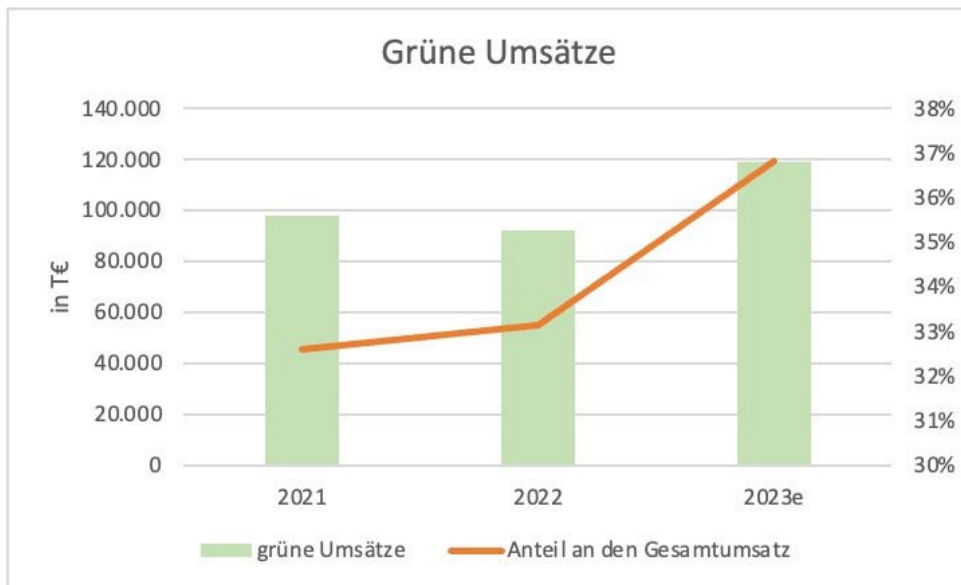
Secop is aware of its responsibility for climate change and is endeavouring to reduce its environmental footprint. The strategic framework is established by the entire Secop Group Management Board. In addition, the company has a central CTO (Chief Technology Officer) who is responsible for the entire R&D area. This internal Group structure with a central CTO and a Programme Office allows the company to quickly develop and implement strategies for environmental matters.

The central strategy for environmental matters is developed under the following considerations:

- Secop acknowledges the existence of climate change caused by humans.
- Secop supports environmental protection and creates awareness of environmental matters.
- Secop is committed to reducing greenhouse gas emissions and waste as well as to the more efficient use of raw materials and energy wherever reasonably possible.
- Secop is committed to the use of clean energy sources rather than fossil fuels wherever reasonably possible.
- Secop is committed to regularly reporting on environmental matters and submitting itself to external audits.

The Secop Group has therefore set itself the following goals in this area. The efficient use of raw materials as well as the realisation of potential savings in greenhouse gas emissions. Greenhouse gas savings are generated by reducing energy consumption or reducing or replacing harmful artificial greenhouse gases

("artificial refrigerants").



Grüne Umsätze = Green turnover

Anteil am Gesamtumsatz = Proportion of total turnover

Secop is pursuing the goal of further increasing the proportion of "ecological" compressors¹ with variable drive in 2023 and beyond in the short- and medium-term². The goal is to achieve a proportion of 37% of total turnover in 2023. The company classifies all compressors with a variable drive as environmentally-friendly "green" compressors.

Secop has introduced the following measures to implement the goals:

Energy use

By moving into its new headquarters in Flensburg, which are operated entirely on green power, Secop was able to reduce its environmental footprint in Germany. Besides this, the site in Austria is also run entirely on green power. In addition, the Secop Group endeavours to primarily use renewable energy at the production sites. In Slovakia, the proportion of purchased non-renewable energy was further reduced. This proportion was able to be reduced from 19.25% in 2020 to 11.73% in 2021. Due to the necessary energy consumption in Slovakia, opportunities for

¹ All of the company's compressors with variable drive are classified as environmentally "green" compressors (numerator). The denominator is the IFRS turnover. Turnover is measured based on the respective IFRS standards adopted by the EU.

² The following time horizons are defined for the purposes of this report: "short-term" refers to one year, "medium-term" refers to a period of one to five years and "long-term" to a period of five to ten years. The term "very long-term" is used for projections beyond ten years.

installing photovoltaics on the plant roof have been explored to reduce this proportion even further. This was also examined for the Group headquarters in Flensburg. Unfortunately, legal constraints prohibit the company in China from selecting alternative electricity sources for the plant. In 2021, energy savings allowed the energy consumption at the two production sites to be quickly reduced from 31.33 GWh the previous year to 28.92 GWh.

Carbon emissions

The Secop Group products and developments make a valuable contribution to the reduction of man-made climate change. Management is aware of the topic of climate change and this is reflected in the company's mission and vision.

Secop is therefore striving to reduce its carbon emissions by developing energy-efficient compressor solutions. Calculations of the carbon emissions of old products compared with the new Secop technology and the resulting reduction in carbon emissions were carried out.

The new KLF platform provides a low carbon footprint while simultaneously increasing power. The new BDnano mobile cooling platform will be launched on the market in 2023, whose performance in terms of transport stability, dynamic noise development, cooling and energy output is unmatched anywhere in the world.

The operation of the production facilities and administration buildings requires energy and involves environmental risks in the form of various emissions. This generates costs as well as harmful emissions in the form of CO₂ and other greenhouse gases as well as water consumption. The latest video conferencing systems make communication with subsidiaries or even customers and suppliers more efficient while also reducing business trips, which saves on carbon emissions. In 2021, the company generated 3,013t of CO₂-equivalent Scope 1 emissions and 12,559t of CO₂-equivalent Scope 2 emissions.^{3 3}

The Secop Group has already reached 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.

Monitoring

To date, Secop has only introduced a small number of key performance indicators to monitor environmental matters (e.g. emission quantity, energy consumption, water emissions and harmful waste), but the company is working intensively on identifying additional KPIs for environmental matters as well as their monitoring and improvement. In addition, the company undergoes an external audit in relation to ESG criteria each year.

³ No values for the entire Group are available for 2020. Only values for Slovakia are provided. In total, 2,392t of CO₂-equivalent Scope 1 emissions and 3,785t of CO₂-equivalent Scope 2 emissions were emitted.

3.2 Pollution

The production of compressors generates waste. The company is endeavouring to further reduce and minimise this waste. The company has already introduced a waste and disposal management system, including the separation of normal and harmful wastes as well as lubricant waste.

Dedicated local employees have been entrusted with environmental responsibility at the production sites (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.

Operating materials and chemicals

Secop uses large amounts of metals and operating materials in production as well as for its products and is looking to reduce its footprint in this respect as well. From 2023 the company is therefore planning to introduce nickel-free phosphating in the production department in Slovakia. In addition, the company is seeking to switch its lubricants to environmentally-friendly products, e.g. in order to replace boric acid. At the same time, the company has developed a plan to prevent hazardous waste, such as slurry and mineral oils, in the production process. Secop Group employees already sort waste generated in production and in the offices. Scrap metal, circuit boards and plastics are collected in separately marked waste containers and disposed of by certified waste management companies. The company is effectively seeking to replace harmful operating materials with more environmentally-friendly substances. These activities led to a significant reduction in waste mineral oils and polluting substances. Harmful waste at the production sites was able to be reduced from 751.18t in 2020 to 699.04t in 2021.

The overview of environmentally harmful substances is constantly updated by the company and applies for all production sites. The lubricants (mineral oils) used do not contain any substances that fall under the Californian (US) guideline for safe drinking water ("Proposition 65"). In addition, the company ensures the clean and safe storage of liquid waste to prevent the pollution of drinking water catchments, particularly at the site in Slovakia. The drinking water at this site was monitored and given the all-clear by the authorities four times in 2022. Emissions in water within production department were able to be reduced from 0.00007473t to 0.00007133t.

By reducing pollution, the company has also set itself the goal of eliminating the only serious environmental risk and reducing pollution on the premises in Slovakia. The measures taken will ensure that the premises in Slovakia are no longer considered contaminated in future. The company believes it is highly likely that the premises will be officially removed from the list of contaminated sites in 2023.

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,

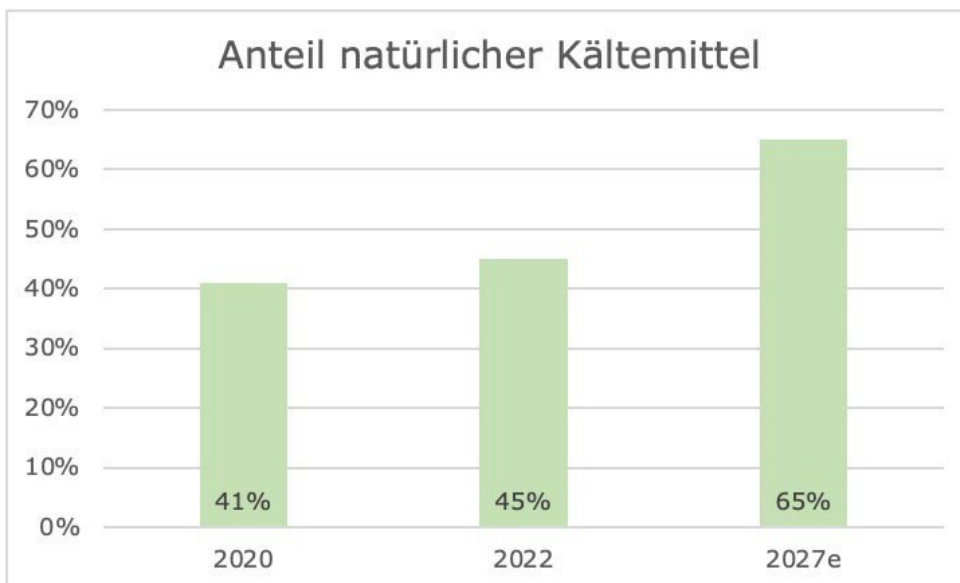
RoHS and Dodd-Frank Act), with which all suppliers are also required to comply. In 2022, Secop selected and audited the compliance of a number of suppliers.

The company has also audited numerous suppliers for compliance with environmental standards in the past and not identified any infringements. In China, the purchasing organisation conducted an on-site audit within China as well. Following the lifting of travel restrictions worldwide, on-site audits will once again be conducted from 2023.

3.3 Protection of ecosystems

Artificial greenhouse gases

Secop uses refrigerants manufactured on both an artificial as well as natural basis for its compressors. Artificial refrigerants in particular make a substantial contribution to climate change as well as carbon emissions. Secop is therefore seeking to reduce the use of artificially produced refrigerants and switch to natural refrigerants. In the financial year the company made a significant effort to launch new products based on natural refrigerants on the market. The new KLF platform, which is based on the natural refrigerant R290 (propane), reduces the carbon footprint by 5-10%.



Anteil natürlicher Kältemittel = Proportion of natural refrigerants

Secop's goal is to increase the proportion of compressors with natural refrigerants to 65% by 2027.⁴⁴

3.4 Durability of products

Product quality is critical for Secop, as this supports the extended use of the

⁴ The number of compressors with natural refrigerants is used as the numerator, while the total number of all compressors is the denominator.

products, which conserves the consumption of raw materials and protects the environment.

To ensure quality, the company has its own quality departments with in-house measuring and testing laboratories to permanently maintain its high quality standard. In addition, the company operates a quality management system in line with ISO 9001:2015, which has been recertified several times. Continuous quality controls are conducted during the manufacturing process to ensure the high quality of the products. If deviations from the defined quality standards are detected, the respective causes are identified and immediately eliminated. New technologies and processes are also constantly improving the characteristics and potential applications of the manufactured products, which is reflected in their durability, among other things.

4 Social matters

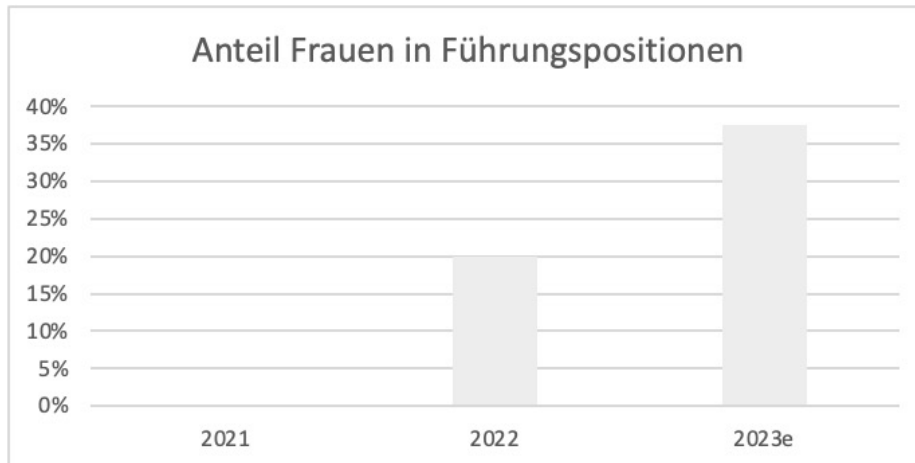
4.1 Employees

The employees are a key 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 the future viability and competitiveness of the company. 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. To reinforce the importance of employee matters, the HR role is also anchored directly in the Management Board through the CEO.

The primary goal for the Group in the area of employee matters is to build and maintain the strong identification and passion of employees for their own work, the relevant subsidiary and the entire Group.

Annual performance reviews and annual salary reviews are held with employees to further improve HR matters. There are also plans for an internal training programme to further expand and develop the skills of employees. Important KPIs are collected and controlled at the Group level (e.g. turnover) to monitor employee matters.

In 2022, the company also conducted analyses on the "Gender Pay Gap". The company was able to reduce the gap to 3% last year. In addition, the company is looking to further expand the proportion of women in management positions. In Slovakia, more than half of the local management positions are held by female employees.



Anteil der Frauen in Führungspositionen = Proportion of women in management positions

To achieve this goal, the company has initiated support programmes for female managers and adjusted the criteria for recruitment. In the past year, the proportion of women in top management increased by 20% to one woman. This proportion is expected to be increased further in 2023 to a total of three women in top management as well as the advisory committees.

Beyond this, the Secop Group also supports employee satisfaction on a voluntary basis by supporting staff parties (such as Christmas parties). In addition, the company is endeavouring to further increase its attractiveness as an employer with additional incentives (e.g. bike leasing in Germany), which are already being included in job advertisements. The Secop Group also works together with local universities to attract working students or interns in order to generate a future pool of suitable employees. To make the company even more attractive, it plans to further expand its HR marketing activities in 2023.

A further point concerning employees is occupational 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. As a result, no serious work accidents have occurred in the past three years. China has not reported any accidents that have led to a multi-day absence from work since 2020, while Slovakia recorded two incidents that led to an absence from work in 2022. No associated incidents occurred in 2020 and 2021.

Secop's goal is to further improve the already high level of occupational safety. To achieve this goal, employees are briefed on occupational safety in line with the legal regulations as well as receiving monthly training in specific areas. Moreover,

this matter is also incorporated in the bonus system for the company's middle management.

5 Governance

5.1 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 will 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 enforce these principles, the Secop Group Holding GmbH Management Board released an Ethics Manual back in 2012. The Ethics Manual was revised in 2022 and translated into all relevant languages. All Secop Group employees were also reminded of their obligation to comply with the ethical guidelines. The manual was also published on the company's homepage to make it accessible to external stakeholders, such as suppliers. Moreover, the company introduced a whistle-blower system.

The external evaluation, implemented by TAUW GmbH in 2021, was joined by an additional external assessment by TAUW GmbH in 2022 to test the introduced internal control system as well as the newly introduced measures.

As neither passive nor active cases of corruption have had to be pursued at Secop to date, we assume that the measures we have taken are effective. Preventing violations will 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.

However, the company intends to continue to expand the compliance management system in 2023 by appointing a compliance officer. In addition, the company is considering a move to certify the strengthened compliance system in accordance with ISO 37301 by the end of 2024.

5.2 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 either in its supply chain or in its Group.

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. In 2022, all distributors that sell Secop products to end customers had to accept Secop's new ethical code of conduct. Suppliers are not currently included in the process, but are still required to follow the strict guidelines on human rights by accepting the Secop terms and conditions. Secop has therefore established a specific concept and concrete measures in this area. The Secop terms and conditions will be revised once again in 2023 with regard to sustainability and compliance.

Moreover, the Group has initiated a project that involved the development of a questionnaire that was sent to customers and suppliers. Of the 300 supplier questionnaires sent, more than 70% were returned, a pleasing result. The company intends to include the ESG criteria in the supplier selection process to guarantee the implementation of the standards at all times. After the coronavirus restrictions were lifted around the world, in 2023 the Group resumed its on-site supplier audits, extended by ESG criteria.

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

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.

6 Classification of economic activities in line with the EU taxonomy

6.1 Notes on the Taxonomy Regulation of the European Union

Background and objectives of the Taxonomy Regulation

The European Union (EU) is pursuing the goal of climate neutrality by 2050 and the resulting "Sustainable Finance" action plan aims to support investments in sustainable economic activities. Regulation (EU) 2020/852 (the "Taxonomy Regulation" or "Regulation") is an essential part of the action plan and provides a classification system in which economic activities that contribute to the achievement of the following six environmental objectives are defined: (1) climate change mitigation, (2) climate change adaptation, (3) the sustainable use and protection of water and marine resources, (4) the transition to a circular economy, (5) pollution prevention and control and (6) the protection and restoration of biodiversity and ecosystems.

According to the Taxonomy Regulation, economic activities are environmentally sustainable and taxonomy-aligned if they

- contribute substantially to the achievement of one or more of the six stipulated environmental objectives (substantial contribution),
- do not significantly harm the achievement of the five other EU environmental objectives (do no significant harm or DNSH) and

- comply with minimum social standards (minimum safeguards).

Every economic activity is assessed based on technical screening criteria, which the EU has only published and legally implemented for the first two environmental objectives. Based on the information currently available, the compulsory application of the screening criteria for the other environmental objectives is expected for the 2023 financial year. Disclosures for the 2022 financial year are therefore merely required for these two objectives.

An economic activity is deemed to be taxonomy-eligible if it matches the description of the activity as per Annexes I and II of the delegated Act of 4 June 2021. Taxonomy-alignment additionally requires an economic activity to satisfy the technical screening criteria and that minimum social standards are verifiably observed when carrying out the economic activity.

Full reporting for the 2022 financial year

In light of the Taxonomy Regulation, for the 2022 financial year Secop is providing a full report on the proportions of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) attributable to taxonomy-eligible and non-taxonomy-eligible economic activities as well as, for the first time, on proportions attributable to taxonomy-aligned and non-taxonomy-aligned economic activities.

The current reporting includes the two environmental objectives of climate change mitigation and climate change adaptation, whereby Secop's economic activities target the climate change mitigation and protection of ecosystems objective.

The following assessment and reporting is based on Taxonomy Regulation (EU) 2020/852 that entered into force in July 2020. In addition, delegated Regulation (EU) 2021/2139 establishing the technical screening criteria of June 2021 and delegated Regulation (EU) 2021/2178 specifying the information to be disclosed of July 2021 are taken into account. Moreover, additional relevant publications associated with the Taxonomy Regulation were taken into account.

The technical screening criteria as defined in the Taxonomy Regulation was used to conduct a comprehensive "Top Down" analysis of all of Secop's economic activities. The activities identified based on the analysis were then assigned to the economic activities defined in the Taxonomy Regulation and the other delegated Regulations. The newly identified activities from this "Top Down" analysis were then discussed, verified and, where applicable, supplemented by division managers at the production plants and the managers in charge based on the "Bottom Up" approach. In addition, taxonomy-alignment was reviewed for the first time in the 2022 financial year. To do so, the economic activities identified as taxonomy-eligible were reviewed with regard to the technical screening criteria as well as compliance with the minimum safeguards and finally assessed and documented.

A possible substantial contribution to the environmental objectives of (1) climate change mitigation and (2) climate change adaptation was individually reviewed at the product level for every taxonomy-eligible economic activity. Within the scope of the analysis, Secop exclusively identified economic activities that make a

substantial contribution to climate change mitigation.

The DNSH criteria primarily make reference to legal requirements and regulations that apply in the EU and can be reviewed at the local level. Management discussed and assessed specific environmental requirements with local management or with the central functions, such as Quality, HSE, Compliance and Risk Management. To the extent that the Taxonomy Regulation requires individual criteria to assess the taxonomy-alignment, these were analysed and assessed for the specific product and location.

The Secop Group reviewed its product portfolio in line with the Taxonomy Regulation and was able to identify one economic activity for the purposes of taxonomy. An important goal when developing compressors is the contribution to climate change mitigation through energy efficiency and the protection of the ecosystem by reducing harmful greenhouse gases in the form of refrigerants. According to the review of the EU Taxonomy, we have a certain proportion of taxonomy-eligible activities. Secop therefore places great importance on economic activity "3.6 Manufacture of other low carbon technologies", as this particularly includes technologies that target a significant reduction in greenhouse gas emissions in other economic sectors. As part of the analysis of the product portfolio, economic activities were classified as taxonomy-eligible, which are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology available on the market.

Major interpretation issues and uncertainties still exist in connection with activity 3.6 "Manufacture of other low carbon technologies". As it stands, we are not able to provide appropriate evidence of emissions savings across the entire lifecycle compared to a comparable technology. We therefore do not have any other taxonomy-eligible activities.

<i>Economic activity for the purposes of the EU taxonomy</i>	<i>Description of the economic activities as per the EU taxonomy</i>	<i>Application of the economic activity at the Secop Group</i>
3.6 Manufacture of other low carbon technologies	Manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered in Sections 3.1 to 3.5 of the Annex of the EU Taxonomy Regulation.	Secop manufactures air-conditioning compressors that use an electric motor as a drive source. Secop is aiming to use variable-speed electric motors to further reduce energy consumption.

6.2 Definition of the key performance indicators

The definitions of the key performance indicators of turnover, capital expenditure and operating expenditure are essentially provided in the Taxonomy Regulation.

Turnover:

The turnover as reported in the consolidated statement of comprehensive income of the Secop Group is the denominator. The accounting and measurement policies presented in the separate notes apply accordingly. The numerator is the proportion of turnover that the Group companies have identified as taxonomy-eligible or taxonomy-aligned.

Capital expenditure:

The additions in the financial year, which are reported in the "Additions" row in the schedule of fixed assets under property, plant and equipment and intangible assets are the capital expenditure and therefore the denominator of the KPI. The accounting and measurement policies presented in the separate notes apply accordingly. The numerator is the proportion of capital expenditure that the Group companies have identified as taxonomy-eligible or taxonomy-aligned.

Secop is able to precisely determine capital expenditure, as project overviews exist for all R&D activities and the expenditure is recorded in a Group-wide project tool. As a result, all capital expenditure that is assigned to the variable drive project area is classified as taxonomy-aligned.

Definition of operating expenditure:

The denominator of the KPI is comprised of the direct, non-capitalised expenditure with research and development, leasing expenditure as well as the service and maintenance of machines and plants. The numerator is the part of the denominator that was identified as taxonomy-relevant by the Group companies. The taxonomy-relevant operating expenditure includes the expenditure directly and exclusively attributable to taxonomy-relevant products, technologies and applications. Examples include research and development costs, renovation costs for own buildings as well as the service and maintenance of machines and plants.

Proportion of the turnover from goods and services associated with taxonomy-aligned or -eligible economic activities for 2022

Economic activities (1)	Code(s) (5)	Absolute turnover (3) [T€]	Proportion of turnover (4) [%]	Substantial contribution criteria							DSNH criteria ('Does Not Significantly Harm')					Minimum, safeguards (17) [Y/N]	Taxonomy-aligned proportion of turnover, 2022 (18) [%]	Taxonomy-aligned proportion of turnover, 2021 (19) [%]	Category (enabling activity) (20) [E]	Category '(transitional activity)' (21) [T]		
				Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8) [%]	Pollution (9) [%]	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [Y/N]	Climate change adaptation (12) [Y/N]	Water and marine resources (13) [Y/N]	Circular economy (14) [Y/N]	Pollution (15) [Y/N]	Biodiversity and ecosystems (16) [Y/N]							
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (taxonomy-aligned)																						
Activity 3.6	C28.25	92,089	33%	33%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	33%	N/A				
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		92,089	33%	33%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	33%	N/A				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																						
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		0	0%													0%	N/A					
Total (A.1 + A.2)		92,089	33%													33%	N/A	/				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
Turnover of taxonomy-non-eligible activities (B)		185,674	67%																			
Total (A + B)		277,763	100%																			

CapEx proportion of goods and services associated with taxonomy-aligned or eligible economic activities for 2022

Economic activities (1)	Code(s) (s)	Absolute CapEx (3) [Currency]	Proportion of CapEx (4) [%]	Substantial contribution criteria						DSNH criteria (‘Does Not Significantly Harm’)						Minimum, safeguards (17) [Y/N]	Taxonomy-aligned proportion of CapEx, 2022 (18) [%]	Taxonomy-aligned proportion of CapEx, 2021 (19) [%]	Category (enabling activity) (20) [E]	Category ‘(transitional activity)’ (21) [T]		
				Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8) [%]	Pollution (9) [%]	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [Y/N]	Climate change adaptation (12) [Y/N]	Water and marine resources (13) [Y/N]	Circular economy (14) [Y/N]	Pollution (15) [Y/N]	Biodiversity and ecosystems (16) [Y/N]							
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (taxonomy-aligned)																						
Activity 3.6	C28.25	6,522	34%	34%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	34%	N/A				
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)			34%	34%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	34%	N/A				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																						
Activity 3.6	C28.25	2,275	12%																			
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)			12%														12%	N/A				
Total (A.1 + A.2)			46%														46%	N/A	/			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
CapEx of taxonomy-non-eligible activities(B)		10,210	54%																			
Total (A + B)		19,007	100%																			

OpEx proportion of goods and services associated with taxonomy-aligned or eligible economic activities for 2022.

Economic activities (1)	Code(s) (s)	Absolute OpEx (3) [T€]	Proportion of OpEx (4) [%]	Substantial contribution criteria							DSNH criteria (‘Does Not Significantly Harm’)				Minimum, safeguards (17) [Y/N]	Taxonomy-aligned proportion of OpEx, 2022 (18) [%]	Taxonomy-aligned proportion of OpEx, 2021 (19) [%]	Category (enabling activity) (20) [E]	Category ‘(transitional activity)’ (21) [T]
				Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8) [%]	Pollution (9) [%]	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [Y/N]	Climate change adaptation (12) [Y/N]	Water and marine resources (13) [Y/N]	Circular economy (14) [Y/N]	Pollution (15) [Y/N]					
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	%	%	%	%	%	%									0%	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Activity 3.6		0	0%																
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)(A.2)		0	0%															0%	
Total (A.1 + A.2)		0	0%															0%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of taxonomy-non-eligible activities(B)		15,468	100%																
Total (A + B)		15,468	100%																