MERCOR Group

Directors' Report on the operations of MERCOR S.A. and the MERCOR Group in the financial year from 1 April 2024 to 31 March 2025

Gdańsk, 30 July 2025

Contents

Letter from CEO

I am pleased to present the Directors' Report on the operations of the MERCOR Group for the 2024/2025 financial year.

This past year was marked by significant strategic decisions. On the one hand, MERCOR S.A. focused on the divestment of its mature natural smoke exhaust and fire ventilation segments. On the other, we pursued investments in modern safety solutions, including water mist fire suppression systems, the integration of Industry 4.0 technologies to enhance safety, and energy storage systems.

This summary provides an overview of the most important developments across MERCOR S.A.'s strategic business areas.

1. Shareholders

In November 2024, we signed a preliminary agreement for the sale of the natural smoke exhaust and fire ventilation business to the Kingspan Group. The total transaction value is PLN 420 million, with up to PLN 60 million of that amount deferred and contingent upon EBITDA performance in the following period.

The majority of the proceeds will be allocated to dividend payments for our shareholders. This reflects our ongoing commitment to our dividend policy – we have distributed a total of PLN 235 million in dividends since 2010.

A significant portion of the proceeds will also support further development of the Group's strategic business areas. Details of our growth plans following the transaction will be presented in the updated Development Strategy.

2. Business model

The MERCOR Group operates based on a proven business model that leverages high-quality engineering expertise and continuous improvement of its product range.

We design and manufacture end-to-end solutions tailored to individual customer needs, which are then delivered, installed, and, depending on the contract or project, maintained by the Group specialists.

We focus on the continuous development of our products by enhancing automation, creating dedicated software, and refining production processes.

3. Market

The market environment during the reporting year was challenging, primarily due to a downturn in construction activity. Despite the headwinds, we successfully secured new orders, which totalled PLN 574.8 million for the financial year from April 2024 to March 2025 – an increase of 2.3% year on year.

We are now beginning to see signs of a market rebound – from December 2024 to May 2025, the Group secured new orders worth PLN 292.6 million, representing a 19% increase compared with the same period in the previous year.

4. Reported results

In the 2024/2025 financial year, the Group generated revenue of PLN 507.4 million and recorded a net profit of PLN 16.6 million. The results were affected by transaction-related costs associated with the deal with the Kingspan Group (approximately PLN 7 million), as well as a lower volume of orders in some segments.

One noteworthy one-off event of the second quarter of the 2023/2024 financial year was the refund of income tax with interest, received following the conclusion of proceedings conducted by relevant authorities. It added some PLN 10.5 million to the Group's profit.

5. Solutions

The MERCOR Group remains focused on advancing its portfolio in the following areas:

- natural smoke exhaust systems (divested),
- fire ventilation systems (divested),
- business lines to be retained and developed following the planned transaction with Kingspan:
    - fire protections of building structures,
    - fire separations, fire-rated doors and gates,
    - active fire suppression (fixed water-based fire-fighting systems) – a product line initiated in the past financial year,
    - energy storage facilities,
    - industry 4.0 technologies.

In collaboration with mcr Tech Lab and Ela-Compil, we are developing innovative BMS/PSIM systems and bespoke software that integrates safety and energy management functions.

6. Structure

Upon completion of the transaction with Kingspan, the Group's headcount will be approximately 350 employees, compared with over 920 at present. Manufacturing operations will continue in Poland, Spain, Hungary, and Russia.

Post-transaction, the Group will concentrate on several strategic pillars: fire protections of building structures, fire separations, fire-rated doors and gates, Industry 4.0 solutions, energy storage, and active fire suppression. Full details will be presented in the updated Development Strategy.

7. Debt

Consolidated net debt to EBITDA ratio as at the end of the financial year ended 31 March 2025 stood at 2.1.

8. People

The MERCOR Group's core strength remains its skilled and experienced workforce. We are committed to supporting skills development while fostering team flexibility in a dynamic and fast-changing market environment.

The divestment of part of the Group's business creates new opportunities for our personnel. For those remaining within the Group, the financial resources from the transaction will support the execution of ambitious development plans. For employees transferring with the divested businesses, the transaction represents an opportunity for career growth within an international organisational structure.

9. Sustainability

We continue to invest in renewable energy sources and technologies that drive energy efficiency. The Group's photovoltaic farms in Poland already supply the majority of MERCOR S.A.'s electricity needs. Meanwhile, the development of energy storage systems by ELMECH-ASE enhances the energy stability of both our own facilities and those of our partners.

10. General assessment

The 2024/2025 financial year was a time of decisions with strategic implications. The MERCOR Group maintained its financial and operational stability, and the steps taken have paved the way for growth in innovative market segments.

We look to the future with confidence, determined to strengthen our position as a leader in cutting-edge fire protection technologies.

Yours faithfully,

Krzysztof Krempeć

President of the Management Board of MERCOR S.A.

Financial highlights

Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	1 Apr 2024–31 Mar 2025	1 Apr 2023–31 Mar 2024	1 Apr 2024–31 Mar 2025	1 Apr 2023–31 Mar 2024
Revenue	507,448	539,603	118,837	121,710
Operating profit	20,452	48,164	4,790	10,864
Profit before tax	20,672	54,578	4,841	4,663
Net profit	16,558	49,708	3,878	11,212
Net profit attributable to owners of the parent	16,148	49,316	3,782	11,123
Net cash provided by (used in) operating activities	27,003	50,446	6,324	11,378
Net cash provided by (used in) investing activities	(13,831)	(10,588)	(3,239)	(2,388)
Net cash provided by (used in) financing activities	(8,873)	(43,268)	(2,078)	(9,759)
Total net cash flows	4,299	(3,410)	1,007	(769)
Total assets	404,905	409,556	96,777	95,225
Non-current liabilities	93,041	74,673	22,238	17,362
Current liabilities	93,314	106,964	22,303	24,870
Equity	218,550	227,919	52,236	52,993
Share capital	3,892	3,892	930	905
Equity attributable to owners of the parent	216,354	225,393	51,711	52,406
Number of shares	15,444,769	15,444,769	15,444,769	15,444,769
Net earnings per share	1.05	3.19	0.24	0.72
Book value per share	14.01	14.59	3.35	3.39

Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	1 Apr 2024–31 Mar 2025	1 Apr 2023–31 Mar 2024	1 Apr 2024–31 Mar 2025	1 Apr 2023–31 Mar 2024
Revenue	304,896	346,143	71,403	78,074
Operating profit (loss)	(168)	26,628	(39)	6,006
Profit (loss) before tax	(160)	39,114	(37)	8,822
Net profit (loss)	(494)	38,178	(116)	8,611
Net cash provided by (used in) operating activities	9,112	32,129	2,134	7,247
Net cash provided by (used in) investing activities	(3,122)	7,732	(731)	1,744
Net cash provided by (used in) financing activities	(5,480)	(39,437)	(1,284)	(8,895)
Total net cash flows	510	424	119	96
Total assets	298,736	303,153	71,401	70,486
Non-current liabilities	90,392	71,986	21,604	16,738
Current liabilities	52,453	59,354	12,537	13,800
Equity	155,891	171,813	37,260	39,948
Share capital	3,892	3,892	930	905
Number of shares	15,444,769	15,444,769	15,444,769	15,444,769
Earnings (loss) per share	(0.03)	2.47	(0.01)	0.56
Book value per share	10.09	11.12	2.41	2.59

Items of the statement of financial position have been translated into the euro at the mid rate quoted by the National Bank of Poland for the reporting dates, i.e. 4.1839 for 31 March 2025 and 4.3009 for 31 March 2024.

Items of the statement of comprehensive income, statement of changes in equity and statement of cash flows have been translated into the euro at the arithmetic mean of the mid rates quoted by the National Bank of Poland for the last days of the months covered by this report, i.e. 4.2701 for the period 1 April 2024–31 March 2025, and 4.4335 for the period 1 April 2023–31 March 2024.

Directors' Report on the operations of the MERCOR Group

General information about the Company and the Group

MERCOR S.A. (the "Company", "MERCOR") has traded as a joint-stock company since 21 September 2004. Prior to that date, it traded as a limited liability company under the name of Przedsiębiorstwo Usługowo-Handlowe MERCOR Sp. z o.o. On 21 September 2004, the Company underwent a legal transformation, changing its form of incorporation from limited liability company to joint stock company. MERCOR S.A. is the parent of the MERCOR Group.

The Company's registered office is located in Gdańsk, at ul. Grzegorza z Sanoka 2, 80-408 Gdańsk, Poland. The Company operates at its principal place of business, as well as through trade offices and production establishments. None of these entities maintains a separate set of accounts. MERCOR S.A. is registered with the District Court of Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register, under entry No. KRS 0000217729.

The principal business of the Company and its Group consists in the manufacture, sale, installation and maintenance of passive fire protection systems. The Group's product portfolio includes:

- ✓ smoke and heat exhaust systems, rooflight systems,
- ✓ fire ventilation systems,
- ✓ fire protections of building structures,
- ✓ fire separations.

Companies of the MERCOR Group manufacture, deliver and install equipment components for fire protection systems and provide maintenance services to guarantee reliable long-term operation of such systems. In addition, MERCOR offers product advisory services and comprehensive assistance in designing tailor-made fire protection solutions, including CFD simulations, CAD and BIM materials. MERCOR employees participate in various industry events to share their considerable knowledge and experience in the fire protection of building structures.

Our goal is to provide safety. The primary role of fire protection is to facilitate the evacuation of people in the event of a fire, enable the efficient operation of emergency response teams, reduce the damaging effects of high temperatures on the building, and safeguard property.

The Group's products are primarily manufactured to order based on a client's desired specifications while adhering to safety standards and relevant regulatory requirements.

Subsidiaries

As at 31 March 2025, the following entities were consolidated:

Subsidiaries consolidated using the full method:

- ✓ Tecresa Protección Pasiva S.L. of Madrid (Spain)
- ✓ Mercor Dunamenti Tűzvédelem Zrt of Göd (Hungary)
- ✓ Dunamenti CZ s.r.o. of Prague (Czech Republic) (subsidiary of Dunamenti Tűzvédelem Zrt)
- ✓ Dunamenti s.r.o. of Kolárovo (Slovakia) (subsidiary of Dunamenti Tűzvédelem Zrt)
- ✓ Mercor Czech Republic s.r.o. of Ostrava (Czech Republic)
- ✓ Mercor Slovakia s.r.o. of Bratislava (Slovakia)
- ✓ Mercor Fire Protection Systems S.R.L. of Chitila (Romania)
- ✓ TOB Mercor Ukraina of Drohovyzh (Ukraine)
- ✓ DFM DOORS sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR FIRE PROTECTION UK LTD of Salford (England)
- ✓ MCR SOL ENERGY sp. z o.o. of Gdańsk (Poland)
- ✓ MCR Tech Lab sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR Centrum Usług Wspólnych sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR SILBOARD sp. z o.o. of Gdańsk (Poland)
- ✓ MHD1 sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR HD sp. z o.o. of Gdańsk (Poland)
- ✓ Mercor Light&Vent sp. z o.o. of Gdańsk (Poland)
- ✓ MCR IsoProtec sp. z o.o. of Gdańsk (Poland)

Equity-accounted investees:

- ✓ Elmech-ASE S.A. of Pruszcz Gdański (Poland)
- ✓ OOO Mercor-PROOF of Moscow (Russia)
- ✓ MKRP Systems Unitary Production Enterprise of Minsk (Belarus) (subsidiary of OOO Mercor-PROOF)
- ✓ TOO MKR – Astana of Almaty (Kazakhstan) (subsidiary of OOO Mercor-PROOF)

On 29 May 2024, two new wholly-owned subsidiaries of MERCOR S.A. were registered: Mercor Light&Vent sp. z o.o. and MCR IsoProtec sp. z o.o. Following the end of the financial year, effective 1 April 2025, the part of the Company's business related to natural smoke exhaust and fire ventilation systems was transferred from MERCOR S.A. to Mercor Light&Vent sp. z o.o.

After 31 March 2025, the Company established two new wholly-owned subsidiaries: Mercor Hungary Kft of Budapest and MCR Tecresa S.L. of Madrid. Effective 1 April 2025, the new Hungarian subsidiary, Mercor Hungary Kft, assumed responsibility for the operations related to natural smoke exhaust and fire ventilation systems, previously conducted by Mercor Dunamenti Tűzvédelem Zrt. In Spain, the newly established company MCR Tecresa S.L. took over the operations related to fire protections of building structures from Tecresa Protección Pasiva S.L.

Organisational or cross-equity links between the Company and other entities; information on the Company's main investments

Apart from the consolidated entities, the Company does not have any other equity investments.

Changes in key management policies

In the period 1 April 2024−31 March 2025, there were no changes to the Company and its Group's key management policies.

Management and supervisory personnel

Remuneration

For information on the remuneration, awards or benefits granted to Management and Supervisory Board members, see Note 27 to the consolidated financial statements.

Agreements concluded with Management and Supervisory Board members providing for compensation in the event of their resignation or removal from office

No agreements were concluded with Management or Supervisory Board members providing for compensation in the event of their resignation or removal from office without a good reason or following a merger by acquisition.

Obligations to former Management and Supervisory Board members

There are no obligations arising from retirement or similar benefits to former Management and Supervisory Board members.

Shares in MERCOR S.A. and related companies held by Management and Supervisory Board members as at the date of this report

Management Board

	Number of shares held at the issue date of this report
Krzysztof Krempeć	15,608

Supervisory Board

To the best of the Company's knowledge, none of the Supervisory Board members held directly any shares in MERCOR S.A. as at the date of this report.

Indirect holdings of Company shares by Management and Supervisory Board members

Shareholder	Member of the Supervisory Board, Member of the Management Board: holding Company shares indirectly – through a Shareholder / related parties	Number of shares held by the Shareholder in the Company's share capital as at the date of issue of this report
PERMAG Sp. z o.o.	Krzysztof Krempeć	4,102,994
N50 Cyprus Limited	Marian Popinigis	1,376,379
Value Fund Poland Activist FIZ	Eryk Karski	587,973

Related entities

To the best of the Company's knowledge, none of the Management or Supervisory Board members held any shares in MERCOR S.A.'s related entities as at the date of this report.

Results of operations and financial position

Discussion of key economic and financial data

Financial results of the MERCOR Group and MERCOR S.A.

MERCOR GROUP	1 Apr 2024 31 Mar 2025	1 Apr 2023 31 Mar 2024
Total revenue	**507,448**	**539,603**
Cost of sales	389,341	403,368
Gross profit	118,107	136,235
% margin (gross profit/total revenue)	23.3%	25.2%
Distribution costs and administrative expenses	**95,090**	**87,050**
Net other income (expenses)	(2,565)	(1,021)
Operating profit (EBIT)	**20,452**	**48,164**
% margin (EBIT/total revenue)	4.0%	8.9%
Net finance income (costs)	220	6,414
Profit before tax	**20,672**	**54,578**
% margin (profit before tax/total revenue)	4.1%	10.1%
Income tax	4,114	4,870
Net profit (loss)	**16,558**	**49,708**
% margin (net profit (loss)/total revenue)	3.3%	9.2%

MERCOR S.A.	1 Apr 2024 31 Mar 2025	1 Apr 2023 31 Mar 2024
Total revenue	**304,896**	**346,143**
Cost of sales	241,049	271,303
Gross profit	63,847	74,840
% margin (gross profit/total revenue)	20.9%	21.6%
Distribution costs and administrative expenses	**62,265**	**48,761**
Net other income (expenses)	(1,760)	549
Operating profit (loss) (EBIT)	**(168)**	**26,628**
% margin (EBIT/total revenue)	(0.05%)	7.7%
Net finance income (costs)	8	12,486
Profit (loss) before tax	**(160)**	**39,114**
% margin (profit before tax/total revenue)	(0.05%)	11.3%
Income tax	334	936
Net profit (loss)	**(494)**	**38,178**
% margin (net profit (loss)/total revenue)	(0.2%)	11.0%

Gross profit margin achieved by MERCOR S.A. for the financial year ended 31 March 2025 was down by 0.7 percentage point on the previous financial year. At the Group level, the margin declined by 1.9 percentage points year on year. Expressed as an amount, gross profit for MERCOR S.A. was down by almost 15% on the previous year, while for the entire Group it fell 13% year on year. The decline in margin and overall profitability was primarily attributable to operating leverage and an increased share of fixed costs in the cost structure.

In addition to the impact of operating leverage, net profitability for the 2024/2025 financial year was also significantly affected by a one-off event in the prior year – specifically, the refund of corporate income tax for 2012/2013 with interest.

During the preparation of the half-year report for the period ended 30 September 2024, justified doubts arose regarding control over the Russian company OOO Mercor-Proof. Consequently, the Company's Management Board revised its previous approach to consolidating the subsidiary, transitioning to using the equity method for this subsidiary, as announced in Current Report No. 66/2024 of 30 December 2024. The effects of the revised consolidation method on the statement of comprehensive income, statement of financial position, statement of changes in equity, and statement of cash flows are presented in note 31 to the Company's consolidated financial statements as at 31 March 2025.

Factors and non-typical events having a material impact on the Group's operations in the financial year 1 April 2024–31 March 2025

The signing of a preliminary agreement by the Company in November 2024 for the sale of part of its existing business represented a key stage in a broader process that had a material impact on the financial results for the 2024/2025 financial year.

For information on the impact of the political and economic situation in Ukraine on the Group's operations, see Note 1 to the consolidated financial statements.

Structure of assets and equity and liabilities in the consolidated statement of financial position

	31 Mar 2025	31 Mar 2024	Change	% change	Structure	
					31 Mar 2025	31 Mar 2024
Non-current assets	198,575	199,527	(952)	(0.5%)	49.0%	48.7%
Current assets	206,330	210,029	(3,699)	(1.8%)	51.0%	51.3%
TOTAL ASSETS	**404,905**	**409,556**	**(4,651)**	**(1.1%)**	**100.0%**	**100.0%**
Equity	218,550	227,919	(9,369)	(4.1%)	54.0%	55.7%
Non-current liabilities	93,041	74,673	18,368	24.6%	23.0%	18.2%
Current liabilities	93,314	106,964	(13,650)	(12.8%)	23.0%	26.1%
TOTAL EQUITY AND LIABILITIES	**404,905**	**409,556**	**(4,651)**	**(1.1%)**	**100.0%**	**100.0%**

As at 31 March 2025, the Group's total assets and total equity and liabilities stood at PLN 404,905 thousand, down by PLN 4,651 thousand (1.1%) on the previous financial year.

Changes in the amounts of assets and liabilities were mainly attributable to a decline in current assets in the form of inventories and receivables (including contract assets) resulting from reduced operational scale and less extensive use of external financing sources.

Off-balance-sheet items

There were no material off-balance-sheet items in the reporting period.

Actual performance versus previous profit guidance

The Company did not publish any profit guidance for the financial year 1 April 2024–31 March 2025 with respect to the Company or its Group.

Sales and purchases

Sales of products and services

The Group has two sales streams: construction services and products. Accordingly, profitability is measured separately for construction contracts (covering a product and service) and separately for sales of individual products. Given two different methods used to measure profitability, there are no global sales figures taken into account for the purposes of day-to-day management.

In the case of construction services the unit of sales is a construction contract, while in the case of products – it is a product unit.

Sales markets, broken down into domestic and foreign, with information on potential dependence on one or more customers

The Group has a fragmented customer base. The sales structure of the Company and its Group is diversified, with no dependence on any single or more customers, including any exposures in excess of 10% of total revenue.

In terms of geographical distribution, the Group's sales predominantly focus on the Polish market (54%), followed by the Spanish and Hungarian markets (10%), and the Czech and Slovak markets (together accounting for 7%). Sales to other countries account for a total of 19%.

Sources of supplies, including information on potential dependence on one or more suppliers

Key materials used in the manufacturing process during the reporting financial year included:

- steel and aluminium sheet,
- aluminium profiles,
- mineral wool,
- control system elements,
- polycarbonate.

There were no cases where a single supplier would account for more than 10% of revenue.
The Company and the Group rely on a diversified supplier base to ensure security of supplies. The Company is constantly exploring the market in an effort to identify alternative suppliers for basic materials.

Management of financial resources

In the financial year 1 April 2024–31 March 2025, the Company and its Group held financial resources enabling timely debt service. Key performance indicators for the Company and the Group are as follows:

MERCOR GROUP

	31 Mar 2025	31 Mar 2024
Liquidity ratio	2.20	1.96
Average payment period	58 days	68 days
Average collection period	89 days	88 days
Inventory cycle	55 days	56 days
Debt ratio	46%	44%

MERCOR S.A.

	31 Mar 2025	31 Mar 2024
Liquidity ratio	2.20	1.97
Average payment period	57 days	68 days
Average collection period	85 days	80 days
Inventory cycle	57 days	53 days
Debt ratio	48%	43%

Financial instruments

Main financial instruments used by the Group include:

- bank and other borrowings,
- cash and bank deposits,
- receivables and liabilities,
- foreign exchange derivatives.

Key risk exposures arising from these financial instruments include:

- interest rate risk,
- currency risk,
- liquidity risk,
- credit risk.

As regards interest rate risk, the Group does not use any hedging instruments.

With respect to currency risk, the Group's hedging strategy is to enter into forward contracts. The Group keeps monitoring currency risk for both on- and off-balance-sheet items.

The Group's exposure to significant accounts receivable risk is not material because it monitors and insures receivables on an ongoing basis.

Credit risk is mitigated by entering into transactions with entities of good credit standing, their conclusion preceded by internal checks.

Borrowings contracted and terminated

MERCOR S.A. relied partly on bank and non-bank borrowings from related entities as a source of financing for its day-to-day activities and investments.

In the period from April 2024 to the end of March 2025, the following amendments were made to the Company's credit facility agreements:

- in December 2024, the Company executed an amendment to the overdraft facility agreement with Credit Agricole Bank Polska S.A. of Wrocław, extending its term until 30 October 2026. The facility amount remained unchanged at PLN 28,560,000.00;
- in December 2024, the Company executed an amendment to the credit limit agreement with BNP Paribas Bank Polska Spółka Akcyjna of Warsaw, extending its term until 2 December 2026. The credit limit remained unchanged at PLN 42,880,000.00;
- in November 2024, the Company executed an amendment to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw, extending its term until 28 November 2026. The facility amount remained unchanged at PLN 28,560,000.00.

Subsidiary DFM Doors Sp. z o.o.:

- in December 2024, the company executed an amendment to the credit limit agreement with BNP Paribas Bank Polska Spółka Akcyjna of Warsaw, extending its term until 2 December 2026. The credit limit remained unchanged at PLN 9,000,000.00;
- in October 2024, the company executed an amendment to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw, extending its term until 15 November 2025. The facility amount remained unchanged at PLN 2,000,000.00;

In November 2024, the subsidiary MCR TECH LAB Sp. z o.o. executed an amendment to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw, extending its term until 15 November 2025. The facility mount remained unchanged at PLN 2,000,000.00.

In December 2024, the subsidiary ELMECH-ASE Sp. z o.o. executed an amendment to the multi-facility agreement with Santander Bank Polska Spółka Akcyjna, extending its term until 5 December 2025. The facility amount remained unchanged at PLN 6,000,000.00.

For information on the financing terms and collateral, see Note 21 to the consolidated financial statements.

MERCOR shares

Agreements that may result in future changes of existing percentage shareholdings

As at the date of issue of this report, the Company was not aware of any agreements that could result in future changes in the percentages of Company shares held by its existing shareholders.

Having fully utilised the allocated funds, the Company has completed the share buyback programme approved by the resolution of the Extraordinary General Meeting held on 30 June 2020. The Company currently holds 21,114 (twenty-one thousand one hundred and fourteen) treasury shares. The remaining treasury shares acquired under the programme have been cancelled.

By resolution of the Extraordinary General Meeting of 6 February 2025, the Management Board was authorised to launch a new share buyback programme. The maximum term of the programme has been set to expire on 6 February 2030. As at the date of this Report, the buyback has not yet commenced.

On 26 January 2023, the Extraordinary General Meeting of MERCOR S.A. passed a resolution to establish an incentive scheme, issue registered subscription warrants and conditionally increase the Company's share capital in connection with an issue of ordinary bearer shares. The scheme is not yet being operated. No agreement has yet been signed as part of the scheme, and no list of eligible scheme participants has been determined.

Treasury stock transactions

Pursuant to the resolution adopted by the General Meeting in June 2020, the Management Board carried out a share buyback programme, which was completed in December 2024 following the full utilisation of the funds allocated for its execution. Between August 2020 and December 2024, the Company repurchased a total of 359,033 own shares, of which 337,919 shares were cancelled – 89,258 shares pursuant to the resolution of the General Meeting dated 26 January 2023, and 269,775 shares pursuant to the resolution of the General Meeting dated 24 September 2024. As at the date of this Report, the Company holds 21,114 treasury shares.

Use of issue proceeds

In the financial year 1 April 2024–31 March 2025, MERCOR S.A. did not issue any securities.

Control system for employee stock option plans

On 26 January 2023, the Extraordinary General Meeting of MERCOR S.A. passed a resolution to establish an incentive scheme. As at the date of issue of this report, the scheme was not yet being operated.

Capital expenditure projects

The production line for a new product developed by the fire ventilation systems division – the mcr WIP PROV fire damper – was equipped with a roller conveyor system featuring lift tables and a pillar jib crane. The division also acquired a CNC plotter for cutting fire-resistant boards.

The Company's subsidiary, DFM Doors, which specialises in the production of fire-rated doors, completed a series of initiatives aimed at improving working conditions on the shop floor. These included the implementation of automated transport lines with manipulators, significantly reducing manual handling, as well as the loading and unloading of materials, semi-finished goods, and finished products; the introduction of electric high-lift trucks to eliminate manual lifting of door leaves during pre-assembly and painting; the installation of a sheet metal roll-forming line integrated with a semi-automated panel production system, removing the need for manual cutting, bending, and punching of panel components; the deployment of automated grinding stations, replacing manual surface finishing; and the adoption of CMT (Cold Metal Transfer) welding technology in place of MIG welding for spot-joining door leaf skins, thereby reducing the emission of gases generated in the production process.

Development work carried out by the Group involved primarily certification processes for new applications of existing products and for the extension of product applications and ranges.

Feasibility of capital expenditure plans

As at the date of this report, the Company did not make any final decisions to launch capital investments. The finalisation of the transaction involving the sale of a part of the Group's business – specifically the business related to natural smoke exhaust and fire ventilation systems – will play a key role in shaping the Company's future strategic direction.

Other information

Research and development

Development work at the Group was carried out within all product divisions, i.e. natural smoke exhaust, fire ventilation, building structure protection and fire separation products. Existing products were developed and upgraded, their ranges extended and new applications added.

In the past financial year, the smoke exhaust systems division, responding to customer needs, introduced a new product – an automatic fire curtain developed in accordance with design specifications for the Middle Eastern market. The division's R&D team also introduced a number of design improvements to smoke vents and rooflights/skylights, aimed at optimising production processes – particularly by reducing welding requirements. Work was also undertaken on a new power supply unit for smoke vents, with the goal of lowering overall system costs while improving reliability and performance.

The fire ventilation division conducted research on new configurations and applications its fire dampers. It also worked on improving the design of selected products to streamline manufacturing processes and reduce costs. The division successfully completed the certification of a new, larger-size mcr WIP PROV fire damper, expanding its range of certified solutions.

The building structure protections division focused on developing new applications for the mcr Silboard board and mcr Tecwool F spray systems.

The Group's subsidiary, DFM Doors, continued to upgrade existing products and develop new ones, including the introduction of anti-burglary doors.

Significant agreements of the Company

1. On 22 November 2024, the Company and Kingspan société à responsabilité limitée, a subsidiary of Kingspan Group Plc, executed a preliminary agreement for contemplated divestment of shares in certain entities within the MERCOR Group holding assets involved in the manufacture and sale of comprehensive natural smoke exhaust systems and the manufacture and sale of comprehensive fire ventilation systems, as announced by the Company in Current Report No. 59/2024 of 25 November 2024.

   Under the agreement, the investor would pay a total consideration of PLN 420 million to the Company. However, up to PLN 60 million of this amount would be deferred, contingent upon the divestment companies achieving specified consolidated EBITDA thresholds generated by the demerged business in the 12 months ending 31 March 2026. Depending on the level of target EBITDA achieved, the Company will receive a corresponding portion of the deferred payment, ranging from PLN 15 million to PLN 60 million.

   The agreement additionally provides that the final price would be subject to adjustments based on the investor's audit of financial statements as at the closing date, to be performed using a method typical for business acquisition transactions (i.e., the completion accounts method).

   Completion of the transaction is subject to the following conditions precedent: (i) concentration clearance obtained by the investor from the relevant antitrust authority, (ii) approval from the Company's General Meeting for the transfer of its assets forming an organised part of the business, (iii) completion of the demerger process, and (iv) approval from the Company's financing banks for the transaction, including the release of security interests created in favour of those banks over assets to be transferred in the demerger process to the divestment companies.

   On 6 February 2025, the General Meeting approved the transfer, as an in-kind contribution, of the entire business (including employees, property, plant and equipment, intangible assets, as well as rights and obligations under contracts) associated with Fire Ventilation Systems and Natural Smoke Exhaust Systems – to Mercor Light&Vent sp. z o.o., a wholly-owned subsidiary of the Company.

   On 1 April 2025, by executing an agreement on the transfer of shares, loan receivables and organised parts of the business, the Company transferred the Natural Smoke Exhaust Division and the Fire Ventilation Division as an in-kind contribution to the subsidiary Mercor Light&Vent sp. z o.o., as payment for newly issued shares in the increased share capital of Mercor Light&Vent.

   Another condition precedent was also met. On 23 May 2025, the President of the Office of Competition and Consumer Protection issued unconditional clearance to complete the concentration consisting in the acquisition by Kingspan société à responsabilité limitée of Villepinte, France, of control over Mercor Light&Vent sp. z o.o. of Gdańsk, Poland, Mercor Czech Republic s.r.o. of Ostrava, Czech Republic, Mercor Slovakia s.r.o. of Bratislava, Slovakia, Mercor Fire Protection Systems S.R.L. of Chitila, Romania, Mercor Fire Protection UK Ltd of Manchester, United Kingdom, Mercor Ukraine sp. z o.o. of Drohovyzh, Ukraine, Tecresa Protección S.L. of Madrid, Spain, Mercor Centrum Usług

Wspólnych sp. z o.o. of Gdańsk, Poland, and a newly formed company to which part of the business of Mercor Dunamenti Tűzvédelem Zrt. of Göd, Hungary, was transferred.

If the transaction is successfully completed, the Company's Management Board intends to recommend allocating a significant portion of the proceeds to dividend payments. Also, if the final agreement with the investor is concluded, the business scope to be divested would be presented in the Company's reports as discontinued operations.

2. For information on bank credit facility agreements material to the Company, see "Borrowings contracted and terminated".

3. The terms of bank guarantee facilities contracted by the Company with Santander Bank Polska S.A. and BNP Paribas Bank Polska S.A. were extended. The facility granted by BNP Paribas Bank Polska S.A. remains unchanged at PLN 10,500,000.00. The limit available under the agreement with Santander Bank Polska S.A. was increased by PLN 1,000,000.00, bringing the total to PLN 8,000,000.00. The guarantee facilities were made available until 15 November 2025 (Santander Bank Polska S.A.) and 2 December 2026 (BNP Paribas Bank Polska S.A.).

Related party transactions

Related party transactions were executed on an arm's length basis. For details of related party transactions, see Note 27 to the consolidated financial statements.

Loans advanced (including loans to related entities)

The repayment terms for loans previously granted by MERCOR S.A. to its subsidiaries were extended as follows: GBP 25,000.00 to Mercor Fire Protection UK LTD; PLN 600,000.00 to mcr Tech Lab sp. z o.o.
In addition, the Company granted the following loans:

- ✓ to the subsidiary Mercor Light&Vent sp. z o.o., in the amount of PLN 100,000.00. The loan was fully repaid prior to the publication date of this Report;
- ✓ to the subsidiary Elmech-Ase S.A., in the amount of PLN 800,000.00, with a final repayment date of 21 January 2026;
- ✓ to an individual, in an amount of up to PLN 2,700,000.00. As at the date of this Report, the first tranche of PLN 1,000,000.00 had been disbursed. The final repayment date for the full amount is 22 October 2025.

The subsidiary Mercor Light&Vent sp. z o.o. granted a loan to the Company in an amount of up to PLN 20,000,000.00, with a maturity date of 31 August 2025.

MHD1 sp. z o.o. granted a loan to mcr Tech Lab sp. z o.o. in an amount of up to PLN 600,000.00, with repayment due by 3 April 2027.

Sureties and guarantees issued or received (including sureties and guarantees issued for related parties)

In the financial year ended 31 March 2025, MERCOR S.A. and other Group companies issued performance bonds and defects liability bonds (under trade contracts).

The following sureties were provided by the Company for DFM Doors Sp. z o.o.:

- surety for the credit facility agreement between DFM Doors Sp. z o.o. and BNP Paribas Bank Polska Spółka Akcyjna. The PLN 9,000,000.00 bank facility was granted to DFM Doors Sp. z o.o. to finance its day-to-day operations. By way of an amendment to the agreement, the availability period was extended until 2 December 2026;
- surety for the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. the facility amount is PLN 2,000,000.00. The repayment date was set for 15 November 2025;

The Company provided a guarantee for an overdraft facility agreement concluded by its subsidiary, MCR TECH LAB sp. z o.o., with Santander Bank Polska S.A of Warsaw. The facility amount is PLN 2,000,000.00. The final repayment date for all amounts outstanding under the overdraft facility was set for 15 November 2025.

MERCOR S.A. assumed joint and several liability for ELMECH-ASE's debt under its multi-facility agreement with Santander Bank Polska S.A. The PLN 6,000,000.00. facility was granted, with availability period until 5 December 2025.

The Company provided a payment guarantee for its subsidiary, Mercor Fire Protection UK Ltd, in favour of a supplier, up to an amount of EUR 120,000.00, for a period of 12 months.

Expenses incurred to sponsor cultural projects, sports, charities, media and social organisations

In the past financial year, MERCOR continued its collaboration with the Gdańsk Museum. In May 2024, the Company participated in the launch of the jointly produced album "The Third Dimension of Gdańsk." The publication consists of three parts, featuring photographs from 1906–1914, 1940, and contemporary photos. It also includes stereoscopic images. The descriptions of monuments and historic places were authored by the esteemed enthusiast of Gdańsk history, Professor Andrzej Januszajtis. As part of the album's promotion, MERCOR organised a press breakfast and an open lecture delivered by Professor Januszajtis. Promotional expenses incurred by the Company totalled PLN 5,114.40. Additionally, MERCOR donated copies of the album to the Gdańsk Museum, with a total value of PLN 9,356.00.

As part of its cultural patronage efforts, MERCOR also supported the ORGANY PLUS+ 2024 – PLURIMOS ANNOS Festival as a Partner, contributing PLN 15,000.00. The festival is one of the leading events showcasing contemporary interpretations of early music.

The Company donated PLN 15,000.00 to the Board of the Szczecin Province Unit of the Voluntary Fire Brigades Association of Poland to support its statutory activities. The donation contributed to the organisation of a Youth Fire Brigades camp, which included participants from Ukrainian units as well as children whose parents – firefighter-rescuers – were killed in the war.

MERCOR also provided an in-kind donation valued at PLN 2,086.00 to support the Gdańsk Amateur Speedway Team. In addition, the Company contributed PLN 10,500.00 to the My Słowianie foundation, based in Stara Wieś, in support of the Royal Aviation Picnic in Borki. As in the previous year, the Company sponsored two key sporting events: the MTB Pomerania Marathon – Polish XCM Championships and the Pomerania Ultra-Trail, along with other initiatives organised by Pomerania Sports in 2024. Total sponsorship costs amounted to PLN 15,000.00.

Under a sponsorship agreement with the AGH University of Science and Technology, the Company supported the SFPS – Staircase Fire Protection System project with a contribution of PLN 2,439.02.

The subsidiary Mercor Slovakia supported a charitable initiative for disabled children *Chyt' Me Sa Za Ruky* with a donation of EUR 600.00, and contributed EUR 1,000.00 to a local basketball tournament.

The Romanian subsidiary Mercor Fire Protection Systems S.R.L. contributed RON 29,000.00 to support a local church.

The UK-based subsidiary MERCOR FIRE PROTECTION UK LTD supported youth sports by donating GBP 1,000.00 to a young karting athlete and providing GBP 630.00 for football kits for a local youth team.

Material proceedings involving MERCOR S.A. or its subsidiaries

There are no material proceedings pending that would involve the Company or its subsidiaries.

Significant events and factors relevant to the Group's business growth and description of its growth prospects until the end of the financial year following the financial year covered by this report

The year 2024 was marked by a more challenging market environment, with a slowdown in construction activity, delays in the release of EU funding, and an economic downturn in Germany. On a more positive note, prices for materials essential to the Company's operations, such as sheet metal, polycarbonate, and aluminium profiles, stabilised, and in some cases, even declined.

A key event of the past financial year was the signing of a preliminary agreement for the sale of a separated part of the Group's business – specifically, the natural smoke exhaust and fire ventilation systems divisions. The completion of the transaction will be instrumental in shaping the MERCOR Group's future strategic direction.

Material risk factors and threats

Material risks affecting the Company include:

- construction investment levels,
- availability and prices of materials,
- inflation rate,
- interest rates,
- availability of qualified workforce,
- liquidity position of trading partners,
- geopolitical factors.

Agreements with statutory auditors

On 19 October 2020, the Company entered into an auditor engagement letter providing for:

- audit of the separate and consolidated full-year financial statements for the financial years ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025;
- review of the condensed separate and consolidated interim financial statements for the six months ended 30 September 2020, 30 September 2021, 30 September 2022, 30 September 2023 and 30 September 2024;
- review of the subsidiary Mercor Proof LLC's consolidation package for the 12 months ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025, and presentation of a separate report,

with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Sp. k.

In June 2023 and September 2024, the parties executed amendments to the auditor engagement letter.

Resolutions to appoint the auditor and execute the amendments to the engagement letter were passed by the Supervisory Board of MERCOR S.A. as the competent corporate body under Art. 12.3.b of the Company's Articles of Association.

It was the first time that the entity was engaged by the Company.

The auditor fees for the financial year ended 31 March 2024 were as follows:

- fee for the review of the separate interim financial statements as at 30 September 2023: PLN 50,000 (exclusive of VAT);
- fee for the review of the condensed consolidated interim financial statements as at 30 September 2023: PLN 50,000 (exclusive of VAT);
- fee for the audit of the separate financial statements as at 31 March 2024: PLN 115,000 (exclusive of VAT);
- fee for the audit of the consolidated financial statements as at 31 March 2024: PLN 166,300 (exclusive of VAT);
- expenses: PLN 15,131.67 (exclusive of VAT).

The fees paid for the financial year ended 31 March 2025 were as follows:

- fee for the review of the separate interim financial statements as at 30 September 2024: PLN 50,000 (exclusive of VAT);
- fee for the review of the condensed consolidated interim financial statements as at 30 September 2024: PLN 50,000 (exclusive of VAT);
- fee for the audit of the separate financial statements as at 31 March 2025: PLN 80,000 (exclusive of VAT);
- fee for the audit of the consolidated financial statements as at 31 March 2025: PLN 67,200 (exclusive of VAT);
- expenses: PLN 8,034 (exclusive of VAT).

The fees payable for the financial year ended 31 March 2025 as per the engagement letter:

- fee for the audit of the separate financial statements: PLN 35,000 (exclusive of VAT),
- fee for the audit of the consolidated financial statements: PLN 30,900 (exclusive of VAT).

On 6 February 2025, the Company entered into an engagement letter with Forvis Mazars Audyt spółka z ograniczoną odpowiedzialnością of Warsaw for the assurance of the sustainability report for the financial year ended 31 March 2025. The auditor was appointed by the General Meeting of MERCOR S.A. The Company had not used Forvis Mazars Audyt sp. z o.o.'s services before. The remuneration due for the financial year will amount to PLN 90,000.00 (exclusive of VAT).

Statement of compliance by MERCOR S.A. with corporate governance standards in the financial year from 1 April 2024 to 31 March 2025

Corporate governance standards

The Management Board of MERCOR S.A. represents that since July 2021 the Company has observed the corporate governance standards set out in the Best Practice for GPW Listed Companies 2021, as communicated in Current Report No. 1/2021 published in the EIB system on 29 July 2021.

The corporate governance standards of the Best Practice for GPW Listed Companies 2021, attached as an appendix to WSE Supervisory Board Resolution No. 13/1834/2021 of 29 March 2021, were published on the website of the Warsaw Stock Exchange dedicated to best practice guidelines at https://www.gpw.pl/dobre-praktyki2021.

Information on compliance by MERCOR S.A. with the standards set out in the Best Practice

In the financial year ended 31 March 2025, the Company did not comply with the following standards of the Best Practice 2021:

1.3 Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

The principle is not complied with.

The Company's comment: The Company has not adopted a strategy in the form of an approved document. The organisation is strongly committed to environmental matters in its daily operations, as reflected in the guidelines for the R&D teams that outline the goal of attaining utmost energy efficiency by new products.

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations;

The principle is not complied with.

The Company's comment: The Company has not adopted a strategy in the form of an approved document. Social and labour matters are an important consideration, integrated with the organisation's day-to-day activities. The Company is committed to ensuring equal opportunities for professional growth and advancement to all its employees. Respecting their rights, the Company remains steadfast in ensuring adequate working conditions for all.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

The principle is not complied with.

The Company's comment: The Company has not adopted a strategy in the form of an approved document. Once the organisation adopts a strategy document, it will be published on the corporate website.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

The principle is not complied with.

The Company's comment: The Company has not adopted a strategy in the form of an approved document.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target;

The principle is not complied with.

The Company's comment: The Company conducted an analysis of employee pay, arriving at the following key conclusions: 1) The base salaries received by employees depend on their respective positions and scope of duties. Regardless of gender, individuals holding equivalent positions with similar responsibilities and qualifications receive equitable base salaries.
2) In addition, the sales teams are enrolled in bonus schemes linked to their performance. Consequently, any variations in pay levels for individuals are attributable to bonuses earned by them during specific periods. The technical nature of the Company's industry is the reason why individual genders are overrepresented within specific employee groups. For instance, men predominate within areas requiring an educational background in construction, while administrative roles are filled predominantly by women. This uneven gender distribution by job may lead to mathematically distorted average results. As a result of these considerations, the Company has chosen not to present the equal pay index on its website, as it would not accurately reflect the true relationship between employee remuneration.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not complied with.

The Company's comment: The selection process for the Company's governing bodies is founded on a commitment to ensuring diversity in education, knowledge, professional experience, and suitability of candidates in terms of the Company's business profile. The nature of the Company's business, which is focused primarily on the construction industry, results in a predominance of male candidates possessing the requisite qualifications. As the Company's governing bodies are committed to the principle of non-discrimination, candidates are selected based solely on their merits. Inclusion in the diversity policy of any guidelines regarding gender or age would potentially entail an obligation to treat candidates unequally.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not complied with.

The Company's comment: Our commitment to diversity in selecting board members ensures that the Company gains access to a broad spectrum of talent and skills. The Management and Supervisory Board members embody a diverse range of educational backgrounds, knowledge, skills, and professional experience, all aligned with the Company's business profile. Such diverse team facilitates effective and efficient management of the organisation. While equal treatment, irrespective of gender or age, remains a vital aspect among our organisational values, these factors do not determine the selection of personnel. Instead, the recruitment process prioritises such essential elements as knowledge, skills and experience. Presently, all members of the Company's governing bodies are male. Such gender distribution on the Company's governing bodies may be explained by the technical nature of its business and a much smaller pool of female talent possessing the necessary qualifications.

3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.

The principle is not complied with.

The Company's comment: The aforementioned functions have not been separated at the Company. In the Company's view, the current method of supervising risk management, compliance and internal audit areas is sufficient. If circumstances change, either externally or internally, necessitating the separation of these functions, the Company remains open to the possibility of appointing dedicated individuals for such roles.

3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.

The principle is not complied with.

The Company's comment: The aforementioned functions have not been separated at the Company. The current method of supervising risk management and compliance areas is sufficient. If circumstances change, either externally or internally, necessitating the separation of these functions, the Company remains open to the possibility of appointing dedicated individuals for such roles.

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

The principle is not complied with.

The Company's comment: The aforementioned function has not been separated at the Company. In the Company's view, the current method of supervising internal audit area is sufficient. If circumstances change, either externally or internally, necessitating the separation of this function, the Company remains open to the possibility of appointing a dedicated individual for such role.

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is not complied with.

The Company's comment: The remuneration of the Company's Supervisory Board members does not depend on the number of meetings held. However, the Supervisory Board members appointed to the committees receive no additional remuneration.

Key features of internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements

The Company's Management Board holds the responsibility for overseeing the internal control system at the Company and its Group and the system's effectiveness in the preparation of financial statements and periodic reports pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 20 April 2018. A key objective of the robust internal control system in financial reporting is to ensure the accuracy and reliability of financial information disclosed in the financial statements and periodic reports.

In the preparation of separate and consolidated financial statements, one of the key controls is to have them reviewed or audited by an independent auditor. In particular, the auditor's responsibilities encompass a review of the half-year separate and consolidated financial statements, as well as a preliminary and comprehensive audit of the full-year separate and consolidated financial statements. The independent auditor is selected by the Parent's Supervisory Board. Upon completion of an audit by the independent auditor, the financial statements are submitted for assessment to members of the Company's Supervisory Board.

The accounting and financial division, overseen by the Parent's Chief Financial Officer, assumes pivotal responsibility for preparing the financial statements, periodic financial reporting, and day-to-day management reporting.

The financial data forming the basis of financial statements and periodic reports are sourced from monthly financial and operating reports generated by the Group companies. After a monthly accounting period is closed, the financial results of the Company and its individual operating departments are analysed by senior and mid-level management, with active participation of the accounting and financial division. Such analysis involves comparing the actual results with the business objectives outlined in the budget.

Any errors detected during such performance analysis are promptly addressed through relevant accounting records, in accordance with the adopted accounting policy.

MERCOR S.A. undertakes an annual review of its business strategies and plans, encompassing both the Company and all entities of its Group. The budgeting process, covering all operational areas, actively involves senior and mid-level managers. As soon as they are prepared, separate and consolidated budgets are endorsed by the Parent's Management Board, and subsequently approved by the Supervisory Board. Throughout a financial year, the Management Board monitors financial performance figures against the approved budget.

In alignment with the Parent's accounting policy for statutory reporting, these procedures govern the budgeting process and the preparation of periodic management reports. The Company ensures consistency by adhering to uniform accounting policies across financial statements, periodic financial reports and other reports presented to shareholders.

Based on a comprehensive evaluation of the applied procedures, the Parent's Management Board is satisfied that, as at 31 March 2025, there were no deficiencies that could materially affect the effectiveness of internal controls relevant to the preparation of financial statements.

Shareholders with major holdings

Shareholder	As at the date of issue of this report			
	Number of shares	% ownership interest	Number of voting rights	% voting interest
PERMAG sp. z o.o.	4,102,994	26.78%	4,102,994	26.78%
Bangtino Limited	3,322,000	21.68%	3,322,000	21.68%
Nationale Nederlanden Otwarty Fundusz Emerytalny	1,454,465	9.49%	1,454,465	9.49%
Otwarty Fundusz Emerytalny PZU Złota Jesień	1,452,947	9.48%	1,452,947	9.48%
N50 Cyprus Limited	1,376,379	8.98%	1,376,379	8.98%
PTE Allianz Polska S.A.	834,757	5.45%	834,757	5.45%

On 6 June 2025, the District Court for Gdańsk-Północ in Gdańsk registered amendments to the Company's Articles of Association. 248,661 Company shares were cancelled. On 24 June 2025, the Central Securities Depository of Poland withdrew the shares from the depository system.

Holders of securities with special control rights

Mercor S.A. did not issue any securities that would confer special control rights over the Company.

Restrictions on the transferability of securities and on voting rights

There are no restrictions on the transferability of any securities issued by the Company or restrictions on the exercise of voting rights attached to Company shares.

Rules governing the appointment and removal of Management Board members and their powers

Members of the MERCOR S.A. Management Board are appointed and removed by the Supervisory Board.

The Management Board manages the Company's business and represents the Company before third parties. Matters which fall within the ordinary course of the Company's business may be managed by any Management Board member individually. Matters which fall outside the ordinary course of business require a resolution of the Management Board. The Company is represented by two persons. Any declarations of intent, including to incur obligations, on behalf of the Company, are made by two members of the Management Board acting jointly, one of them being President of the Management Board or First Vice President of the Management Board. The Management Board does not have the power to make decisions on issue or buyback of shares.

Rules governing amendments to the Company's Articles of Association

As per the Commercial Companies Code.

Operation and key powers of the General Meeting; shareholder rights and how they are exercised

KEY POWERS	METHOD OF OPERATION	SHAREHOLDER RIGHTS AND HOW THEY ARE EXERCISED
Powers of the General Meeting are as defined in: 1. the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the General Meeting of the Company'*, 4. the Best Practice for GPW Listed Companies.	The General Meeting operates pursuant to: 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the General Meeting of the Company*, 4. the Best Practice for GPW Listed Companies.	Shareholder rights and procedures for their exercise are defined in: 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the General Meeting of the Company'*, 4. the Best Practice for GPW Listed Companies.

* The Company's Articles of Association and the Rules of Procedure for the General Meeting are available on the Company's website.

Composition and operation of the Company's Management and Supervisory Boards and their committees

COMPOSITION OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BOARDS

Management Board (as at 31 March 2025)

Krzysztof Krempeć
Jakub Lipiński
Tomasz Kamiński

In the reporting period, there were no changes in the composition of the Company's Management Board.

Supervisory Board (as at 31 March 2025)

Eryk Karski
Arkadiusz Kęsicki
Marian Popinigis
Tomasz Rutowski
Pathy Timu Zenzo
Błażej Żmijewski

In January 2025, Lucjan Myrda resigned from his position on the Supervisory Board.

Members of the Audit Committee of the Supervisory Board (as at 31 March 2025)

Marian Popinigis
Błażej Żmijewski – independent member

In February 2025, Arkadiusz Kęsicki resigned from his position in the Audit Committee.

Marian Popinigis, a co-founder of the Company, served as President of its Management Board for two decades. For years, he has been involved in the work of trade associations and organisations connected with the fire protection industry, including as member of the Management Board of the Polish Association of Fire Protection and Rescue Equipment Manufacturers, Chairman of the Certification Committee in the Impartiality Council of the Building Research Institute, and member of the Construction Products Council, an advisory body of the Chief Building Inspection Officer.

Błażej Żmijewski is a graduate of the University of Gdańsk, Faculty of Transport Economics. Since 1992, he has run his own business trading as IMEX TOP 32 Sp. z o.o. of Gdańsk.

Audit Committee meetings

In the financial year ended 31 March 2025, the Audit Committee held seven meetings.

OPERATION OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BOARDS AND THEIR COMMITTEES

NO.	BODY	COMPOSITION	METHOD OF OPERATION
1	**MANAGEMENT BOARD**	As stipulated by Art. 14.1 of the Company's Articles of Association, the Management Board is a body composed of two to three members.	The Management Board operates pursuant to and in accordance with: 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association, 3. the Rules of Procedure for the Management Board, 4. the Best Practice for GPW Listed Companies.

2	**SUPERVISORY BOARD**	As stipulated by Art. 10.1 of the Company's Articles of Association, the Supervisory Board is composed of five to seven members.	The Supervisory Board operates pursuant to and in accordance with: 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the Supervisory Board, 4. the Best Practice for GPW Listed Companies.
3	**AUDIT COMMITTEE**	Pursuant to Art. 12.4.2 of the Company's Articles of Association, the Audit Committee consists of at least three members of the Supervisory Board.	The Audit Committee operates pursuant to: 1. applicable laws, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the Supervisory Board*, 4. the Rules of Procedure for the Audit Committee, 5. the Best Practice for GPW Listed Companies.
4	**REMUNERATION COMMITTEE**	As stipulated by Art. 12.4.1 of the Company's Articles of Association, the Remuneration Committee consists of at least two members of the Supervisory Board.	The Remuneration Committee operates pursuant to: 1. applicable laws, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the Supervisory Board*, 4. the Rules of Procedure for the Remuneration Committee, 5. the Best Practice for GPW Listed Companies.

* The Company's Articles of Association and the Rules of Procedure for the Management and Supervisory Boards are available on the Company's website.

Diversity policy

When appointing members to the Company's governing bodies and key managerial positions, MERCOR S.A. prioritises competencies, professional experience, education, and specific expertise essential for the respective roles. Our goal is to create a level playing field in access to professional development and advancement opportunities for all individuals, ensuring that neither gender nor age becomes a determinant in the candidate selection process.

Audit firm

Key principles underlying the audit firm selection policy:

- the appointment and removal of the entity responsible for auditing or reviewing financial statements and the conclusion of contracts with such entity or its affiliates requires prior approval of the Supervisory Board (preceded by a relevant recommendation);
- the chosen statutory auditor or audit firm must provide confirmation of its independence to the Audit Committee;
- the Company may invite any statutory auditors or audit firms to submit proposals for statutory audit and/or sustainability reporting assurance services, provided that all the statutory requirements are complied with;
- the Company prepares tender documentation;
- the Company defines selection procedures;
- any findings or conclusions from the Audit Oversight Commission's report that may impact the audit firm selection are taken into account by the Company and the Audit Committee;
- the selection process aims to ensure impartiality and independence of the audit firm;
- the statutory auditor or audit firm selected to carry out statutory audit and/or sustainability reporting assurance services and its affiliated network members are restricted from providing any prohibited services directly or indirectly to the Company or its related entities;
- the provision of permitted services is subject to approval by the Audit Committee following an appropriate risk assessment by the Committee;
- in specific cases, the Audit Committee will issue guidelines on permitted services other than audit or assurance of sustainability reporting.

The engagement letter for the audit of financial statements was executed in October 2020 for a term of five years, covering the reporting periods ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025, respectively. The recommendation for the selection and appointment of the audit firm to audit the Company's financial statements was compliant with the applicable conditions and made following completion of an appropriate selection procedure by the Company.

In the financial year ended 31 March 2025, the audit firm auditing the Company's financial statements did not provide any non-audit services to the Company.

Sustainability report of the MERCOR Group for the financial year from 1 April 2024 to 31 March 2025

1. General disclosures

1.1. Basis for preparation

1.1.1. BP-1 General basis for preparation of the sustainability statement

This sustainability report (this "Sustainability Report") of the MERCOR Group (the "MERCOR Group" or the "Group") covers the reporting period from 1 April 2024 to 31 March 2025.

This Sustainability Report has been prepared in accordance with the following regulations and reporting standards:

1) Polish Accounting Act of 29 September 1994 – Chapter 6c;
2) 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 (the "EU Taxonomy"), together with delegated acts issued up to 31 March 2025;
3) European Sustainability Reporting Standards (ESRS) introduced by Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023.

This is the first sustainability statement of the MERCOR Group for the financial year 2024/2025 prepared in accordance with the ESRS.

This Sustainability Report has been prepared on a consolidated basis.

i. The scope of consolidation for this Sustainability Report is not identical to that of the consolidated financial statements of the MERCOR Group for the financial year ended 31 March 2025. It covers 22 companies, including those consolidated using the full consolidation method and the equity method. Further information regarding the scope of consolidation for financial reporting purposes is provided in note 2 to the consolidated financial statements *"Companies of the Group"*.

ii. The entities consolidated using the equity method in this Report are treated as part of the value chain. These are:
   - OOO Mercor-PROOF of Moscow (Russia)
   - MKRP Systems Unitary Production Enterprise of Minsk (Belarus) (subsidiary of OOO Mercor-PROOF)
   - TOO MKR – Astana of Almaty (Kazakhstan) (subsidiary of OOO Mercor-PROOF)
   - Elmech-ASE S.A. of Pruszcz Gdański (Poland)

Unless stated otherwise, the information, data, metrics, indicators, and statements contained in this Sustainability Report refer to the MERCOR Group.

Scope of value chain information

As part of the assessment of material impacts, risks, and opportunities, the MERCOR Group conducted an analysis of the upstream and downstream segments of its value chain. The process included an evaluation of all sustainability matters as defined in the ESRS. In the course of the analysis, publicly available data on value chain entities, such as reports, analyses, and ESG disclosures, were used to assess environmental and social impacts. For the first three years of reporting, the MERCOR Group applies the transitional provision set out in ESRS 1, paragraph 133, limiting value chain information to information available in-house and publicly available information.

Given the MERCOR Group's focus on manufacturing operations, a detailed analysis was carried out on the supply chain of its primary raw materials, products, and merchandise.

With respect to metrics, the Group has included Scopes 2 and 3 carbon footprint calculations covering indirect emissions from energy use as well as other indirect emissions across the value chain.

Omission of information constituting a trade secret

The Group has not used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see ESRS 1 section 7.7 *Classified and sensitive information and information on intellectual property, know-how or results of innovation*).

The Group has not applied the exemption from disclosure of impending developments or matters in the course of negotiation, as provided for in Articles 19a(3) and 29a(3) of Directive 2013/34/EU.

1.1.2. BP-2 Disclosures in relation to specific circumstances

Time horizons

For the purposes of this Sustainability Report, time horizons have been defined in accordance with ESRS 1 paragraph 77.

Value chain estimation

In the course of its value chain assessment, the MERCOR Group partially relied on indirect sources, particularly for carbon footprint calculations and the double materiality assessment within the value chain.

Metrics

The applied metrics included Scope 3 indirect emissions for material categories, which were estimated using emission factors derived from both commercial and non-commercial databases.

Basis for preparation

For the calculation of the carbon footprint within the value chain, the Group relied on the following databases:

- KOBiZE – the National Centre for Emissions Balancing and Management,
- DEFRA – UK Department for Environment, Food and Rural Affairs,
- AIB – Association of Issuing Bodies,
- Ecoinvent,
- ADEME.

In addition, for the purposes of calculating Scope 2 emissions, the Group used emission factors published by KOBiZE and the AIB database.

Resulting level of accuracy

The level of accuracy was assessed using the methodology outlined in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (supplement to the GHG Protocol Corporate Accounting and Reporting Standard). The Group considers the accuracy of the reported metrics to be high, based on an evaluation of data availability, reliability, and the reproducibility of the estimation methods applied.

Planned actions to improve data accuracy

In subsequent years, the Group intends to obtain emission factors directly from its suppliers, with the aim of reducing reliance on emission factors derived from external databases.

Sources of estimation and outcome uncertainty

Measurement areas subject to a high level of uncertainty, particularly in the context of forward-looking projections, include the assessment of the potential magnitude of financial effects of sustainability-related risks and opportunities.

The sources of measurement uncertainty stem from the application of expert judgement in estimating financial effects during the risk and opportunity assessment process.

In assessing risks and opportunities, the Group considers future and inherently uncertain events, while drawing on insights from past experience. The estimations were carried out by teams comprising relevant experts and management.

Changes in preparation or presentation of sustainability information

This Sustainability Report is the Group's first sustainability report prepared in accordance with the European Sustainability Reporting Standards (ESRS). Therefore, no changes in the preparation or presentation of the sustainability statement or any prior-period errors are reported.

Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements

This Sustainability Report does not include disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements.

Transitional provisions

The MERCOR Group has applied the transitional provision regarding the phase-in of disclosure requirements, which permits the omission of selected disclosures during the first year of reporting. The following disclosures have been omitted under this provision:

E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

E2-6 Anticipated financial effects from pollution-related risks and opportunities

E5-6 Potential financial effects from resource use and circular economy-related risks and opportunities.

1.2. Governance

1.2.1. GOV-1 The role of the administrative, management and supervisory bodies

The Management Board of MERCOR S.A. consists of three executive members, all of whom are men:

1. Krzysztof Krempeć – President of the Management Board
2. Jakub Lipiński – First Vice President of the Management Board
3. Tomasz Kamiński – Member of the Management Board.

No changes in the composition of the Management Board occurred during the reporting period.

The Supervisory Board of the Company comprises six non-executive members, all of whom are men. The composition of the Supervisory Board as at 31 March 2025 and on the date of publication of this Sustainability Report was as follows:

1. Arkadiusz Kęsicki – Chair of the Supervisory Board, Independent Member
2. Eryk Karski – Deputy Chair of the Supervisory Board, Independent Member
3. Tomasz Rutowski – Secretary of the Supervisory Board
4. Błażej Żmijewski – Independent Member of the Supervisory Board
5. Marian Popinigis– Member of the Supervisory Board
6. Pathy Timu Zenzo – Independent Member of the Supervisory Board.

An Audit Committee has been established within the Supervisory Board. As at 31 March 2025, the composition of the Audit Committee was as follows:

1. Błażej Żmijewski – Deputy Chair, Independent Member of the Audit Committee
2. Marian Popinigis – Member of the Audit Committee.

On 20 May 2025, Eryk Karski joined the Audit Committee.

As at the date of publication of this Sustainability Report, the composition of the Audit Committee was as follows:

1. Błażej Żmijewski – Chair, Independent Member of the Audit Committee
2. Eryk Karski – Deputy Chair, Independent Member of the Audit Committee
3. Marian Popinigis – Member of the Audit Committee.

A Remuneration Committee also operates within the Supervisory Board.

Representation of employees and other workers

There is no representation of employees or other workers in the Management Board or the Supervisory Board of the MERCOR Group.

Experience relevant to the sectors, products and geographic locations of the undertaking

Management Board

Krzysztof Krempeć
President of the Management Board of MERCOR S.A. since March 2008. He brings over 35 years of experience in the passive fire protection industry. From 1988 to 2007, he served as Vice President of MERCOR S.A. He also holds the position of Vice President of the Board of the Polish Association of Fire Protection and Rescue Equipment Manufacturers (OSPZPiSR).

Jakub Lipiński
He began his professional career in 2006 at PricewaterhouseCoopers, where he worked as a Consultant (2007–2009) and subsequently as a Senior Consultant (from 2009). In June 2010, he assumed the role of a financial auditor at Dovista Polska Holding Sp. z o.o. (now Dovista Polska Sp. z o.o.), a subsidiary of a Danish window and door manufacturing group. He has been with the MERCOR Group since 2013. Since February 2017, he has served as First Vice President of the Management Board of MERCOR S.A. and holds the position of Chief Financial Officer. Since September 2022, he has also served as President of the Management Board of Mercor Centrum Usług Wspólnych Sp. z o.o., a Group subsidiary.

Tomasz Kamiński
A graduate of the Faculty of Electrical and Control Engineering of the Gdańsk University of Technology. He has also completed a postgraduate programme in smoke control systems (fire ventilation) at the Faculty of Environmental Engineering of the Warsaw University of Technology. He has been with MERCOR S.A. since 1997. He first worked as a Technical and Sales Specialist at the Fire Ventilation Department. In 2005, he was appointed Head of the Department and, since 2008, has served as its Director. From October 2013 to August 2016, he served on the Management Board of MB1 Sp. z o.o., which operates the Mercor Group's manufacturing plant in Mirosław. Since 2017, he has served on the Management Board of MERCOR S.A. He is a long-standing member of the Polish Ventilation Association, which is actively involved in the building ventilation and fire safety sector. He also sits on two technical committees at the Polish Committee for Standardisation (PKN): KT180 – Fire Safety of Buildings and KT264 – Fire Detection and Fire Alarm Systems.

Supervisory Board:

Arkadiusz Kęsicki
He has a degree in Finance and Banking from the WSB University in Poznań. He also graduated from the Strategic Leadership Academy of the ICAN Institute. He has extensive experience in senior financial management roles. Between 2009 and 2012, he served as Chief Financial Officer at Alstal Grupa Budowlana Sp. z o.o. Sp. k., and from 2010, also as a member of the Management Board. From 2012 to 2013, he was Chief Financial Officer at Metalbark Sp. z o.o., and between 2013 and 2014 held the positions of Chief Financial Officer and Management Board member at Molewski Sp. z o.o. Within the companies where he managed the financial area, his remit also included overseeing strategic, operational, and process-oriented projects. He has served on the Supervisory Board of MERCOR S.A. since September 2019 and currently acts as its Chair and Independent Member.

Eryk Karski
Graduate of the Warsaw School of Economics, Faculty of Finance and Banking. In 1998, he additionally completed a course for investment advisers, in 2002 passed the CFA First Level exam, and in 2004 completed a course for chief accountants run by the Accountants Association in Poland. From 2003 to 2005, he held the positions of Finance Director and Electronic Payments & Development Director at the Polish mint Mennica Państwowa S.A. In 2005–2006, he was Chief Financial Officer of Boryszew S.A. Elana Branch in Toruń. From 2006 to 2008, he managed restructuring projects within the Supernova Group. Between 2009 and 2011, he served as President of the Management Board and CEO of LANTEX S.A. He also served as President of the Management Board of Narodowy Fundusz Inwestycyjny Zachodni NFI S.A. He has been a member of the Supervisory Board of MERCOR S.A. since September 2011.

Tomasz Rutowski
He graduated from the Faculty of Law and Administration of the Adam Mickiewicz University of Poznań. From 1997 to 2001, he worked as a trainee at the law firm Kancelaria Adwokacka Zenon Marciniak of

Poznań. Since 2001, he has run his own legal practice under the name of Kancelaria Adwokacka Tomasz Rutowski of Poznań. He holds the position of Deputy Disciplinary Representative of the Poznań Bar Association and is a Management Board member at SKI System Sp. z o.o. and Amex Sp. z o.o. He has served on the Supervisory Board of MERCOR S.A. since 2004.

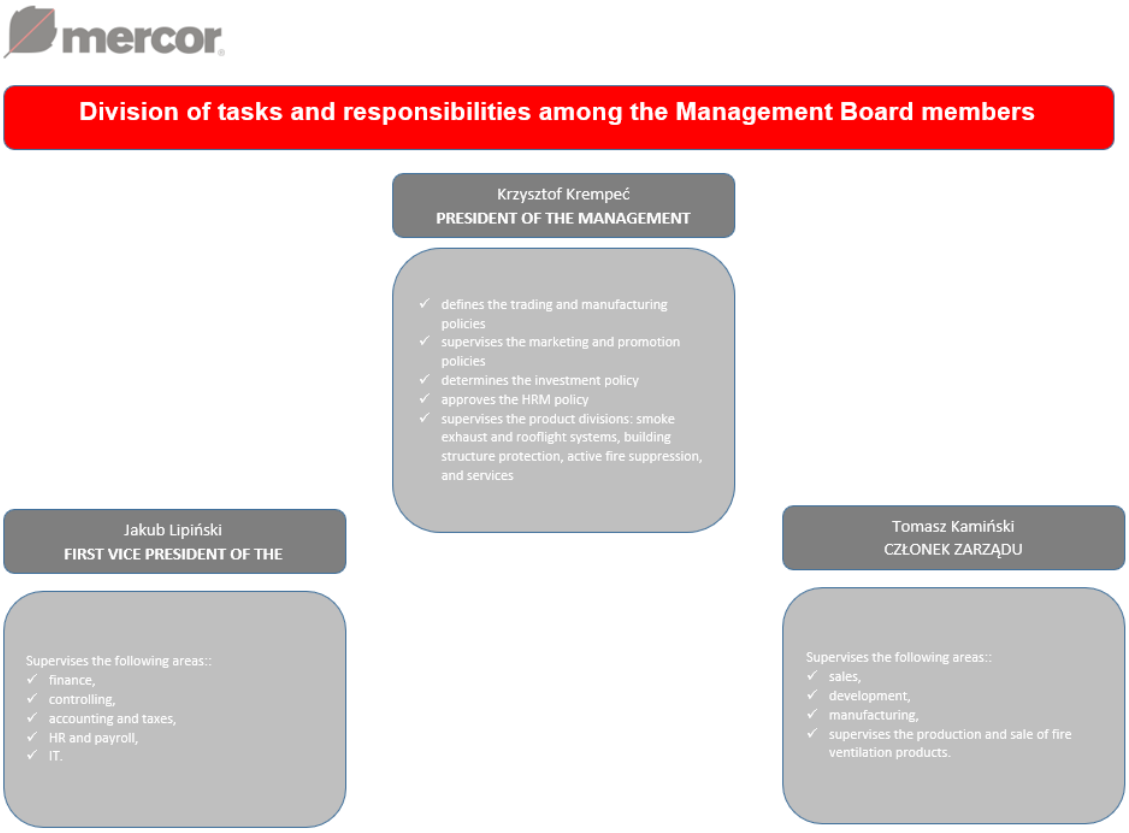
Błażej Żmijewski
Graduate of the University of Gdańsk, Faculty of Transport Economics, where his principal field of study was Maritime Transport Economics. He also completed the Management 2005 improvement course for managerial staff at the Canadian International Management Institute. His professional experience includes positions at the Gdynia Commercial Seaport and Cocon AB in Gdańsk. Since 1992, he has served as President of the Management Board of IMEX TOP 32 Sp. z o.o. of Gdańsk. He has been a member of the Supervisory Board of MERCOR S.A. since 2004.

Marian Popinigis
Graduate of the University of Gdańsk, Faculty of Law and Administration. He is one of the founding members of MERCOR and served as President of the Management Board until 2008. He has served on the Supervisory Board since November 2009. He has long been active in associations and organisations related to fire protection systems. He is a member of the Committee on Active Fire Protection Systems at the Polish Association of Fire Protection and Rescue Equipment Manufacturers (OSPZPiSR).

Pathy Timu Zenzo
He is a graduate in Civil Engineering of the Poznań University of Technology. His 18 years of experience in building construction and the real estate industry, gained at international organisations operating as property developers, project owners and general contractors, spans acquisition, conceptual design, development and sale of various properties. He holds an unlimited licence to manage construction works. Currently, as Technical Director at the EXETER PROPERTY GROUP, he is responsible for overall coordination of real estate projects. From 2014 to 2019, he worked at the GOODMAN GROUP as Technical Development Manager, and was additionally responsible for project implementation. Between 2007 and 2014, he worked at the GSE Group, first as Project Manager and then as Senior Project Manager with responsibility for coordination of site works, settlement of subcontracts, technical acceptance of completed works and other areas. From 2004 to 2007, he was employed as Construction Site Engineer at EIFFAGE Mitex Construction and SEICCF Poland. Since 2014, he has run his own consulting practice under the name of WB CONSULTING, offering technical consultancy services in property development and real estate acquisition, coordination and supervision of technical and environmental due diligence processes, coordination of design work and acceptance of technical solutions. He has served on the Supervisory Board of MERCOR S.A. since September 2019.

The percentage of independent members on the Supervisory Board is 66.6%. None of the members of the Management Board meet the independence criteria.

Responsibility for overseeing impacts, risks, and opportunities lies collectively with the Management Board and the Supervisory Board. However, no individual members within these bodies have been specifically designated to assume dedicated responsibility for the oversight of sustainability-related impacts, risks, and opportunities.



The diagram above illustrates the allocation of responsibilities within the Management Board of MERCOR S.A. No individual members of the Management Board or the Supervisory Board have been designated to assume responsibility for sustainability-related impacts, risks, and opportunities. Oversight of ESG matters is exercised collectively. The Management Board holds weekly meetings, during which both operational and strategic matters are discussed. Risk management is one of the recurring topics. Where risks are assessed as highly material, they may be escalated for discussion with the Supervisory Board.

At present, the management team has not established formal procedures for monitoring impacts, risks, and opportunities (IRO), nor has this responsibility been assigned to a dedicated individual.

The Group has not yet adopted formal documentation that would define internal control mechanisms and procedures for IRO governance.

The Management Board of MERCOR S.A. is directly engaged in setting targets related to material impacts, risks, and opportunities. The monitoring process for these targets will be implemented in 2025, in line with the Group's first sustainability objectives. This monitoring approach will be consistent with the Group's standard performance monitoring procedures applied to non-sustainability-related targets.

In the course of preparing this first Sustainability Report, the Management Board recognised the need to enhance its knowledge in the area of sustainable development. Accordingly, in 2024, the Management Board, selected members of the Supervisory Board, and key members of management participated in open training sessions organised by the Polish Association of Listed Companies (SEG) focused on the European Sustainability Reporting Standards (ESRS). In addition, they took part in dedicated, closed training sessions on ESRS, the EU Taxonomy, and sustainability reporting delivered by external consultancy experts.

With regard to material impacts, risks, and opportunities, the necessary expertise and skills are supplemented by both internal and external specialists. In particular, the following individuals and roles support the Management Board in key areas:

- Environmental matters: Ekokierunek Mariola Knop, Plant Director at the Cieplewo manufacturing plant, and Maintenance Engineer at the Mirosław manufacturing plant;
- Social matters: Head of HR and Payroll, HR Director, and Senior Health and Safety Specialist;
- Governance matters: Legal Director, and Head of Organisational and Economic Affairs.

1.2.2. GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Between December 2023 and April 2024, when the ESG Specialist position was established, meetings with the designated member of the Management Board (the First Vice President of the Management Board) were held biweekly. Once per month, a summary of the ongoing work on the preparation of this Sustainability Report was presented to the Management Board and key management. These updates included information on the double materiality assessment process and the identification of material impacts, risks and opportunities. Currently, the Management Board is informed on sustainability matters on an as-needed basis, reflecting MERCOR S.A.'s flat organisational structure.

Each functional team reports directly to a designated member of the Management Board. As a result, any emerging risks are communicated to Management Board in the ordinary course of business. Due to the Company's decentralised management style and flat hierarchy, the establishment of formalised communication structures is not considered to provide additional value. The majority of the Company's management personnel, including middle management, report directly to a member of the Management Board.

The Management Board maintains regular cooperation with the Supervisory Board. Where material matters arise that require the involvement of the Supervisory Board, its members – or the relevant Committees or individual Supervisory Board members – are promptly informed, even outside the formal Supervisory Board meeting schedule. If necessary, an ad hoc Supervisory Board or Committee meeting may be convened.

The Group has not yet developed a sustainability strategy that would encompass the entire Group. Oversight of material impacts, risks, and opportunities by the Management Board and the Supervisory Board is yet to be established and integrated into other Group-wide processes, including risk management.

The undertaking discloses a list of the material impacts, risks and opportunities addressed by the administrative, management and supervisory bodies, or their relevant committees during the reporting period.

During the reporting period, the Management Board and the Supervisory Board addressed the following sustainability-related matters:

- gas procurement costs,
- construction investment levels,
- counterparty liquidity risks and their impact on payment practices,
- entry into a new business area – active fire protection systems,

– transaction involving the sale of a part of the Group's business.

1.2.3. GOV-3 Integration of sustainability-related performance in incentive schemes

Sustainability matters are not integrated into the incentive schemes or the remuneration policy of the undertaking. The Remuneration Policy for Members of the Management Board and the Supervisory Board of MERCOR S.A. does not provide for any linkage between remuneration and sustainability-related matters.

GOV-3 E1

There is no linkage between the remuneration of the members of the Management Board or the Supervisory Board and climate-related matters.
The Remuneration Policy for Members of the Management Board and the Supervisory Board of MERCOR S.A., approved by Resolution No. 21 of the Annual General Meeting on 24 September 2024, does not establish such a link.

1.2.4. GOV-4 Statement on due diligence

The MERCOR Group has not yet implemented a comprehensive due diligence process in the area of sustainability, as defined by the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. However, the Group has partially undertaken certain steps of the due diligence process, limited to disclosures required under specific ESRS.

Core elements of due diligence	Paragraphs in the sustainability statement
Embedding due diligence in governance, strategy and business model	GOV-2; SBM-3
Engaging with affected stakeholders in all key steps of the due diligence	SBM-2; IRO-1; S1-2; S1-3; S2-2; S2-3
Identifying and assessing adverse impacts	IRO-1; SBM-3
Taking actions to address those adverse impacts	E1-3; E2-2; E5-2; S1-4; S2-4
Tracking the effectiveness of these efforts and communicating	E1-5; E1-6; E2-3; E2-5; E5-3; E5-4; E5-5; S1-14; S1-17

1.2.5. GOV-5 Risk management and internal controls over sustainability reporting

Sustainability reporting is subject to internal controls consistent with those applied across other areas of the MERCOR Group's operations. Within the internal control system for sustainability reporting, processes related to the selection, collection, processing, and verification of required data have been appropriately adapted. From both a risk and control perspective, as well as in terms of resource efficiency and work organisation, the control system for sustainability reporting is based on:

- the establishment of a cross-functional team responsible for executing sustainability reporting tasks, composed of personnel from various departments within the organisation and external advisors,
- the utilisation of existing control mechanisms,
- appropriate planning of the work initiation phase.

Responsibility for the accurate preparation of this Sustainability Report lies with the First Vice President of the Management Board (CFO). The overall process is supervised and coordinated by the Organisational and Economic Affairs Manager. Periodic reporting of findings between the team preparing this Sustainability Report and the designated Management Board member occurred monthly and after each key milestone closing out a specific area of work.

In the course of preparing this Sustainability Report, the Group identified four key risk areas for which appropriate mitigation strategies have been developed.

- Completeness and reliability of data – this risk is assessed as high due to the Group's decentralised organisational structure and the large number of data sources. It is particularly critical in the first year of reporting under the ESRS. The Group mitigates this risk through multi-level data verification, documentation of sources and methodologies, and early identification of potential information gaps.
- Accuracy of estimates used in the calculation of sustainability metrics. Mitigation measures include regular review and updating of applied methodologies, internal expert validation, and the application of a precautionary approach – adopting less favourable values from an ESG metrics perspective in cases of uncertainty (for example, assuming higher emission values or greater resource consumption).
- Availability of data from the value chain, particularly from partners who do not publish their own ESG reports. The Group mitigates this risk by using publicly available non-financial reports from those value chain entities that publish them, and by referring to sector reports and industry analyses to fill information gaps for entities that do not.
- Regulatory changes concerning sustainability reporting. Given the dynamic nature of ESG-related regulation, the Group continuously monitors changes in legislation and reporting standards, and ensures that relevant staff participate in training programmes focused on ESG and sustainability reporting.

1.3. Strategy

1.3.1. SBM-1 Strategy, business model and value chain

The MERCOR Group operates in the passive fire protection systems sector.
Its core business comprises manufacturing, sales, and services, including transport, installation, and maintenance of fire protection systems. Companies of the MERCOR Group manufacture, deliver and install equipment components for fire protection systems and provide maintenance services to guarantee reliable long-term operation of such systems. The service offering includes expert support throughout the system's lifecycle, regular technical inspections, preventive maintenance, easy access to replacement parts, the possibility to extend the standard warranty, and customer training on system operation. In addition, the Group offers product advisory services and comprehensive assistance in designing tailor-made fire protection solutions, including CFD simulations, CAD and BIM materials. The Group's products are primarily manufactured to order based on a client's desired specifications while adhering to safety standards and relevant regulatory requirements. The MERCOR Group has two sales streams: construction services and products.

The MERCOR Group categorises its passive fire protection systems into the following **product divisions**:

- natural smoke exhaust systems,
- fire ventilation systems,
- fire protections of building structures,
- fire separations (DFM Doors).

Natural smoke exhaust products:

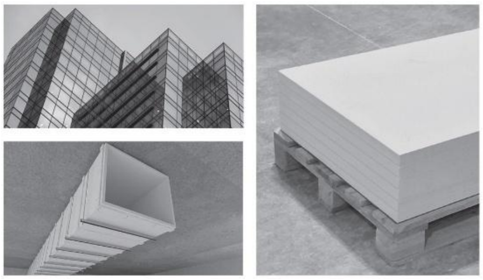
a. smoke vents,
b. ventilation vents,
c. roof hatches,
d. continuous rooflights,
e. staircase smoke ventilation systems,
f. smoke curtains,
g. electric control systems.

Fire ventilation products:

a. fire dampers,
b. cut-off fire valves,
c. smoke exhaust fans,
d. intake and exhaust fans,
e. control units,
f. overpressure systems for staircases,
g. jet ventilation system for garages,
h. explosion-proof technology.

Construction protection products:

a. board systems,
b. spray systems,
c. sealing systems,
d. intumescent coating systems,
e. spray acoustical coating.



Fire separations (DFM Floors) products:

a. steel fire-resistant doors,
b. wooden fire-resistant doors,
c. non-fire-resistant doors,
d. gates.

For further information on sales of the Group's products and services, please refer to the *'Sales and purchases'* section of the Directors' Report.
The MERCOR Group generates the highest revenues by geographical market as follows:

- Poland – 54.5%,
- Spain – 10%,
- Hungary – 9.7%,
- Czech Republic and Slovakia – 7.5%,
- Romania – 2.3%,
- UK – 2.4%,
- Ukraine – 0.6%.

Sales to other countries collectively account for 13% of total revenue. The MERCOR Group is actively expanding into non-European markets, including Asia, Africa, and South America.
During the reporting period, neither the parent company nor subsidiaries consolidated under the full method conducted any sales to Russia or Belarus.
For more information on sales markets, please refer to the *'Sales and purchases'* section of the Directors' Report.

HEADCOUNT BY GEOGRAPHICAL AREA AS AT 31 MARCH 2025	
Poland	544
Spain	61
Hungary	84
Czech Republic	11
Slovakia	9
Romania	5
Ukraine	85
UK	6
TOTAL FOR MERCOR GROUP	**805**

In both European and non-European markets where the Group operates, the use of fire protection products is strictly regulated – typically by national and/or industry-specific legislation as well as relevant technical standards. These regulations define the required functions and parameters of the products, along with rules for their selection, application, and installation, specific to each market and/or application. Standards, in turn, outline design methodologies, testing procedures, and technical requirements for the products. As such, only products that comply with the applicable regulations may be offered and used. Products (or their configurations) that do not meet these requirements cannot be marketed or sold. Within the scope of approved solutions, market practices and customer preferences may further influence the selection of certain product types, parameters, or functions.

In the consolidated financial statements of the MERCOR Group, the Group's operations are presented as a single operating segment. This is due to the similarities in economic characteristics, products and services, production processes, customer groups, distribution methods, and regulatory environments.

In the near term, the MERCOR Group will focus on governance-related objectives. The Group intends to implement an anti-corruption policy, a supplier code of conduct, and internal whistleblowing procedures. These objectives are linked to material impacts identified under G1 *Business conduct* and are therefore indirectly related to key customer groups and to the development of stakeholder relationships.

While the MERCOR Group does not currently have a formalised sustainability strategy, its business strategy incorporates actions that contribute to sustainable development across several key areas:

- procurement of electric M1-category vehicles,
- expansion of the product portfolio to include items with improved thermal insulation performance, primarily manufactured to individual customer specifications,
- reuse of post-production waste in manufacturing processes,
- recovery and reuse of heat generated during production at DFM Doors.

These initiatives are further detailed in the environmental section of this report. It should be noted that the execution of such actions is influenced by external factors, including the pace of Poland's energy transition, raw material availability, and evolving legal and regulatory frameworks within the EU.

The MERCOR Group's business model is centred around delivering advanced fire protection technologies. It accompanies the customer throughout all project stages, from design to tendering, manufacturing, delivery and assembly, to equipment and system maintenance. The solutions offered are tailor-made, which means they are mostly designed to suit individual customer needs.

The business model adopted by the MERCOR Group is based on the following business areas:

Trading and manufacturing companies with a separate sales department, R&D departments and manufacturing plants:

- MERCOR S.A. (the parent – Poland)
- Tecresa Protección Pasiva S.L. (Spain)
- TOB Mercor Ukraina (Ukraine)
- Mercor Dunamenti Tűzvédelem Zrt (Hungary)
- DFM Doors sp. z o.o. (Poland)

Trading companies distributing products manufactured by the MERCOR Group's plants:

- Mercor Czech Republic s.r.o. (Czech Republic)
- Mercor Slovakia s.r.o. (Slovakia)
- Mercor Fire Protection Systems s.r.l (Romania)
- Mercor Fire Protection UK LTD

The principal business of the parent and the Group consists in the manufacture, sale, installation and maintenance of passive fire protection systems. The Group's offering includes all four product categories within this industry:

- fire separation elements (doors, gates, panel walls),
- smoke and heat exhaust systems, rooflight systems,
- fire ventilation systems,
- fire protections of building structures.

The Group's business model is designed to deliver the expected return on investment for shareholders, while ensuring that customers and end-users receive high-quality products and services that meet their fire protection needs. For employees, both current and anticipated benefits include fair and competitive wages for work carried out with professionalism and diligence. The model also supports contractors, who are able to grow their businesses through direct commercial relationships and fulfilment of Group orders.

	MERCOR Group			
	Natural smoke exhaust systems	Fire ventilation systems	Fire protection of building structures	Fire separations
MANUFACTURING PLANT	Cieplewo near Gdańsk	Cieplewo near Gdańsk, Drohovyzh (Ukraine)	Mirosław near Płock, Madrid (Spain), Göd (Hungary)	Opole
PRODUCTS	smoke vents, fixed skylights, roof hatches, ventilation vents, continuous rooflights, smoke curtains, louvered vents, window systems, power supply and control units	smoke exhaust fans, fire dampers, cut-off fire valves, intake and exhaust fans, overpressure systems for staircases, jet ventilation systems for garages, control units	fire protection boards, spray systems, sealing systems, intumescent coating systems	flush doors, profile doors, gates (including non-fire-rated separations)
				
GROUP COMPANIES	sales conducted by most Group companies: MERCOR S.A., Tecresa Protección Pasiva S.L., Mercor Dunamenti Tűzvédelem Zrt, Mercor Czech Republic s.r.o., Mercor Slovakia S.r.o., Mercor Fire Protection Systems S.R.L., Mercor Fire Protection UK LTD, TOB Mercor Ukraina	sales conducted by most Group companies: MERCOR S.A., Mercor Dunamenti Tűzvédelem Zrt, Mercor Czech Republic s.r.o., Mercor Slovakia S.r.o., Mercor Fire Protection Systems S.R.L., Mercor Fire Protection UK LTD, TOB Mercor Ukraina	sales conducted by: MERCOR S.A., Tecresa Protección Pasiva S.L., Mercor Dunamenti Tűzvédelem Zrt	DFM Doors – responsible for production and product development
APPLICATIONS	manufacturing and warehouse facilities, logistics centres, public buildings, commercial and retail facilities, residential buildings	manufacturing and warehouse facilities, logistics centres, public buildings, commercial and retail facilities, residential buildings	industrial plants and structures, public buildings, manufacturing and warehouse facilities, logistics centres, high-rise buildings, underground halls, residential buildings	logistics centres, public buildings, commercial and retail facilities, residential buildings, office buildings

The Group designs and manufactures end-to-end solutions tailored to individual customer needs, which are then delivered, installed, and, depending on the contract or project, maintained by the Group specialists.

The Group operates with a geographically and commercially diversified customer base. Its sales are not dependent on any single customer or group of customers whose purchases would exceed 10% of total revenue.

In the case of construction services, the unit of sales is a construction contract, while in the case of products – it is a product unit.

The Company and the Group rely on a diversified supplier base to ensure security of supplies. The Group actively monitors the market and seeks alternative sources for key raw materials and consumables such as steel and aluminium sheets, mineral wool, and polycarbonate.

Within the consumer goods sector, specifically the building products and equipment subsector, several potentially material sustainability matters are relevant to the Group's operations:

- energy management,
- product quality and safety,
- product design and lifecycle management,
- supply chain management.

Value chain

Based on the MERCOR Group's business model, a single value chain has been identified for the entire Group.

MERCOR Group value chain

Upstream

- Supply of raw materials and construction materials
- Supply of semi-finished products and components used in manufacturing
- Supply of other non-critical materials (office supplies, etc.)
- Energy for production, sourced from external providers and the Group's own renewable energy installations
- Other utilities required for operations (water, natural gas, etc.)
- Production-related services (financial and insurance services, etc.)
- Transport services
- Other subcontracted services (panel cutting, coating/painting, etc.)

Own operations

Products:
- natural smoke exhaust systems
- fire ventilation systemsj
- fire protections of building structures
- fire separation elements (doors, gates, panel walls)

Services:
- construction and installation services delivered by MERCOR Group companies
- administrative and support functions

Waste:
- waste materials suitable for internal reuse (fire protection boards, etc.)

Downstream

Product sales:
- general contractors and investors – direct customers, including installation
- installation companies – direct customers, excluding installation
- distributors – regional distribution (by geographic market, etc.)
- building materials wholesalers

Services:
- subcontractors providing construction and installation services for MERCOR products
- subcontractors providing maintenance and servicing of MERCOR products
- transport companies delivering products to customers

Waste:
- construction waste and end-of-life product waste
- production waste suitable for external recycling (steel sheet, polycarbonate, etc.)

End-users:
- consumers of MERCOR Group products

1.3.2. SBM-2 Interests and views of stakeholders

The MERCOR Group has identified four key stakeholder groups:

- strategic customers,
- strategic suppliers,
- employees,
- the environment.

Among the various methods listed in the AA1000SES standard for stakeholder engagement, the Group used a questionnaire-based survey to collect input. In the case of the environment – recognised as a material 'silent stakeholder' – dialogue was conducted through the use of scientific literature on climate change. This input was especially considered during the materiality assessment process for ESRS E1 *Climate change*. The Group does not rule out inviting additional stakeholder groups into the engagement process in future reporting cycles.

An identical questionnaire was distributed to all stakeholder groups. It was made available in both Polish and English. The survey consisted of closed-ended questions, each accompanied by a standardised list of response options to rate the importance of various sustainability topics from the stakeholder's perspective using a five-point scale: 'least important', 'less important', 'moderately important', 'very important', and 'most important'. An additional response option – 'I don't know' – was included for participants who preferred not to express an opinion on specific topics.

Within the key stakeholder group of employees, the survey was distributed to all staff members with access to a corporate email account. For employees without email access, primarily those in production roles, a paper version of the questionnaire was prepared and distributed. For the stakeholder groups of strategic suppliers and strategic customers, the survey was sent to the largest entities in each category. Specifically, it was shared with 22 key suppliers and 21 key customers.

The questionnaire included 22 questions covering environmental, social, and governance (ESG) topics. Respondents were asked to evaluate each topic using a five-point importance scale, where: 5 – most important, 4 – very important, 3 – moderately important, 2 – less important, 1 – least important.

The survey results were used to identify sustainability matters considered material by the key stakeholder groups.

An average score was calculated for each question within each stakeholder group. For analysis purposes, any topic with an average score of 4.0 or higher was classified as material. Additionally, a minimum of five topics per stakeholder group was required to be identified as material (where fewer than five topics met the 4.0 threshold).

Stakeholder perspectives were taken into account during the double materiality assessment if a given topic was considered important by at least two stakeholder groups, and the average rating exceeded 4.0 on a scale from 1 (least important) to 5 (most important). A minimum of five sustainability matters with the highest scores were treated as material, even if their average rating was below the threshold.

As the Group is still in the process of developing its formal sustainability strategy, it is not yet possible to confirm whether, or to what extent, the strategy will be amended to reflect the interests and views of stakeholders.

The management bodies are informed about the views and interests of affected stakeholders with regard to the Group's sustainability-related impacts. This is done through employee representatives, who prepare a report summarising stakeholder views and interests based on the survey results. Management Board meetings are held to review and discuss these findings.

SBM-2 for own workforce (S1)

As at 31 March 2025, the MERCOR Group comprised 877 individuals, including both employees and non-employees engaged under contracts related to the provision of work across all Group companies. As part of the double materiality assessment, the Group undertook a stakeholder engagement process aimed at identifying its material impacts. The engagement covered the parent company MERCOR S.A. and all consolidated subsidiaries, with no exclusions. It encompassed the Group's operations across all markets in which MERCOR operates.

Employees are a key strategic resource within the MERCOR Group's business model. Their views, interests, and rights directly impact the business model, particularly in the following areas:

- OHS directly impacts the business model through the implementation of measures and policies that ensure a safe working environment in production companies. Mercor Dunamenti Tűzvédelem Zrt. and Tecresa Protección Pasiva S.L. have implemented OHS management systems certified under ISO 45001. At MERCOR S.A., the division of fire protection of building structures is ISO 45001-certified. Additionally, work rules adopted by MERCOR S.A. and DFM DOORS Sp. z o.o. mandate the provision of safe and healthy working conditions.

- Amendments to labour rights at both national and EU levels directly affect the Group's business model, prompting necessary adjustments.
- In response to new regulations concerning the protection of whistleblowers, the MERCOR Group has introduced an internal whistleblowing system and implemented anti-retaliation procedures to safeguard those who report suspected misconduct.

SBM-2 for workers in the value chain (S2)

At present, the MERCOR Group does not have a dedicated policy in place regarding material impacts, risks, and opportunities in relation to workers within its value chain, nor any formal policy governing cooperation with supply chain partners. In light of the planned structural changes within the MERCOR Group – outlined in detail in section 1 of the note *'Significant agreements of the Company'* in the Directors' Report – the development of such policies is not currently planned. An exception is the Supplier Code of Conduct, which the Group has identified as a strategic objective for 2025–2026.

1.3.3. SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

As a result of the double materiality assessment, conducted with consideration of stakeholder engagement outcomes, the following topics have been identified as material for the MERCOR Group.

ESRS	ESG matter	Name of impact/ risk/ opportunity	Impact/ risk/ opportunity	Time horizon	Value chain segment	Involvement (own operations/ business relationships)	Description of impact/ risk/ opportunity
E1 Climate change	Climate change mitigation	greenhouse gas emissions	actual negative impact	n/a	own operations; value chain	own operations/business relationships	The majority of GHG emissions are Scope 3 emissions across the entire value chain (purchased goods and services, transportation); this impact results from the MERCOR Group's business model and the manufacturing nature of its operations.
E1 Climate change	Climate change mitigation	disrupted supply chains	risk	medium term	own operations; value chain	own operations/business relationships	Risk related to supplier availability due to supply chain disruptions
E1 Climate change	Climate change mitigation	rising costs of key raw materials	risk	medium term	own operations; value chain	own operations/business relationships	Rising costs of key raw materials and consumables (steel, aluminium, polycarbonate)
E1 Climate change	Energy	Energy mix and GHG emissions	actual negative impact	n/a	own operations; value chain	own operations/business relationships	MERCOR Group's reliance on fossil fuels; directly linked to its operations and Scope 1 and 2 GHG emissions, including energy consumption
E2 Pollution	Substances of concern	use of substances of concern	actual negative impact	n/a	own operations	own operations	Certain manufacturing plants use substances that are included in Part 3 of Annex VI to Regulation (EC) No 1272/2008

ESRS	ESG matter	Name of impact/ risk/ opportunity	Impact/ risk/ opportunity	Time horizon	Value chain segment	Involvement (own operations/ business relationships)	Description of impact/ risk/ opportunity
							of the European Parliament and of the Council
E5 Resource use and circular economy	Resource inflows, including resource use	Resource inflows from non-renewable sources with low recycled content	actual negative impact	n/a	own operations; value chain	own operations/business relationships	The resources used generate pollutant emissions (value chain) and are a material component of the MERCOR Group's Scope 3 carbon footprint; manufacturing processes rely on non-renewable resources that have limited recycled content and originate from both EU and non-EU countries; a lack of available technologies and a cost-benefit imbalance
E5 Resource use and circular economy	Waste	Generation of hazardous and non-hazardous waste	actual negative impact	n/a	own operations	own operations	Both hazardous and non-hazardous waste is generated; the undertaking aims to increase the reuse of post-production waste for manufacturing purposes.
S1 Own workforce	Health and safety	Work-related accidents	actual negative impact	n/a	own operations	own operations	Accidents do occur (no fatalities in 2023/2024); in 2023, seven accidents were recorded in the MERCOR Group (including incidents involving non-employees)
S2 Workers in the value chain	Secure employment Working time Adequate wages Social dialogue	Violations	potential negative impact	short-term	value chain	own operations	Given the origin countries of raw materials and consumables, violations cannot be ruled out; such violations are occasionally reported in countries supplying raw materials and consumables
S2 Workers in the value chain	Freedom of association, including the existence of work councils Collective bargaining	Violations	potential negative impact	short-term	value chain	own operations	Given the origin countries of raw materials and consumables, violations cannot be ruled out; such violations are occasionally reported in countries supplying raw materials and consumables

ESRS	ESG matter	Name of impact/ risk/ opportunity	Impact/ risk/ opportunity	Time horizon	Value chain segment	Involvement (own operations/ business relationships)	Description of impact/ risk/ opportunity
	Work-life balance						
	Health and safety						
S2 Workers in the value chain	Gender equality and equal pay for work of equal value	Violations	potential negative impact	short-term	value chain	own operations/business relationships	Given the origin countries of raw materials and consumables, violations cannot be ruled out; such violations are occasionally reported in countries supplying raw materials and consumables
	Training and skills development						
	The employment and inclusion of people with disabilities						
	Measures against violence and harassment in the workplace						
	Diversity						
G1 Business conduct	Management of relationships with suppliers, including payment practices	No policies in place	actual negative impact	n/a	own operations	own operations/business relationships	Most companies within the MERCOR Group have not adopted policies in this area and do not currently address this topic
G1 Business conduct	Prevention and detection, including training (corruption and bribery)	No policies and training in place	potential negative impact	short-term	own operations	own operations/business relationships	Most companies within the MERCOR Group do not address this topic; most MERCOR Group companies have neither adopted a formal policy nor implemented training in this area
G1 Business conduct	Incidents	No policies in place					

The Group analyses how material impacts, risks, and opportunities interact with its business model and value chain. As part of these efforts, it regularly monitors the prices of raw materials and consumables, undertakes energy cost reduction initiatives, and tracks issues related to its own workforce. These activities are expected to continue in the future. As of the date of this Sustainability Report, the Group has not made any decisions regarding changes to its business model or value chain in response to identified material impacts, risks, or opportunities.

No current financial effects of material risks or opportunities have been identified in the Group's financial position, financial performance, or cash flows for the 2024/25 financial year. No significant adjustments are anticipated in the next annual reporting period to the carrying amounts of assets or liabilities reported in the related financial statements.

An assessment of the resilience of the Group's business model, specifically its ability to respond to material impacts and risks and to capitalise on material opportunities, is presented in section 2.2.2 *'ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model'*.

1.4. Impact, risk and opportunity management

1.4.1. IRO-1 Description of the process to identify and assess material impacts, risks and opportunities

The double materiality assessment was a necessary step for the MERCOR Group to identify its material sustainability matters. The assessment was conducted between March and November 2024 with the involvement of representatives from across the Group. The double materiality assessment will be monitored annually and updated as necessary.

The assessment was carried out in compliance with the applicable legal requirements, including the CSRD and the ESRS. The assessment process involved:

- collecting information on the entire MERCOR Group and translating it into a double materiality assessment;
- analysing the MERCOR Group's business model, including the legal environment, and developing a value chain overview. Due to limited availability of direct value chain data, a simplified approach was applied. For the purpose of assessing the upstream and downstream value chain, estimates were made using all reasonable and supportable information, such as sector-average data and other proxies, and publicly available information;
- identifying key affected stakeholders and engaging them in the assessment process;
- analysing the list of sustainability matters defined in ESRS 1 AR 16;
- analysing sector-specific standards and the competitive landscape.

The double materiality assessment consisted of evaluating each sustainability matter listed in ESRS 1 AR 16 from both the impact materiality and financial materiality perspectives, each analysed independently.

Impact materiality assessment

As part of the **impact materiality** assessment, the MERCOR Group considered impacts arising both from its own operations and from its upstream and downstream value chain.

Each sustainability matter was evaluated against relevant criteria to determine its impact materiality. The following criteria were applied:

- To identify material negative impacts, the Group assessed them based on their relative severity and likelihood. Where applicable, positive impacts were evaluated based on their relative scale, scope, and likelihood. The process was used to determine which sustainability matters are material for reporting purposes.

- For each criterion, individual quantitative and/or qualitative thresholds were established to support the assessment. Priority was given to verifiable evidence (such as measurement results and MERCOR Group-specific data) to ensure the highest possible level of objectivity in materiality conclusions.

- The outcomes of stakeholder engagement were incorporated into the double materiality assessment, with each sustainability matter assessed individually.

The following scoring scale was applied for the purpose of assessing impact materiality.

IMPACT MATERIALITY ASSESSMENT	
>=9	Critical impact – material topic
8	Significant impact – material topic
6–7	Important impact – material topic
4–5	Informative impact
2–3	Minimal impact
0–1	No impact

A topic is considered material from the perspective of impact materiality if, as a result of assessing the severity and likelihood of the impact, the overall impact score is at least 'important', i.e. the total score for severity and likelihood of impact is ≥ 6. For topics with an informative or minimal impact, i.e. a total impact score of < 6, the impact is considered not material.

In accordance with the requirements of ESRS 1, paragraph 3.4 *Impact materiality*, the methodology adopted for the purpose of double **materiality assessment of impacts** was based on the following principles:

- For **actual impacts**, materiality is based on the severity of the impact, while for **potential impacts** it is based on the severity and likelihood of the impact.
- Severity is based on the following factors:
  - Scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment;
  - Scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and
  - Irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state.
- In the case of a **potential negative** human rights **impact**, the severity of the impact takes precedence over its likelihood.

Financial materiality assessment

The **financial materiality** of risks and opportunities is **assessed** based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects.

The following steps were undertaken to assess material risks and opportunities:

- Risks were identified, including but not limited to the following categories: policy and legal risks, technological risk, market risk, reputational risk, physical risk, and systemic risk;
- Opportunities were identified, including but not limited to the following categories: resource efficiency, market opportunities, financing, resilience, and reputation.
- The following scoring scale was applied for the purpose of assessing financial materiality. It was assumed that a matter is financially material if, based on the assessment of likelihood and magnitude of financial effects, the combined score reaches at least the level of 'important', that

is the aggregate score for likelihood and magnitude of financial effects is equal to or greater than 6. It was assumed that matters assessed as 'informative' or 'minimal', that is those with a combined score of less than 6, are not financially material.

FINANCIAL MATERIALITY ASSESSMENT	
8	Significant – material topic
6–7	Important – material topic
4–5	Informative
2–3	Minimal
0–1	Not material

The identification of risks and opportunities that affect or could reasonably be expected to affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term is the starting point for financial materiality assessment. In this context, the Group:

- considered the existence of dependencies on natural and social resources as sources of financial effects;
- classified them as sources of:
  - risks (contributing to negative deviation in future expected cash inflows or increase in deviation in future expected cash outflows and/or negative deviation from an expected change in capitals not recognised in the financial statements); or
  - opportunities (contributing to positive deviation in future expected cash inflows or decrease in deviation in future cash outflows and/or positive deviation from expected change in capitals not recognised in financial statements).

The above principles were taken into account in the materiality assessment carried out.

In 2024/25, the Group did not establish a hierarchy of sustainability-related risks relative to other types of risks. All risks are managed in the same manner.

The results of the double materiality assessment are subject to approval by the Management Board of MERCOR S.A. The approval took place during a meeting of the Management Board. The Group does not have any internal control procedures other than those described in section GOV-5.

The risk management process has not been formally approved.

ESG reports/sustainability statements of a selected peer group were analysed to identify sustainability matters potentially relevant to the activities of the MERCOR Group. Many of these reports indicated that matters such as carbon footprint, energy, circular economy, corporate culture, occupational health and safety, employee training and development, as well as end-user health and safety, are considered material from the perspective of sector competition.

The Group performed a double materiality assessment for the first time. As a result, no changes in material impacts, risks, or opportunities were identified compared with the previous reporting period. The Group plans to review the materiality assessment in 2026.

IRO-1 Climate change (E1)

- ***Materiality assessment of actual and potential impacts on climate change – climate change mitigation and energy***

For the purpose of assessing materiality in the area of climate change mitigation, GHG emission calculations were used and the Group's current energy mix was analysed. The MERCOR Group operates in the manufacturing sector and relies on fossil fuels, primarily natural gas. As regards its value chain, assessed from the Scope 3 perspective, the MERCOR Group has an actual negative impact on climate change mitigation, stemming from its business model and associated with purchased goods, transport, and waste.

The Group's energy mix is disclosed in disclosure E1-5, while Scope 1, 2 and 3 GHG emissions and total GHG emissions are presented in disclosure E1-6.

- ***Climate-related physical risks in own operations and along the upstream and downstream value chain***

The analysis of climate-related physical risks involved identifying hazards through climate scenario modelling based on the Shared Socioeconomic Pathways (SSP), specifically the high-emission scenario SSP3-7.0 and the very high-emission scenario SSP5-8.5, for the period 2015–2060, while considering short- (up to one year), medium- (2–5 years), and long-term (over five years) time horizons. The identified hazards were characterised in accordance with the appendix *Classification of climate-related hazards* to the ESRS, as well as Annex I, Appendix A to Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021.

Based on the analysis of both current and projected climatic conditions, the MERCOR Group identified climate-related hazards with the potential to impact its operations. A subsequent climate risk assessment was carried out for the identified hazards, using the following methodologies and guidance documents: PN-EN ISO 14091 – *Adaptation to climate change – Guidelines on vulnerability, impacts and risk assessment;* Technical guidance on the climate proofing of infrastructure in the period 2021–2027 (2021/C 373/01); Climate Expert methodology (Full Company Assessment); and "Climate change and adaptation to climate change in environmental impact assessment" (*Zmiany klimatu i adaptacja do zmian klimatu w ocenie oddziaływania na środowisko*).

Based on the climate risk assessment, including the evaluation of sensitivity, exposure, and vulnerability, it was determined that certain assets of the MERCOR Group are located in areas particularly exposed to climate-related hazards. However, due to the implemented climate change adaptation measures, the potential adverse impacts of these hazards may be mitigated. As a result of the conducted analysis, the table below summarises the climate-related hazards to which the MERCOR Group may be exposed.

Area	Temperature-related	Wind-related	Water-related	Solid mass-related
MERCOR Group	Changing air temperature, heatwaves, cold waves, wildfire, heat stress	Storms, tornadoes (strong winds)	Sea level rise, water stress, drought, heavy precipitation (rain, hail, snow, ice), flood (coastal, fluvial, pluvial, ground water)	-

As climate change advances, a consistent rise in average annual air temperatures is observed both globally and at the regional level. Concurrently, the frequency and severity of extreme weather events is increasing. These events are not only becoming more frequent but also more intense, as confirmed by historical climate data and future climate projections across multiple time horizons. As a result, both the intensity and frequency of the identified average hazards affecting the MERCOR Group across the defined time horizons are increasing. This trend is illustrated in the table below.

Scenario	Time horizon	Assets	Manufacturing operations	Value chain
SSP 3-7.0	Short-term			
	Medium-term			
	Long-term			
SSP5-8.5	Short-term			
	Medium-term			
	Long-term			

	high		high
	medium		medium
	low		low

Understanding the evolving nature of climate risk over time is a critical component of the MERCOR Group's climate risk management framework, underpinning the planning of adaptation measures and capital investments aimed at enhancing the Group's resilience to the impacts of climate change.

The identified climate-related hazards were subsequently evaluated through a detailed climate risk assessment. Each hazard was assigned a risk level – high, medium, or low – based on the anticipated impact on the MERCOR Group's operations.

The assessment enabled the Group not only to identify which climate-related factors constitute material threats to its operational activities, but also to quantify these risks within its risk management framework. As a result, adaptation measures can be planned more effectively, supporting efforts to mitigate potential adverse impacts associated with ongoing climate change.

Material hazards identified in the physical risk assessment

Hazard	Physical risk	Risk category	Time horizon	Risk management measures
storms, tornadoes, strong winds, heavy precipitation (rain, snow, hail, ice)	risk related to power supply disruptions	high	short-, medium-, long-term	backup power supply, lightning protection systems, rooftop snow removal system
coastal, fluvial, pluvial, and ground water floods, sea level rise	risk related to inundation and flooding of infrastructure	high	short-, medium-, long-term	stormwater drainage systems
wildfire	risk related to infrastructure damage or destruction	high	short-, medium-, long-term	monitoring of weather and climate conditions (including drought hazard maps)
water stress, drought	risk related to water stress	high	long-term	appropriate water management systems
heat waves	risk related to adapting to temperature variability	high	short-, medium-, long-term	appropriate ventilation and air conditioning systems
temperature variability	risk related to adapting infrastructure to rising temperatures	moderate	long-term	monitoring of climate scenarios
cold waves	risk related to adapting to temperature variability	moderate	short-, medium-, long-term	appropriate ventilation and air conditioning systems

As a result of the climate risk assessment conducted, the MERCOR Group has determined its level of exposure to climate-related hazards. Among the identified risks, those classified as high pose the greatest threat due to their potentially material impact on operational activities, infrastructure, and service continuity. The remaining risks, assessed as moderate, may also pose challenges to the MERCOR Group. However, their potential impact is considered limited, primarily due to adaptation measures already implemented and remedial actions taken, which have enhanced the Group's resilience to changing climatic conditions. For the key risks identified as high or moderate, the potential financial effects have been assessed as medium. This indicates that while the MERCOR Group may experience positive or negative impacts, such impacts are not expected to materially disrupt its ongoing operations. Accordingly, the overall risk assessment is considered informative but not material.

As part of the physical climate risk assessment across the entire value chain, a broad range of globally applicable climate scenarios was taken into account. This approach reflects the international nature of the MERCOR Group's resource, material, and product procurement processes, which are integral components of global supply chains.

Climate scenarios assume a gradual increase in average annual, maximum, and minimum air temperatures. They also anticipate a rise in the intensity of precipitation events and a higher frequency of extreme weather events such as heat waves, intense rainfall leading to floods and inundations, drought periods, violent storms with strong winds, and in certain regions, tornadoes and cyclones. Such events may cause temporary disruptions to the supply chain, including delays in merchandise deliveries and limited access to certain raw materials and resources. Identifying such threats is a key component of long-term climate risk management and is essential to ensuring the MERCOR Group's operational resilience. Although the likelihood of occurrence is high, the scale and scope of the risk remain limited. Accordingly, the overall risk has been assessed as moderate.

- ***Climate-related transition risks and opportunities in own operations and along the upstream and downstream value chain***

In order to assess material transition risks and opportunities, the MERCOR Group identified risks and opportunities in its own operations and its upstream and downstream value chain by the categories of:

- Policy and legal risks, for example enhanced emissions-reporting obligations, regulation of existing products;
- Technology risks, for example substitution of existing products and services with lower emissions options, unsuccessful investment in new technologies;
- Market risks, for example changing customer behaviour, increased cost of raw materials; and
- Reputational risks, for example shifts in consumer preferences.

In this Sustainability Report, the MERCOR Group presents the identified transition risks across short-, medium-, and long-term time horizons, taking into account their likelihood of occurrence within each time horizon. The Group also assessed the potential exposure of its assets and business operations to these risks. The process was informed by climate-related scenario analysis, considering at least a scenario consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios of the International Energy Agency (net zero emissions by 2050). The scenario outlines the transformations required in energy demand and the energy mix in order to achieve net-zero emissions by 2050. Based on the double materiality assessment, two material transition risks were identified: risk related to supplier availability (supply chain disruptions), and risk related to rising costs of key raw materials and consumables (steel, aluminium, and polycarbonate). Following the assessment of asset and operational exposure, both risks were classified as material.

- ***Summary of the analysis***

The physical and transition risk assessments enabled the MERCOR Group to identify potential climate-related hazards and to implement mitigation measures aimed at reducing their negative impact on operations, particularly in the areas of supply chain management, construction service provision, and the manufacture and distribution of passive fire protection systems. These measures position the Group to better prevent financial losses arising from delays in contract performance, production disruptions, infrastructure failures, or increased operating costs. Moreover, the MERCOR Group has not identified any assets or business areas where the transition to a climate-neutral economy has been excluded from consideration.

Moreover, specific MERCOR Group companies have already implemented adaptation measures that contribute to reducing both physical risks and transition risks associated with ongoing decarbonisation efforts and evolving regulatory requirements in the construction and industrial sectors.

These initiatives support the alignment of MERCOR Group's business operations with changing climate and regulatory conditions, thereby enhancing the organisation's operational resilience and preparing it to meet the increasing demands related to the energy transition and the achievement of climate neutrality.

IRO-1 other environmental matters (E2-E5)

For the purposes of assessing material impacts, risks and opportunities under ESRS E2 *Pollution*, ESRS E3 *Water and marine resources*, ESRS E4 *Biodiversity and ecosystems*, and ESRS E5 *Resource use and circular economy*, the LEAP (Locate–Evaluate–Assess–Prepare) methodology was applied. The approach is based on the guidelines of the Taskforce on Nature-related Financial Disclosures (TNFD), as further described in *Guidance on the identification and assessment of nature-related issues: the LEAP approach*. The LEAP approach is structured into the following four phases:

- Phase 1: locate where in its own operations and its upstream and downstream value chain the interface with nature takes place;
- Phase 2: evaluate the dependencies and impacts – impact materiality;
- Phase 3: assess the material risks and opportunities – financial materiality; and
- Phase 4: prepare and report the results of the materiality assessment.

In assessing the upstream and downstream value chain, estimates were made using all reasonable and supportable information, such as sector-average data and other proxies, and publicly available information.

As part of the materiality assessment for standards E2–E5, the Group did not conduct consultations beyond stakeholder surveys, in particular no dedicated engagement with affected communities was carried out.

ESRS E2 Pollution

In order to locate where in the Group's own operations and its upstream and downstream value chain the interface with nature takes place, the following elements were mapped:

a) the locations of direct assets and operations and related upstream and downstream activities across the value chain;

b) the site locations where emissions of water, soil and air pollutants occur;

c) the sectors or business units related to those emissions or to the production, use, distribution, commercialisation and import/export of microplastics, substances of concern, and substances of very high concern, on their own, in mixtures or in articles.

To identify the material locations referenced in Phase 1 – Locate, the Group considered the following:

- existing environmental permits and decisions,
- water-related risk data derived from the Aqueduct Water Risk Atlas,
- safety data sheets of products, to assess substances of concern and substances of very high concern.

To assess the materiality and severity of impacts (Phase 2 – Evaluate), the Group applied entity-specific thresholds for scale, scope, and irremediable character. The assessment incorporated the content of applicable environmental permits and decisions (where available), the results of periodic measurements, air quality status based on the annual assessment prepared by the Chief Inspectorate of Environmental Protection (GIOŚ), as well as surface water body characterisation sheets (JCWP). In assessing the materiality of the topic related to substances of concern and substances of very high concern, both the type and volume of substances used were taken into account.

To assess material risks and opportunities, the following steps were undertaken:

- Identification of transition risks and opportunities in its own operations and its upstream and downstream value chain by the categories of:
  - policy and legal: introduction of regulation, exposure to sanctions and litigation, enhanced reporting obligations;
  - technology: substitution of products or services by products or services with a lower impact, transition away from substances of concern;
  - market: shifting supply, demand and financing, volatility or increased costs of some substances; and
  - reputation: changing societal, customer or community perceptions as a result of an organisation's role in pollution prevention and control;
  - contribution to systemic risks via its own operations and its upstream and downstream value chain, including the risks that a marine ecosystem collapses or the risks that a critical natural system no longer functions (e.g., tipping points are reached, summing physical risks) – with relevance to ESRS E3 and ESRS E4.
- identification of physical risks, e.g., sudden interruption of access to clean water, acid rain, or other pollution incidents that are likely to lead to or that have led to pollution with subsequent effects on the environment and society;
- identification of opportunities related to pollution prevention and control categorised by:
  - resource efficiency: decrease quantities of substances used or improve efficiency of production process to minimise impacts;
  - markets: diversification of business activities;
  - financing: access to green funds, bonds or loans;
  - resilience: diversification of substances used and control of emissions through innovation or technology; and
  - reputation: positive stakeholder relations as a result of a proactive stance on managing risks. The materiality of risks and opportunities was assessed based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects.

ESRS E3 Water and marine sources

To identify the material locations referenced in Phase 1 – Locate, the Group considered the following:

- methods of water abstraction and discharge across all site locations of direct assets;
- 2nd update of the River Basin Management Plans for Surface Water Bodies, aimed at identifying water-related risks, including areas experiencing significant water stress;
- water-related risk information based on the Aqueduct Water Risk Atlas.

To assess impact materiality and severity under Phase 2 – Evaluate, individual assessment thresholds were applied across three dimensions: scale, scope, and irremediable character. These thresholds were informed by data on production-related water consumption, methods of water abstraction, and evaluations based on surface and groundwater body characterisation sheets, as well as the Aqueduct Water Risk Atlas (AWRA).

For the assessment of material risks and opportunities (financial materiality under Phase 3 – Assess), the Group applied a risk identification approach consistent with that used for ESRS E2.

ESRS E4 Biodiversity and ecosystems

To identify the material locations referenced in Phase 1 – Locate, the Group:

- prepared a list of locations of direct assets and operations that are relevant to the undertakings business activities,
- prepared a list of biomes and ecosystems each location is interfacing with,
- identified the current integrity and importance of biodiversity and ecosystem at each location taking into consideration:
  - the undertaking's share of direct impact drivers of biodiversity loss – land-use change, direct exploitation, introduction of invasive alien species, pollution,
  - impacts on the extent and condition of ecosystems including through land degradation, desertification and soil sealing,
  - biodiversity sensitive areas,
  - impacts on the state of species – species population size, threatened species,
  - impacts and dependencies on ecosystem services,
- prepared a list of locations where the undertaking is interfacing with locations in or near biodiversity-sensitive areas, and
- identified which sectors, business units, value chains or asset classes are interfacing with biodiversity and ecosystems in these material sites.

To assess impact materiality and severity under Phase 2 – Evaluate, individual assessment thresholds were applied across three dimensions: scale, scope, and irremediable character, taking into account:

- analysis of impacts on connectivity networks, such as ecological corridors, including the Natura 2000 network of protected areas,
- analysis of data from the Head Office of Geodesy and Cartography (GUGiK),
- provisions of environmental permits and applications for administrative decisions,
- data from the Chief Inspectorate for Environmental Protection (GIOŚ) and geospatial data from the General Directorate for Environmental Protection (GDOŚ).

The analysis confirmed the Group does not operate any sites in biodiversity-sensitive areas. While certain Group sites are located near such areas, the activities conducted at these sites do not have an adverse impact on them. For the MERCOR Group, no need was identified to implement biodiversity loss mitigation measures such as those set out in Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds, Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, or the environmental impact assessment (EIA) as defined in Article 1(2)(g) of Directive 2011/92/EU of the European Parliament and of the Council on the assessment of the effects of certain public and private projects on the environment.

For the assessment of material risks and opportunities (financial materiality under Phase 3 – Assess), the Group applied a risk identification approach consistent with that used for ESRS E2.

ESRS E5 Resource use and circular economy

With regard to ESRS E5, the impact materiality assessment phases are based mainly on the materiality assessments conducted under ESRS E1 (including energy consumption), ESRS E2 (pollution), ESRS E3 (marine resources, water consumption) and ESRS E4 (biodiversity, ecosystems, raw materials). Indeed, circular economy eventually aims at reducing the environmental impact of the use of products, materials and other resources, minimising waste and the release of hazardous substances and hence at reducing impacts on nature. This application requirement focuses mainly on the third phase of the LEAP approach (financial materiality), which was applied in the analysis.

For the assessment of material risks and opportunities (financial materiality under Phase 3 – Assess), the Group applied a risk identification approach consistent with that used for ESRS E2.

IRO-1 Business conduct (G1)

The process for identifying material impacts, risks, and opportunities related to business conduct was based on an analysis of the Group's own operations, stakeholder dialogue, and a review of market standards, taking into account the business profile and organisational structure.

1.4.2. IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statement

The table below presents the list of disclosure requirements applied in the preparation of this Sustainability Report following the materiality assessment, along with references to the sections of this Sustainability Report where the relevant disclosures are provided.

ESRS compliance table

Disclosure code	Disclosure	Section in this Sustainability Report
ESRS 2 General disclosures		
BP-1	General basis for preparation of the sustainability statements	1.1.1.
BP-2	Disclosures in relation to specific circumstances	1.1.2.
GOV-1	The role of the administrative, management and supervisory bodies	1.2.1.
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	1.2.2.
GOV-3	Integration of sustainability-related performance in incentive schemes	1.2.3.
GOV-4	Statement on due diligence	1.2.4.
GOV-5	Risk management and internal controls over sustainability reporting	1.2.5.
SBM-1	Strategy, business model and value chain	1.3.1.
SBM-2	Interests and views of stakeholders	1.3.2.
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1.3.3.
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	1.4.1.
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statement	1.4.2.
ESRS E1 Climate change		
E1-1	Transition plan for climate change mitigation	2.2.1.
E1-2	Policies related to climate change mitigation and adaptation	2.2.3.
E1-3	Actions and resources in relation to climate change policies	2.2.4.
E1-4	Targets related to climate change mitigation and adaptation	2.2.5.
E1-5	Energy consumption and mix	2.2.6.
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	2.2.7.
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	2.2.8.
E1-8	Internal carbon pricing	2.2.9.
ESRS E2 Pollution		
E2-1	Policies related to pollution	2.3.1.
E2-2	Actions and resources related to pollution	2.3.2.
E2-3	Targets related to pollution	2.3.3.
E2-5	Substances of concern and substances of very high concern	2.3.4.
ESRS E5 Resource use and circular economy		
E5-1	Policies related to resource use and circular economy	2.4.1.
E5-2	Actions and resources related to resource use and circular economy	2.4.2.
E5-3	Targets related to resource use and circular economy	2.4.3.
E5-4	Resource inflows	2.4.4.
E5-5	Resource outflows	2.4.5.
ESRS S1 Own workforce		
S1-1	Policies related to own workforce	3.1.2.
S1-2	Processes for engaging with own workforce and workers' representatives about impacts	3.1.3.
S1-3	Processes to remediate negative impacts and channels for own workforce to raise concerns	3.1.4.

Disclosure code	Disclosure	Section in this Sustainability Report
S1-4	Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	3.1.5.
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.1.6.
S1-6	Characteristics of the undertaking's employees	3.1.7.
S1-7	Characteristics of non-employees in the undertaking's own workforce	3.1.8.
S1-14	Health and safety metrics	3.1.9.
S1-17	Incidents, complaints and severe human rights impacts	3.1.10.
ESRS S2 Workers in the value chain		
S2-1	Policies related to value chain workers	3.2.2.
S2-2	Processes for engaging with value chain workers about impacts	3.2.3.
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	3.2.4.
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	3.2.5.
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.2.6.
		ESRS G1 Business conduct
G1-1	Business conduct policies and corporate culture	4.1.
G1-2	Management of relationships with suppliers	4.2.
G1-3	Prevention and detection of corruption and bribery	4.3.
G1-4	Incidents of corruption or bribery	4.4.
G1-6	Payment practices	4.5.

In accordance with ESRS 2 IRO-2, the undertaking is required to include a table listing all datapoints derived from other EU legislation, as set out in Appendix B to ESRS 2.

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement and related datapoint	Reference to other EU legislation*	Section in this Sustainability Report
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	SFRD, BRR	1.2.1.
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)	BRR	1.2.1.
ESRS 2 GOV-4 Statement on due diligence paragraph 30	SFDR	1.2.4.
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	SFDR, 3P, BRR	Not applicable
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	SFDR, BRR	Not applicable
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	SFDR, BRR	Not applicable

Disclosure requirement and related datapoint	Reference to other EU legislation*	Section in this Sustainability Report
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv	BRR	Not applicable
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14	EUCL	2.2.1.
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)	3P, BRR	2.2.1.
ESRS E1-4 GHG emission reduction targets paragraph 34	SFDR, 3P, BRR	2.2.5.
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	SFDR	2.2.6.
ESRS E1-5 Energy consumption and mix paragraph 37	SFDR	2.2.6.
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors (paragraphs 40 to 43)	SFDR	2.2.6.
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	SFDR, 3P, BRR	2.2.7.
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	SFDR, 3P, BRR	2.2.7.
ESRS E1-7 GHG removals and carbon credits paragraph 56	EUCL	2.2.8.
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66	BRR	1.1.2
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a)	3P	1.1.2
ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)	3P	1.1.2
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c)	3P	1.1.2
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69	BRR	1.1.2
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	SFDR	Not applicable
ESRS E3-1 Water and marine resources paragraph 9	SFDR	Not applicable
ESRS E3-1 Dedicated policy paragraph 13	SFDR	Not applicable
ESRS E3-1 Sustainable oceans and seas paragraph 14	SFDR	Not applicable
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	SFDR	Not applicable

Disclosure requirement and related datapoint	Reference to other EU legislation*	Section in this Sustainability Report
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	SFDR	Not applicable
ESRS 2 SBM-3 E4 paragraph 16 (a) i	SFDR	Not applicable
ESRS 2 SBM-3 E4 paragraph 16 (b)	SFDR	Not applicable
ESRS 2 SBM-3 E4 paragraph 16 (c)	SFDR	Not applicable
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	SFDR	Not applicable
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	SFDR	Not applicable
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	SFDR	Not applicable
ESRS E5-5 Non-recycled waste paragraph 37 (d)	SFDR	2.4.5.
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	SFDR	2.4.5.
ESRS 2 SBM-3 S1 Risk of incidents of forced labour paragraph 14 (f)	SFDR	3.1.1.
ESRS 2 SBM-3-S1 Risk of incidents of child labour paragraph 14 (g)	SFDR	3.1.1.
ESRS S1-1 Human rights policy commitments paragraph 20	SFDR	3.1.2.
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21	BRR	3.1.2.
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	SFDR	3.1.2.
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	SFDR	3.1.2.
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	SFDR	3.1.4.
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	SFDR, BRR	3.1.9.
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	SFRD	3.1.9.
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	SFRD, BRR	Not applicable
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	SFRD	Not applicable
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	SFRD	3.1.10.
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	SFRD, BRR	3.1.10.

Disclosure requirement and related datapoint	Reference to other EU legislation*	Section in this Sustainability Report
ESRS 2 SBM-3 S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	SFRD	3.2.1.
ESRS S2-1 Human rights policy commitments paragraph 17	SFRD	3.2.2.
ESRS S2-1 Policies related to value chain workers paragraph 18	SFDR	3.2.2.
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	SFRD, BRR	3.2.2.
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19	BRR	3.2.2.
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	SFDR	3.2.5.
ESRS S3-1 Human rights policy commitments paragraph 16	SFDR	Not applicable
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	SFDR, BRR	Not applicable
ESRS S3-4 Human rights issues and incidents paragraph 36	SFDR	Not applicable
ESRS S4-1 Policies related to consumers and end-users paragraph 16	SFDR	Not applicable
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	SFDR, BRR	Not applicable
ESRS S4-4 Human rights issues and incidents paragraph 35	SFDR	Not applicable
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	SFDR	4.1.
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	SFDR	4.1.
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	SFDR, BRR	4.4.
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	SFDR	4.4.

SFDR *(Sustainable Finance Disclosure Regulation) – reference to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector,*

***3P** – reference to EBA Pillar 3 disclosure requirements,*

***BRR** – reference to the Climate Benchmark Standards Regulation,*

***EUCL** – reference to the EU Climate Law.*

2. Environmental information

2.1. Taxonomy

2.1.1. Step 1 – Eligibility assessment: identification of MERCOR Group's activities covered by the Taxonomy.

In the first step, the activities and operations of the MERCOR Group that may make a substantial contribution to the achievement of environmental objectives were identified. For the purposes of the Taxonomy disclosures for the reporting period from 1 April 2024 to 31 March 2025, the companies subject to the reporting obligation were required to carry out an EU Taxonomy eligibility assessment in respect of all environmental objectives, namely:

Objective 1: Climate change mitigation
Objective 2: Climate change adaptation
Objective 3: Sustainable use and protection of water and marine resources.
Objective 4: Transition to a circular economy
Objective 5: Pollution prevention and control
Objective 6: Protection and restoration of biodiversity and ecosystems.

The eligibility assessment was conducted on the basis of the following delegated acts:

- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021,
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022,
- Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023,
- Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023.

The MERCOR Group's principal business activities are not currently included in the catalogue of activities eligible under the EU Taxonomy. However, the Taxonomy does not distinguish between principal and ancillary economic or business activities. Accordingly, for the purposes of the eligibility assessment, the entire scope of the MERCOR Group's activities was reviewed against the activities described in the delegated acts. The assessment confirmed that the following activities of the MERCOR Group are eligible under the EU Taxonomy:

Activity number as per the Annex for the relevant environmental objective	Type of activity under the EU Taxonomy	Description of activity under the EU Taxonomy
Objective 1, activity 3.5	Manufacture of energy efficiency equipment for buildings	Applies to the following economic activities of the MERCOR Group (DFM Doors sp. z o.o.) • Manufacture of doors and windows of metal • Manufacture of other builders' carpentry and joinery Intended for use in residential, public utility, and industrial buildings as external doors and on evacuation routes.

Activity number as per the Annex for the relevant environmental objective	Type of activity under the EU Taxonomy	Description of activity under the EU Taxonomy
		Applies to the following economic activities of the MERCOR Group (MERCOR S.A.) Tecwool T / mcr Termiwool – spray-applied insulation for ceilings and walls in residential, industrial, and public utility buildings.
Objective 1, activity CCM 4.1	Electricity generation using solar photovoltaic technology	Conducted as part of the economic activities of the MERCOR Group (MCR SOL ENERGY Sp. z o.o.) – operation of the Mazanki solar PV installation.
Objective 1, activity CCM 6.5	Transport by motorbikes, passenger cars and light commercial vehicles	In the reporting year, the MERCOR Group purchased four category M1 electric vehicles, which falls within the scope of activity 6.5.
Objective 1, activity CCM 7.6	Installation, maintenance and repair of renewable energy technologies	In the reporting year, the MERCOR Group did not carry out any activities to improve the energy efficiency of its assets. The individual manufacturing plants conducted the following inspections/maintenance of on-site renewable energy technologies: • MERCOR S.A. manufacturing plant in Cieplewo – periodic inspection of photovoltaic system; • Tecresa Protección Pasiva S.L. – periodic inspection of photovoltaic system and photovoltaic panels used for water heating.

2.1.2. Step 2 – Verification of compliance with technical screening criteria

As part of the EU Taxonomy disclosures for the reporting period from 1 April 2024 to 31 March 2025, the companies subject to the reporting obligation were required, for all environmental objectives, to assess the compliance of activities eligible under the EU Taxonomy with the applicable technical screening criteria and the minimum safeguards. For the purpose of verifying compliance with the technical screening criteria, the necessary information was collected and reviewed to determine whether each economic activity meets the technical screening criteria – namely, the requirements established both for the "substantial contribution" principle and for the "Do No Significant Harm" (DNSH) principle.

Among the activities classified as making a substantial contribution to Objective 1, the analysis confirmed that all these activities comply with the required technical screening criteria both for the substantial contribution and DNSH principles.

Substantial contribution – assessment of the technical screening criteria for the MERCOR Group's Taxonomy-eligible activities

Activity 3.5 sets the requirement that, within the scope of the economic activity, the undertaking manufactures, *inter alia*:

- doors with U-value lower or equal to 1.2 W/m2K

- insulation products with a lambda value of 0.06 W/mK or lower.

Certain products manufactured and offered within the MERCOR Group, namely:

- doors manufactured by DFM Doors Sp. z o.o.;
- Tecwool T / mcr Termiwool – spray-applied insulation for ceilings and walls in residential, industrial, and public utility buildings, manufactured by Tecresa Protección Pasiva S.L.,

meet the specified requirements, as confirmed by the respective product technical data sheets.

Activity 4.1 does not have quantitative requirements under the technical screening criteria[1]. Confirmation of the activity being carried out (qualitative criterion) is sufficient. Within the scope of activity 4.1, the MERCOR Group generates electricity using photovoltaic technology – the Mazanki solar PV installation with a capacity of up to 3 MW (MCR SOL ENERGY Sp. z o.o.).

Capital expenditure incurred to purchase four category M1 zero-emission electric vehicles was included in activity 6.5. Activity 7.6 includes operating expenditure spent on inspections and maintenance of on-site renewable energy technologies, including:

- manufacturing plant in Cieplewo – periodic inspection of photovoltaic system;
- Tecresa Protección Pasiva S.L. – periodic inspection of photovoltaic system and photovoltaic panels used for water heating.

Compliance with DNSH criteria – assessment of the technical screening criteria for the MERCOR Group's Taxonomy-eligible activities

As part of verifying the DNSH criteria for Objective 2 *Climate change adaptation*, a climate risk scenario assessment was carried out for the risks listed in Appendix A to Annex I of Regulation (EU) 2021/2139. The assessment was performed using high resolution, state-of-the-art climate projections. For this purpose, the Copernicus database was used, containing the most recent SSPx-y climate scenarios published in the latest IPCC Sixth Assessment Report. The climate variables – air temperature, precipitation, and snowfall – were analysed using climate scenarios assuming at least the high-emission pathway SSP3-7.0 and the very high-emission pathway SSP5-8.5. For other climate phenomena, the available scientific literature was applied. The Company did not identify any physical risks that could have a material impact on the conduct of its economic activities during their expected lifecycle.

As part of the DNSH criteria for Objective 3 *Sustainable use and protection of water and marine resources*, the technical screening criteria (TSC) are defined solely for activity 3.5. The TSC analysis confirmed that the nature of the Company's activities does not involve significant water demand or the generation of industrial wastewater. Water is used primarily for domestic (sanitary and drinking) purposes. Accordingly, verification of compliance with the DNSH principle confirmed alignment with the applicable criteria.

As part of the DNSH criteria for Objective 4 – *Transition to a circular economy*, the TSC are defined for activities 3.5, 4.1, and 6.5.

For Taxonomy-eligible activity 3.5, the Company has assessed the availability of techniques supporting the transition to a circular economy and has demonstrated the adoption of such techniques. In the context of this activity, the MERCOR Group applies, inter alia, the following supporting techniques:

- reuse and use of secondary raw materials and reused components in products manufactured,
- waste management that prioritises recycling over disposal, in the manufacturing process,

[1] Technical screening criteria

- information on and traceability of substances of concern throughout the life cycle of the manufactured products.

For activity 4.1, an analysis of the equipment and components used was carried out. The analysis confirmed that the equipment and components used are designed for high durability, recyclability, and easy disassembly. In the event of decommissioning or replacement, most elements will be recycled. This applies in particular to photovoltaic panels, which contain silica, glass, aluminium, copper, and silver, and can be recycled.

For activity 6.5, the MERCOR Group implements waste management measures both during the operational phase of the fleet (maintenance) and upon its decommissioning, including the reuse and recycling of batteries, in line with the waste hierarchy.

As part of the DNSH criteria for Objective 5 – *Pollution prevention and control*, the TSC are defined only for activities 3.5 and 6.5.

For activity 3.5, the Company carried out an assessment of the manufacture, placing on the market, and use of substances, in accordance with Appendix C to Annex I of Regulation (EU) 2021/2139. The assessment confirmed that, with respect to the activities under review, the Company does not manufacture, place on the market, or use any substances listed in the legislative acts referenced in Appendix C.

For activity 6.5, compliance with the individual TSC, including tyre parameters, was assessed on the basis of the technical documentation.

As part of the DNSH criteria for Objective 6 – *Protection and restoration of biodiversity and ecosystems*, the TSC are defined only for activities 3.5 and 4.1. The analysis confirmed that, for these activities, the MERCOR Group holds the requisite environmental permits, which substantiate compliance with the requirements set out in Annex D.

2.1.3. Phase 3 – Assessment of minimum safeguards

In accordance with Article 18(1) of the EU Taxonomy, *'The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights'.*

Minimum safeguards therefore mean procedures implemented to ensure compliance with:

- the OECD Guidelines for Multinational Enterprises,
- the United Nations Guiding Principles on Business and Human Rights,
- the principles and rights set out in the eight fundamental ILO Conventions defined under the ILO Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The assessment of compliance with the minimum safeguards was carried out in accordance with the Final Report on Minimum Safeguards prepared by the Platform on Sustainable Finance and based on the European Commission's guidance on the interpretation and implementation of the relevant legal provisions[2].

Compliance with the minimum safeguards was assessed in four areas: (i) human rights and workers' rights, (ii) fair competition, (iii) taxation, and (iv) bribery/corruption.

In line with the guidance provided in the Final Report on Minimum Safeguards, the assessment of compliance with the minimum safeguards was conducted on the basis of:

- a review of the MERCOR Group's internal regulations and procedures, based on the documents and statements provided by the Group,
- a review of identified violations in each of the assessed areas, relying on information from the MERCOR Group regarding final convictions or penalties,
- an analysis of publicly available databases and other publicly accessible information regarding the MERCOR Group's activities.

The assessment identified non-compliance in the area of human rights and workers' rights, due to the absence of an implemented due diligence process and the lack of an adopted policy in this regard. Non-compliance was also found in relation to taxation and fair competition. In the area of anti-bribery and anti-corruption, partial compliance was observed, as these matters are not addressed in policies at the Group-wide level.

No violations were identified in the assessed areas with respect to the Group. Furthermore, no allegations have been raised against the Group by the Business & Human Rights Resource Centre (BHRRC), and no proceedings are currently pending before the National Contact Point.

2.1.4. Key performance indicators

Based on the information developed through the analyses described in Phases 1–3, the MERCOR Group determined the EU Taxonomy key performance indicators for turnover, capital expenditure (CapEx), and operating expenditure (OpEx).

MERCOR Group key performance indicators	Turnover	CapEx	OpEx
Amount in 2024/2025 (PLN '000)	507,448	15,777	15,371
Environmentally sustainable activities (Taxonomy-aligned)	0%	0%	0%
Not environmentally sustainable activities (Taxonomy-eligible but not Taxonomy-aligned)	12%	12%	14%
Taxonomy-non-eligible activities	88%	88%	86%

[2] Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets – 2022/C 385/01; Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice) – C/2023/305; Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective – C/2023/267.

Disclosures regarding key performance indicators have been made in accordance with the following delegated acts:

- Commission Delegated Regulation (EU) 2023/2178 of 6 July 2021,
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022,
- Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023.

Accounting policies

The following policies were applied to calculate the proportion of Taxonomy-eligible and Taxonomy-aligned turnover, CapEx and OpEx.

Turnover

The basis for the calculation of turnover was the total consolidated revenue of the MERCOR Group for the 2024/2025 financial year, as disclosed in the consolidated statement of comprehensive income in the consolidated financial statements for 2024/2025, further discussed in note 3. The numerator comprised revenue from Taxonomy-eligible activities:

- CCM 3.5 Manufacture of energy efficiency equipment for buildings
- CCM 4.1 Electricity generation using solar photovoltaic technology.

The numerator comprised revenue from Taxonomy-eligible activity 3.5 Manufacture of energy efficiency equipment for buildings for the following subsidiaries:

- DFM Doors Sp. z o.o. (manufacture of doors and windows of metal and manufacture of other builders' carpentry and joinery), amounting to PLN 59,987 thousand,
- MERCOR S.A. (sales of Tecwool T/mcr Termiwool – spray-applied insulation for ceilings and walls in residential, industrial, and public utility buildings), amounting to PLN 105 thousand,
- Tecresa Protección Pasiva, S.L. (sales of Tecwool T/mcr Termiwool – spray-applied insulation for ceilings and walls in residential, industrial, and public utility buildings), amounting to PLN 869 thousand.

The numerator also included revenue from the Taxonomy-eligible activity 4.1 Electricity generation using solar photovoltaic technology. The activity is conducted by the subsidiary MCR Sol Energy Sp. z o.o. 100% of its revenue was allocated to the activity, as the company does not engage in any other business operations.

The MERCOR Group does not use the products it manufactures for its own purposes (internal consumption).

The turnover generated by the MERCOR Group in 2024/2025 is revenue from contracts with customers.

Turnover from Taxonomy-eligible activities was determined and allocated to the numerator based on an analysis of both general ledger and subsidiary ledger accounts.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2024/2025

Financial year 2024/2025	2024/2025			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')							Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover 2023/2024	Category enabling activity	Category transitional activity
Economic activities	Code	Turnover	Proportion of turnover, year 2024/2025	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity	Minimum safeguards			
A. TAXONOMY-ELIGIBLE ACTIVITIES		PLN '000	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	***0%***														***0%***		
of which enabling		0.00	*0%*														*0%*		
of which transitional		0.00	*0%*														*0%*		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	60,961	*12%*	N	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Electricity generation using solar photovoltaic technology	CCM 4.1	330	*0.07%*	N	N/EL	N/EL	N/EL	N/EL	N/EL								0%		

Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	**61,291**	***12.08 %***	***12.0 8%***	12.0 8%	0%	0%	0%	0%								**0%**		
Turnover of Taxonomy-eligible activities (A.1+A.2)	**61,291**	***12.08 %***	***12.0 8%***	12.0 8%	0%	0%	0%	0%								**0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy-non-eligible activities	446,157	*87.9%*																
TOTAL	**507,448**	***100%***																

Capital expenditure

For capital expenditure (CapEx), the basis comprised investment outlays recorded in the respective companies of the MERCOR Group. The total amount of capital expenditure is presented in notes 11, 12, and 25 to the consolidated financial statements for the financial year 2024/2025. The numerator comprised the portion of CapEx associated with the following Taxonomy-eligible activities:

- CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- CCM 3.5 Manufacture of energy efficiency equipment for buildings

Activity CCM 4.1 Electricity generation using solar photovoltaic technology, while Taxonomy-eligible, was not included in the CapEx numerator due to the absence of property, plant and equipment used for this activity.

The determination and allocation of the CapEx numerator was carried out through the individual identification of all additions to the property, plant and equipment, including leases (recognised as right-of-use assets in accordance with IFRS 16) and intangible assets. The MERCOR Group does not hold investment properties.

For CCM 3.5 Manufacture of energy efficiency equipment for buildings, in respect of capital expenditure associated with the production of Tecwool T/mcr Termiwool, an allocation key was applied, calculated as the proportion of revenue generated from the sale of this product to the total revenue of the MERCOR Group.

The MERCOR Group has no CapEx plan as referred to in point 1.1.2.2(b) of Commission Delegated Regulation (EU) 2021/2178. Consequently, no disclosures are provided in relation to CapEx plans.

Proportion of CapEx associated with Taxonomy-aligned economic activities and Taxonomy-eligible economic activities – disclosure covering year 2024/2025

Financial year 2024/2025	**2024/2025**			**Substantial contribution criteria**						**DNSH criteria ('Does Not Significantly Harm')**									
Economic activities	Code	CapEx	Proportion of CapEx, year 2024/2025	Climate change	Climate change	Water and marine	Pollution	Circular economy	Biodiversity	Climate change	Climate change	Water and marine	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx CapEx 2023/2024	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES		PLN '000	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	***0%***														**0%**		
of which enabling		0.00	*0%*														*0%*		
of which transitional		0.00	*0%*														*0%*		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	1,606.27	*10.18%*	N	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	293.75	*1.86%*	N	N/EL	N/EL	N/EL	N/EL	N/EL								0%		

CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	**1,900.02**	***12.04%***	***12.04%***	***0%***	***0%***	***0%***	***0%***	***0%***								**0%**		
CapEx of Taxonomy-eligible activities (A.1+A.2)	**1,900.02**	***12.04%***	***12.04%***	***0%***	***0%***	***0%***	***0%***	***0%***								**0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
CapEx of Taxonomy-non-eligible activities	13,877	87.96%																
TOTAL	**15,777**	***100%***																

Operating expenditure

Operating expenditure (OpEx) was based on all expenditures incurred for the day-to-day servicing of the MERCOR Group's assets and maintaining them in proper condition. This encompassed expenditures incurred to keep the buildings, plant and equipment used by the Group in good working order. A breakdown of operating expenditure incurred in the period from 1 April 2024 to 31 March 2025 is presented in the table below:

No.	Cost category	Amount (PLN '000)
1.	Research and development	0
2.	Building renovation	1,358
3.	Short-term leases	7,288
4.	Maintenance and repair	5,386
5.	Other	1,339
TOTAL		15,371

The numerator comprised the portion of OpEx associated with the following Taxonomy-eligible activities:

- CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- CCM 3.5 Manufacture of energy efficiency equipment for buildings
- CCM 4.1 Electricity generation using solar photovoltaic technology
- CCM 7.6 Installation, maintenance and repair of renewable energy technologies.

For operating expenditure not accounted for in accordance with international financing reporting standards under Commission Delegated Regulation (EU) 2021/2178, all accounts in the MERCOR Group companies' accounting system were reviewed to identify items meeting the definition of OpEx, which were subsequently allocated to the relevant Taxonomy-eligible activity or a set of other (Taxonomy non-eligible) operating expenses.

In addition, in accordance with the guidance set out in the Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets 2022/C 385/01, in calculating operating expenditure:

- only costs related to the maintenance and repair of property, plant and equipment were included, such as costs of materials used in the repair, maintenance and renovation of equipment, machinery or buildings ;
- costs related to the operation of property, plant and equipment – for example, the cost of electricity, fluids, or reagents needed to operate property, plant, and equipment and cost of employee operating the machine – were not included.

In determining and allocating the amounts of individual operating expenditure items to the numerator, the following assumptions were applied:

for costs related to buildings (i.e. cleaning, security, or renovation), an allocation key was applied, calculated on the basis of the proportion of revenue generated from the sale of the Tecwool T/mcr Termiwool product to the total revenue of the MERCOR Group;

for costs related to the maintenance of the vehicle fleet (i.e. purchase of spare parts, consumables, inspections, and servicing), an allocation key was applied based on the number of vehicles used in Taxonomy-eligible economic activities and in other activities.

Proportion of OpEx associated with Taxonomy-aligned economic activities and Taxonomy-eligible economic activities – disclosure covering year 2024/2025

Financial year 2024/2025		**2024/2025**		**Substantial contribution criteria**						**DNSH criteria ('Does Not Significantly Harm')**							Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx OpEx 2023/2024	Category enabling activity	Category transitional activity
Economic activities	Code	OpEx, 2024/2025	Proportion of OpEx	Climate change	Climate change	Water and	Pollution	Circular	Biodiversity	Climate change	Climate change	Water and	Pollution	Circular	Biodiversity	Minimum safeguards			
A. TAXONOMY-ELIGIBLE ACTIVITIES		PLN '000	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	***0%***														***0%***		
of which enabling		0.00	*0%*														*0%*		
of which transitional		0.00	*0%*														*0%*		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	2,063.06	*13.4%*	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%		
Electricity generation using solar photovoltaic technology	CCM 4.1	83.44	*0.5%*	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	7.96	*0.1%*	N	N/EL	N/EL	N/EL	N/EL	N/EL										

Installation, maintenance and repair of renewable energy technologies	CCM 7.6	65.96	*0.4%*	N	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2,220.42**	***14.4%***	***14.4%***	***0%***	***0%***	***0%***	***0%***	***0%***								**0%**		
OpEx of Taxonomy-eligible activities (A.1 +A.2)		**2,220.42**	***14.4%***	***14.4%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***								**0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		13,151	85.6%																
TOTAL		**15,371**	***100%***																

Contextual information

The data used for the calculations was sourced from the financial accounting system of the MERCOR Group companies.

No activities were identified that would have contributed to more than one environmental objective. Consequently, no special procedures to avoid double counting were needed.

Contribution to multiple objectives

No activities were identified that would have contributed to more than one environmental objective.

Disaggregation of KPIs

The assessment identified no need for detailed disaggregation of key performance indicators among the MERCOR Group's operating units in accordance with section 1.2.2.3 of Annex I to Commission Delegated Regulation (EU) 2021/2178. Further details are provided in the commentary to each of the key performance indicators.

Disclosures indicating the extent to which the activity is linked to activities listed in Commission Delegated Regulation (EU) 2022/1214

The MERCOR Group does not carry out, fund or have exposures to the activities referred to in Sections 4.26 to 4.31 of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139 (energy generation from nuclear processes and from gaseous fossil fuels). Consequently, the Taxonomy disclosures required by Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 are not included in this note.

Nuclear energy related activities	
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO

Fossil gas related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

2.2. ESRS E1 Climate change

2.2.1. E1-1 Transition plan for climate change mitigation

The MERCOR Group does not have a formally adopted transition plan for climate change mitigation. Due to the demerger of assets associated with the natural smoke exhaust and fire ventilation business into a separate entity, and the resulting planned changes in the Group's structure, the MERCOR Group does not currently intend to adopt such a plan.

2.2.2. ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

As a result of its climate risk assessment, the MERCOR Group has identified material transition risks related to climate change. Physical risks have been determined based on the hazards listed in the ESRS climate-related hazard classification and have been assessed as not material. The MERCOR Group has not identified material climate-related opportunities.

Transition risks
• Risk related to supplier availability due to supply chain disruptions • Rising costs of key raw materials and consumables (steel, aluminium, polycarbonate)

The MERCOR Group has disclosed how climate scenario analysis has been used to identify and assess climate-related risks and opportunities, as presented in ESRS 2 IRO-1. The analysis took into account scenarios for the assessment of both physical and transition risks.

In 2024, the MERCOR Group carried out an analysis of the resilience of its business model in the context of climate change. The process included the identification of key assets, operational processes, and elements of the supply chain that may be exposed to the direct impacts of climate change, as well as their potential market and regulatory consequences. The full catalogue of potential climate-related hazards (as per ESRS E1 AR 11(d)) and climate-related transition events (as per ESRS E1 AR 12(d)) was analysed, and no material physical risks or transition risks were excluded from the assessment.

The MERCOR Group conducted its physical risk assessment using both an analysis of current climatic conditions based on historical data and a scenario analysis incorporating the Shared Socioeconomic Pathways (SSP) projections, which outline expected global socio-economic developments through 2100. This included the high greenhouse gas emissions scenario SSP3-7.0 and the very high greenhouse gas emissions scenario SSP5-8.5. The SSP scenarios were sourced from the Copernicus database, which is consistent with the latest reports of the Intergovernmental Panel on Climate Change (IPCC). Accordingly, the climate projections and impact assessments were based on best practice and available guidance, incorporating the most up-to-date scientific knowledge. The physical risk assessment, which considered sensitivity, exposure, and vulnerability, determined that MERCOR Group companies are located in areas exposed to climate-related hazards. However, due to adaptation measures already implemented, the potential impact of these hazards is expected to be mitigated and has been assessed as not material.

It should be recognised that it is not possible to achieve complete protection against the impacts of climate change. This is due to the inherent nature of extreme weather events and the uncertainty surrounding their prediction, as well as, in many cases, the technical limitations of implementing adaptation measures. Consequently, even with the application of optimal and flexible adaptation strategies, the undertaking may still be exposed to adverse impacts from climate-related events. For the key risks identified, the potential scale of financial effects has been assessed as medium, and the overall risk assessment is considered informative.

In order to assess material transition risks and opportunities, the MERCOR Group identified transition-related events in its own operations and its upstream and downstream value chain by the categories of:

- policy and legal risks, for example enhanced emissions-reporting obligations, regulation of existing products,
- technology risks, for example substitution of existing products and services with lower emissions options, unsuccessful investment in new technologies,
- market risks, for example changing customer behaviour, increased cost of raw materials, and
- reputational risks, for example shifts in consumer preferences.

In identifying transition risks, the MERCOR Group considered a scenario aligned with the Paris Agreement, aiming to limit global warming to 1.5°C – specifically, the International Energy Agency's Net Zero Emissions by 2050 Scenario, which focuses on achieving decarbonisation and climate neutrality.

The MERCOR Group's material risk assessment – based on the likelihood of occurrence and the potential financial effects – confirmed that transition risks are financially material. Within transition risks, the following material risks were identified: risk related to supplier availability (supply chain disruptions), and risk related to rising costs of key raw materials and consumables (steel, aluminium, and polycarbonate).

2.2.3. E1-2 Policies related to climate change mitigation and adaptation

The MERCOR Group has not yet adopted a formal climate policy, primarily due to planned structural changes associated with the divestment of the natural smoke exhaust and fire ventilation segments.

To manage material impacts and risks associated with climate change mitigation, the MERCOR Group operates in accordance with applicable legal requirements and its internal regulations.

2.2.4. E1-3 Actions and resources in relation to climate change policies

In the 2024/2025 reporting year, the MERCOR Group did not undertake new actions, as earlier capital investment projects had already been implemented and completed. In recent years, the Group has carried out a number of initiatives supporting decarbonisation. These measures, aimed at reducing direct and indirect (Scope 1 and Scope 2) energy-related emissions, include:

- increasing the share of renewable energy sources in the energy mix – individual manufacturing plants are equipped with dedicated solar PV installations. While no new renewable energy facilities were installed during the 2024/2025 reporting period, the Group is analysing the feasibility of installing energy storage systems at selected MERCOR Group plants,
- fleet modernisation – progressive replacement of vehicles with hybrid and electric models. During the 2024/2025 reporting period, additional electric vehicles were purchased,
- fleet modernisation – progressive replacement of vehicles with hybrid and electric models. In the reporting period 2024/2025, four additional electric vehicles were purchased,
- utilisation of waste heat at selected manufacturing plants.

In addition, the Group invests in commercial renewable energy installations. Since 2021, the MERCOR Group has operated the 1 MW Mazanki solar PV farm (MCR SOL ENERGY Sp. z o.o.).

With regard to reducing other indirect (Scope 3) emissions, efforts are primarily directed towards minimising and managing post-process waste. These ongoing measures directly support the reduction of indirect emissions through energy savings, improved material efficiency in the production process, and waste reduction, while simultaneously enhancing product performance parameters.

The MERCOR Group also seeks to expand its portfolio of LEED- and BREEAM-compliant products and solutions. The Group's activities are further aligned with the objectives of the EU Taxonomy. Its portfolio includes products and components that enhance the energy efficiency of buildings (CMM 3.5), such as doors with a U-value below 1.0 W/m2K and insulation products with a lambda value of 0.06 W/mK.

2.2.5. E1-4 Targets related to climate change mitigation and adaptation

As at the date of this Sustainability Report for 2024/2025, the Group has not formally established measurable, outcome-oriented, time-bound targets. In the absence of adopted climate policies, the effectiveness of actions taken is not monitored against such targets.

The MERCOR Group has not set measurable GHG emission reduction targets, as the financial year 2024/2025 was the first year in which emissions across all three scopes were included in the inventory and calculated in accordance with the GHG Protocol guidelines and ESRS requirements. This is also due to planned structural changes linked to the divestment of the natural smoke exhaust and fire ventilation segments.

Nevertheless, the Group continues to work towards reducing its direct and indirect (Scope 1 and 2) GHG emissions through the operation of existing solar PV installations and energy storage systems, as well as by offering products that improve building energy efficiency, including those meeting the technical screening criteria under the EU Taxonomy.

2.2.6. E1-5 Energy consumption and mix

In the reporting year 2024/2025, energy consumption associated with the MERCOR Group's own operations and its energy mix was predominantly based on fossil fuels. Information on total energy consumption from own operations (processes conducted or managed by the undertaking) is presented in the table below.

Energy consumption and mix			
		unit	2024/2025
1)	Fuel consumption from coal and coal products	MWh	95.83
2)	Fuel consumption from crude oil and petroleum products	MWh	3,259.18
3)	Fuel consumption from natural gas	MWh	6,464.09
4)	Fuel consumption from other fossil sources	MWh	0.00
5)	Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	MWh	3,434.95
6)	**Total fossil energy consumption**	**MWh**	**13,254.05**
	Share of fossil sources in total energy consumption	**%**	**98.58**
7)	**Consumption from nuclear sources**	**MWh**	**0.00**
	Share of consumption from nuclear sources in total energy consumption	%	0.00
8)	Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.)	MWh	0.00
9)	Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	0.00
10)	Consumption of self-generated non-fuel renewable energy	MWh	191.23
11)	**Total renewable and low-carbon energy consumption**	**MWh**	**191.23**
	Share of renewable sources in total energy consumption	**%**	**1.42**
Total energy consumption (calculated as the sum of lines 6, 7 and 11)		**MWh**	**13,445.28**

Non-renewable and renewable energy production from own sources

Energy production, MWh	
Non-renewable energy production	9,819.10
Renewable energy production	1,136.06

The above metric was determined based on internal records, including data on fuel consumption and electricity usage (invoices). For self-generated renewable energy produced without the use of fuels, as well as for energy generated from renewable sources, a portion of the consumption data was estimated based on installed PV capacity and historical data. This applies to the installations at the Cieplewo and Mirosław manufacturing plants, where a system failure occurred in the application used to collect production data. Renewable energy generation also includes output from the commercial Mazanki solar PV installation.

The measurement of these metrics has not been validated by an external body other than the assurance provider.

Given that the MERCOR Group operates in high climate impact sectors, namely manufacturing, construction, and electricity generation, the table below presents information on energy intensity, expressed as total energy consumption relative to net revenue.

Energy intensity per net revenue (MWh/PLN '000)	
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors	0.0265

The above metric was calculated based on the amounts disclosed in the table below.

Net revenue (PLN '000)	
Net revenue from activities in high climate impact sectors used to calculate energy intensity	507,488
Net revenue (other)	0.00
Total net revenue (financial statements)	507,488

2.2.7. E1-6 Gross Scopes 1, 2, 3 and total GHG emissions

The MERCOR Group's total GHG emissions disaggregated by Scopes 1, 2 and 3 are presented in the table below.

Boundaries for reported emissions

The data presented refer to the consolidated emissions for the entire Group, encompassing the parent company MERCOR S.A. and its subsidiaries, in line with the operational control approach.

GHG emissions from the operations of the MERCOR Group and entities under operational control		
Metric	Unit	2024/2025
Scope 1 GHG emissions		
Gross Scope 1 GHG emissions	***tCO2eq***	***1,997.90***
Percentage of Scope 1 GHG emissions from regulated emission trading schemes	%	0
Scope 2 GHG emissions		
Gross location-based Scope 2 GHG emissions	***tCO2eq***	***1,815.91***
Gross market-based Scope 2 GHG emissions	***tCO2eq***	***2,552.85***
Scope 3 GHG emissions		
Total indirect (Scope 3) GHG emissions	***tCO2eq***	***627,152.23***
Category 1: Purchased goods and services	***tCO2eq***	***76,936.18***
Category 2: Capital goods	tCO2eq	*Not material*
Category 3: Fuel and energy-related activities (not included in Scope 1 or Scope 2)	tCO2eq	*Not material*
Category 4: Upstream transportation and distribution	***tCO2eq***	***273,050.71***
Category 5: Waste generated in operations	tCO2eq	*Not material*
Category 6: Business travel	tCO2eq	*Not material*
Category 7: Employee commuting	tCO2eq	*Not material*
Category 8: Upstream leased assets	tCO2eq	*Not material*
Category 9: Downstream transportation	***tCO2eq***	***277,165.34***

GHG emissions from the operations of the MERCOR Group and entities under operational control		
Category 10: Processing of sold products	tCO2eq	*Not material*
Category 11: Use of sold products	tCO2eq	*Not material*
Category 12: End-of-life treatment of sold products	tCO2eq	*Not material*
Category 13: Downstream leased assets	tCO2eq	*Not material*
Category 14: Franchises	tCO2eq	*Not material*
Category 15: Investments	tCO2eq	*Not material*
Total GHG emissions		
Total GHG emissions (location-based)	tCO2eq	630,966.04
Total GHG emissions (market-based)	tCO2eq	631,702.98
Biogenic emissions	tCO2eq	21.79

As the MERCOR Group did not use any contractual instruments for Scope 2 GHG emissions in the 2024/2025 reporting year, their share is nil.

Calculation method

The GHG emissions were calculated in accordance with the principles, requirements, and guidelines set out in the GHG Protocol Corporate Standard.

Scope of reported emissions

Scope 1 carbon footprint covers direct emissions of carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), and industrial gases – hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6) – resulting from:

- combustion of fuels in stationary combustion sources,
- combustion of fuels in vehicles owned by the organisation,
- refrigerant leaks,
- technological processes under the operational control of the reporting organisation.

Scope 2 comprises indirect energy-related emissions associated with purchased heat, electricity, process steam, and cooling. This scope includes emissions from the generation of the above utilities. For the calculation of Scope 2 GHG emissions, two methods were applied: the location-based method and the market-based method.

- The location-based method reflects the actual volume of emissions generated in a given region as a result of electricity generation. The emission factors used in the calculations take into account the regional energy mix and fuel structure.

- The market-based method focuses on the use of emission factors that reflect the organisation's specific energy purchases, capturing the impact of procurement decisions on the organisation's carbon footprint.

Scope 3 carbon footprint comprises 15 categories and covers indirect emissions throughout the value chain. These are emissions related to the organisation's activities but not controlled by it. All Scope 3 emissions were estimated using emission factors from available commercial and non-commercial databases. Scope 3 greenhouse gas emissions were not calculated using primary data obtained from suppliers or other value chain partners – all emissions were calculated on the basis of data collected by the individual MERCOR Group companies. For the purposes of calculating Scope 3 emissions, a materiality assessment of the individual categories was conducted, taking into account the following criteria:

- type of business activity,
- magnitude of estimated emissions – with a materiality threshold set at 3% of total Scope 3 emissions,
- impact of the emissions,
- exposure of the organisation to financial, regulatory, supply chain-related or other risks.

Calculation methodology and assumptions

To calculate Scope 1, 2, and 3 emissions, emission factors were sourced from the following databases:

- KOBiZE – the National Centre for Emissions Balancing and Management,
- DEFRA – UK Department for Environment, Food and Rural Affairs,
- AIB – Association of Issuing Bodies,
- Ecoinvent,
- ADEME.

For Scope 1 emissions, data on fuel consumption in both stationary and mobile sources was used. For companies located in Poland, the emission factors published by KOBiZE (2024) were applied, while for other locations, DEFRA (2024) emission factors were used. In the 2024/2025 reporting year, the Group did not record any refrigerant leaks or technological processes that would be sources of greenhouse gas emissions.

For the calculation of Scope 2 location-based emissions, emission factors reflecting the energy mix and fuel structure of the relevant region were applied. For companies located in Poland, the emission factor published by KOBiZE (2024) was used, while for companies operating outside Poland, emission factors from the AIB database were applied. The calculations covered only purchased electricity, as in the 2024/2025 reporting year, the MERCOR Group did not purchase heat, cooling, or steam.

For the calculation of Scope 2 market-based emissions, residual mix emission factors published in the AIB database (2023) were used, taking into account only that portion of energy supply for which the source was not confirmed by a Guarantee of Origin. This approach avoids double counting of the same volume of energy from a given source. The calculations covered only purchased electricity, as in the 2024/2025 reporting year, the MERCOR Group did not purchase heat, cooling, or steam.

To determine Scope 3 Category 1 emissions, emission factors from the DEFRA database (2024) or Ecoinvent were applied for purchased goods, and emission factors published by ADEME were used for purchased services. The costs incurred, expressed in PLN, HUF, CZK, UAH, RON, and GBP, were first converted into EUR based on the average exchange rates for the respective currencies.

To calculate Scope 3 Category 3 emissions, data on fuel consumption (Scope 1) and the volume of purchased electricity (Scope 2) were used, with emission factors sourced from the DEFRA database.

For Scope 3 Category 4 emissions, data was collected on the number of transport services paid for by the MERCOR Group, the load weight, and the distance travelled. Emission factors were selected from the DEFRA database.

For Scope 3 Category 9 emissions, data was collected on the number of transport services not paid for by the MERCOR Group, together with the load weight and the distance travelled. Emission factors were sourced from the DEFRA database.

The Global Warming Potential (GWP) factors applied in the calculations are based on the IPCC Sixth Assessment Report.

The measurement of this metric has not been validated by an external body other than the assurance provider.

The GHG intensity (total GHG emissions per net revenue) for the MERCOR Group for the 2024/2025 reporting year is presented in the table below:

Metric	Unit	Amount
GHG intensity (total GHG emissions per net revenue) – location-based method	tCO2eq/PLN '000	*1.254*
GHG intensity (total GHG emissions per net revenue) – market-based method	tCO2eq/PLN '000	*1.256*

The above metric was calculated based on the amounts disclosed in the table below.

Net revenue (PLN '000)	
Net revenue used to calculate GHG intensity	507,488
Net revenue (other)	0.00
Total net revenue (financial statements)	507,488

2.2.8. E1-7 GHG removals and GHG mitigation projects financed through carbon credits

In 2024, the MERCOR Group did not implement any GHG removal or mitigation projects financed through carbon credits.

2.2.9. E1-8 Internal carbon pricing

The MERCOR Group does not apply an internal carbon pricing scheme.

2.3. ESRS E2 Pollution

As regards ESRS E2 Pollution, only the topic of substances of concern was identified by the double materiality assessment as material. Accordingly, these disclosures do not address the remaining subtopics covered under the E2 standard.

2.3.1. E2-1 Policies related to pollution

The MERCOR Group does not have a dedicated uniform policy that would address the identified impacts arising from the use of substances of concern. To manage material pollution-related impacts, the MERCOR Group companies implement the provisions of individual internal documents dedicated to specific manufacturing plants, including, for example, procedures related to the introduction of new materials or substitutes for materials previously in use, and warehouse instructions for handling hazardous substances.

In addition, in selected subsidiaries of the MERCOR Group, namely MERCOR DUNAMENTI Zrt. and Tecresa Proteccion Pasiva S.L., an Environmental Management System has been implemented in accordance with the requirements of ISO 14001. The standard is the leading international benchmark for environmental management systems, with the main objectives of reducing negative environmental impacts, ensuring compliance with legal requirements, continuous improvement, and increasing stakeholder engagement. The Environmental Management System is subject to regular audits to verify conformity with ISO 14001.

2.3.2. E2-2 Actions and resources related to pollution

The individual MERCOR Group companies conduct their operations in accordance with the provisions of relevant environmental permits and decisions.

Currently, the Group is not implementing dedicated or major projects focused on substances of concern, which is due to the nature of its operations. In the 2024/2025 reporting year, ongoing supervision of the substances in use was carried out in accordance with the provisions of the safety data sheets for each substance and the procedures implemented in the Group's respective plants.

2.3.3. E2-3 Targets related to pollution

As at the date of this Sustainability Report for 2024/2025, the MERCOR Group has not set any measurable, outcome-oriented, time-bound targets for substances of concern.

The MERCOR Group has not adopted measurable targets for substances of concern, as the 2024/2025 reporting year was the first year in which the Group mapped its material impacts and conducted a double materiality assessment. This was also due to planned changes in the Group's structure in connection with the transaction for the sale of the natural smoke exhaust and fire ventilation business.

Nevertheless, the Group monitors the effectiveness of its actions through compliance with the requirements of its environmental permits and decisions. Furthermore, monitoring of the effectiveness of these actions is also carried out through audits of the ISO 14001-compliant Environmental Management Systems deployed at individual plants.

2.3.4. E2-5 Substances of concern and substances of very high concern

For Disclosure Requirement E2-5, the disclosed data covers the total quantity of material substances of concern and substances of very high concern (SVHC) procured or used in production by the MERCOR Group.

Substances of concern	Quantity [Mg/year]
Total quantity of substances of concern procured or used in production by the MERCOR Group, of which:	119.85
– carcinogenicity categories 1 and 2	22.29
– skin sensitisation category 1	85.16
– chronic hazard to the aquatic environment categories 1 to 4	6.57
– specific target organ toxicity, repeated exposure categories 1 and 2	5.81
– specific target organ toxicity, single exposure categories 1 and 2	0.02
Total quantity of substances of very high concern procured or used in production by the MERCOR Group	*0.00*

The above metric was determined based on the quantities of substances used and the analysis of their safety data sheets. The measurement of this metric has not been validated by an external body other than the assurance provider.

2.4. ESRS E5 Resource use and circular economy

2.4.1. E5-1 Policies related to resource use and circular economy

The MERCOR Group does not have a dedicated, Group-wide policy on resource use and circular economy. However, it should be noted that, in addressing all environmental matters, selected subsidiaries operate under Environmental Management Systems implemented in accordance with the requirements of ISO 14001.

Furthermore, as many aspects of resource use and circular economy are regulated by law, all actions of the MERCOR Group are carried out in full compliance with national and EU legislation, as well as the provisions set out in environmental permits and decisions.

2.4.2. E5-2 Actions and resources related to resource use and circular economy

Through actions implemented in its individual manufacturing plants, the MERCOR Group continuously improves the efficiency of resource management in relation to technical materials and water, applies circular design practices, and optimises the use of production waste.

In the reporting year 2024/2025, the Group's actions related to resource use and waste management were ongoing and focused primarily on:

- reducing waste generation by optimising design processes, for example by using software to plan sheet metal cutting in a way that minimises scrap,
- reusing production waste by returning it to the production process as a full-value component of the manufactured product,
- implementing circular economy practices in the use of post-process water,
- directing waste to recycling and minimising the amount of waste sent to landfill,
- continuously raising awareness of waste management, including promoting and implementing the waste hierarchy, for example through additional employee bonuses for optimising sheet metal cutting.

The actions undertaken did not require significant financial resources.

In the coming years, the Company plans to intensify its efforts on resource use and circular economy, focusing primarily on initiatives for utilising production waste and post-process water. These actions are expected to deliver further energy savings, improve material efficiency in the production process, reduce waste volumes, and enhance product performance parameters.

2.4.3. E5-3 Targets related to resource use and circular economy

As at the date of this Sustainability Report for 2024/2025, the MERCOR Group has not set any measurable, outcome-oriented, time-bound targets for resource use and circular economy.

The MERCOR Group has not adopted measurable targets, as the 2024/2025 reporting year was the first year in which the Group mapped its material impacts and conducted a double materiality assessment. This was also due to planned changes in the Group's structure in connection with the transaction for the sale of the natural smoke exhaust and fire ventilation business.

Nevertheless, the Group monitors the effectiveness of its actions through indicators such as the volume of waste generated, the quantitative analysis of production waste returned to the production process, and compliance with the requirements of its permits and environmental decisions. Furthermore, monitoring of the effectiveness of these actions is also carried out through audits of the ISO 14001-compliant Environmental Management Systems deployed at individual plants.

2.4.4. E5-4 Resource inflows

The key resource inflows used in the MERCOR Group's operations include aluminium sheet, aluminium profiles, steel and galvanised steel sheet, galvanised profiles, stainless steel and black steel (steel and zinc coated steel), polycarbonate, polyester, mineral wool, as well as cement, sand, and lime.

The total weight of significant product and material inflows into the organisation in the 2024/2025 reporting year is presented in the table below. The data has been consolidated for the entire MERCOR Group.

Metric	Unit	Amount
Total weight of products and technical and biological material inflows	Mg	12,601.08
Percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that is sustainably sourced	%	0.00
Weight of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	Mg	109.80
Weight of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	%	0.87

The data on material and product inflows was sourced from internal records, with weight (kg) calculated using conversion factors derived from product information for the respective materials and products, as well as estimated average weights for specific items. The measurement of this metric has not been validated by an external body other than the assurance provider.

2.4.5. E5-5 Resource outflows

The MERCOR Group manages waste by establishing procedures that cover its handling from the point of generation through to its transfer to licensed operators. The table below presents a breakdown, by category, of the quantities of material waste generated from the MERCOR Group's operations during the 2024/2025 reporting period.

Metric	Unit	Hazardous waste	Non-hazardous waste
Total amount of waste generated	**Mg**	**2,760.88**	
Amount of waste diverted from disposal, of which:			
preparation for reuse	Mg	0.0	0.0
recycling	Mg	0.0	1,487.90
other recovery operations	Mg	149.13	7.50
Amount of waste directed to disposal, of which:			
incineration	Mg	0.0	0.00
landfill	Mg	15.26	142.44
other disposal operations	Mg	707.46	251.27
Total amount of non-recycled waste	Mg	1,272.98	
Percentage of non-recycled waste	%	46.11	
Total amount of hazardous waste generated by the undertaking	Mg	871.84	
Amount of radioactive waste generated by the undertaking	Mg	0.00	

Significant waste streams relevant to the Group's sector and activities include:

- synthetic complex oxide materials – non-toxic non-metallic materials with a composition similar to natural mineral raw materials,
- iron, aluminium, steel, wood, plastics, waste paper, foil, and polycarbonate.

Quantitative waste data is obtained from annual waste reports, waste record sheets, waste transfer notes, documents, and all other data forming the basis for waste record documentation (including scale tickets). The measurement of this metric has not been validated by an external body other than the assurance provider.

3. Social information

3.1. ESRS S1 Own workforce

3.1.1. ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

As part of the assessment of material impacts, risks and opportunities, and their interaction with the strategy and business model, the MERCOR Group considers its entire workforce. The Group employs 877 people, the majority of whom work in production roles, with the remainder in office-based positions. A vast majority of the workforce are engaged under employment contracts. A detailed profile of the Group's workforce is provided in sections S1-6 and S1-7 of this Sustainability Report.

The MERCOR Group has a zero-tolerance policy towards child labour, forced labour, and compulsory labour, in line with the provisions of the Labour Code in Poland and, for subsidiaries located abroad, with the relevant national regulations. Operating within the European market, the Group has not identified any risks relating to child labour or to forced or compulsory labour in its own workforce. Consequently, it has not adopted a human rights policy or other policies relating to these matters. At present, the Group does not intend to introduce such policies, given the absence of identified risks and in light of planned structural changes.

Due to its flat organisational structure, the Group and its subsidiaries maintain direct communication between employees, senior management, and the Management Board. In the Management Board's view, this approach is sufficient for the Group's current stage of development. The MERCOR Group also provides secure, internal, and dedicated reporting channels, which can be used in various ways, to report any breaches or concerns.

As regards ESRS S1 *Own workforce*, only the topic of health and safety was identified as material, due to the significant impacts arising from the MERCOR Group's own operations. These impacts are linked to individual cases of workplace accidents, with production employees being particularly at risk. The MERCOR Group does not have a uniform occupational health and safety policy. The Group's companies operate across different countries and legal systems, with activities that vary in nature – some engage in manufacturing operations, while others are focused on sales. The manufacturing companies with a significantly higher risk of workplace accidents are: MERCOR S.A., Mercor Dunamenti Tűzvédelem Zrt., Tecresa Protección Pasiva S.L., and DFM Doors sp. z o.o. Mercor Dunamenti Tűzvédelem Zrt. and Tecresa Protección Pasiva S.L. have implemented OHS management systems certified under ISO 45001. At MERCOR S.A., the division of fire protection of building structures is ISO 45001-certified. At the manufacturing plant in Cieplewo, which produces natural smoke exhaust systems and fire ventilation systems, procedures consistent with ISO 45001 requirements are in place (Procedure I-ZPC-O06 – Conducting and Documenting Occupational Health and Safety Inspections at the Cieplewo Manufacturing Plant). Additionally, work rules adopted by MERCOR S.A. and DFM Doors Sp. z o.o. mandate the provision of safe and healthy working conditions.

3.1.2. S1-1 Policies related to own workforce

The MERCOR Group does not have policies relating to its own workforce in place. Given the planned changes to the Group's structure and the diverse functions of its individual companies, there are currently no plans to adopt such a policy for the Group as a whole.

As noted above, under ESRS S1 *Own workforce*, only the topic of health and safety has been identified as material, due to its high impact. In light of the planned changes in the organisational structure, the MERCOR Group has not yet adopted a dedicated policy to manage the material impact in the area of occupational health and safety. For Polish companies, the obligation to ensure safe and healthy working conditions stems directly from the Labour Code. Documents in which individual companies have addressed occupational health and safety matters include:

- **MERCOR S.A. Work Rules** – which establish the organisation and order in the work process and related rights and obligations of the employer and employees. The document outlines the employer's and employees' responsibilities for ensuring health and safety in the workplace, including the employer's obligation to protect the health and lives of employees by providing safe and healthy working conditions, making appropriate use of scientific and technological advancements; the obligation to respond to occupational health and safety needs; the obligation to adapt measures aimed at improving the current level of health and life protection in line with changing working conditions; and the obligation to develop a coherent policy for preventing work-related accidents and ill health, addressing technical aspects, work organisation, working conditions, social relations, and environmental factors. The Work Rules apply to all employees of MERCOR S.A. They were adopted by the Management Board, which is also responsible for their implementation. While there is no formal process for monitoring compliance with the provisions of the Work Rules, these provisions are legally binding on both employees and the employer.
- **Work and Remuneration Rules for Employees of DFM Doors Sp. z o.o.** – which establish the organisation and order in the work process and related rights and obligations of the employer and employees. The document outlines employer's and employees' responsibilities for ensuring health and safety in the workplace, including the obligation to protect the life and health of all employees by providing safe working conditions, taking into account any individual contraindications related to an employee's health status or physical and mental condition. It also outlines employees' responsibilities, such as participating in mandatory occupational health and safety training and instruction sessions. The Work and Remuneration Rules apply to all employees of DFM Doors Sp. z o.o. and are issued by the director authorised by the Management Board. While there is no formal process for monitoring compliance with the provisions of the Work and Remuneration Rules for Employees of DFM Doors sp. z o.o., these provisions are legally binding on both employees and the employer.

No significant changes were made to the above documents or procedures during the reporting year.

For the reasons outlined above, the MERCOR Group does not currently operate a Group-wide workplace accident prevention policy or management system. Such measures are, however, implemented at certain manufacturing companies that are particularly exposed to these risks. Mercor Dunamenti Tűzvédelem Zrt. and Tecresa Protección Pasiva S.L. have implemented OHS management systems certified under ISO 45001. MERCOR S.A. has implemented an ISO 45001-compliant procedure for its manufacturing plant in Cieplewo (Procedure I-ZPC-O06 – Conducting and Documenting Occupational Health and Safety Inspections at the Cieplewo Manufacturing Plant). ISO 45001 certification applies to all personnel employed at Mercor Dunamenti Tűzvédelem Zrt. and Tecresa Protección Pasiva S.L., and to the division of fire protection of building structures at MERCOR S.A.

Respect for human rights is a fundamental principle for the MERCOR Group. The Group has not adopted a formal human rights policy that would include provisions on human trafficking, forced or compulsory labour, and child labour, nor has it implemented a human rights due diligence process aligned with the OECD Guidelines. In its business, the Group follows the general principles set out in domestic and international human rights laws. The Group adheres to the fundamental principle of strict prohibition on child labour and forced labour at Group companies. The MERCOR Group has not identified any material risks of human rights violations within its own workforce. The Group operates in European markets where respect for human rights is deeply embedded in the business environment. Human trafficking, forced labour, and child labour are not tolerated and are prohibited by law. Group companies comply with the relevant legislation in their respective jurisdictions, which expressly prohibits such practices. For these reasons, and in light of the planned changes to the Group's structure, the adoption of formal human rights policies and procedures is not currently envisaged.

The MERCOR Group does not have a specific policy aimed at eliminating discrimination (including harassment), promoting equal opportunities and other ways to advance diversity and inclusion. Given the absence of identified risks or violations in this area, and in light of the planned changes to the Group's structure, the adoption of such a policy at Group level is not currently planned. These matters are, however, partially addressed through policies implemented at individual companies, including:

- **Non-Discrimination, Equity, and Anti-Harassment Policy of Tecresa Protección Pasiva S.L. (Spain)** – adopted by the Management Board of Tecresa Protección Pasiva S.L., the Policy sets out the company's objectives in the area of anti-discrimination, including the development of training programmes on equity and harassment prevention, as well as the establishment of confidential channels for reporting incidents of discrimination or harassment. The Policy is subject to periodic reviews to ensure its continued effectiveness and relevance to the company's needs. In line with Article 14 of the Spanish Constitution, the Policy prohibits all forms of direct and indirect discrimination based on origin, race, gender, religion, beliefs, or any other personal or social condition or circumstance. The Policy does not include specific commitments related to inclusion or positive action for people from groups at particular risk of vulnerability in the company's own workforce. To ensure effective implementation, the Policy provides for the adoption of procedures relating to recruitment, training, and the reporting of violations.

Other documents addressing non-discrimination, equity, and anti-harassment are also in place at Group companies. These include MERCOR S.A.'s Internal Anti-Bullying Policy and Work Rules, as well as the Work and Remuneration Rules for Employees of DFM Doors Sp. z o.o. MERCOR S.A. has also published on its website the Policy for Selecting the Governing Bodies and Key Managers of the Company, which states that when selecting members to the Company's governing bodies and key managerial positions, MERCOR S.A. prioritises competencies, professional experience, education, and specific expertise essential for the respective roles. Furthermore, MERCOR S.A. has adopted the procedure *P-11 Recruitment and Training,* which sets out the rules for employee recruitment, verification during contract renewals, participation in training, and co-funding language courses or higher education. Access to these opportunities is not differentiated among employees. All decisions are based on experience, qualifications, and skills. Gender, age, or origin are not considered in recruitment, promotion, or selection for training, studies, or language learning. The prohibition of discrimination is also enshrined in the national legislation of the countries in which the MERCOR Group operates. The Group provides training on anti-discrimination and equal treatment. In 2022, this training was delivered to all employees of DFM Doors Sp. z o.o., while in the reporting year, Tecresa Protección Pasiva S.L. conducted the training for all office-based employees.

The MERCOR Group ensures that employees have access to all relevant policies, regulations, and internal procedures. At MERCOR S.A., updates on new policies, directives, and procedures are communicated to office-based employees via email and to production employees through their supervisors.

To maintain safety at the Cieplewo manufacturing plant and extend occupational health and safety rules to non-employees (such as subcontractor staff, transport company employees, and partner company personnel), clear procedural guidelines in the form of pictograms have been developed. Non-employees are required to confirm that they have read and understood the guidelines.

3.1.3. S1-2 Processes for engaging with own workforce and workers' representatives about impacts

The companies within the MERCOR Group strive to maintain constructive and effective engagement with both employees and non-employees. The form of this engagement varies, as some Group companies employ only a few staff members, while others have a larger workforce. As a result, the MERCOR Group has not established a general procedure for workforce engagement that prescribes the methods or frequency of such interactions.

The organisation is characterised by a flat structure, which enables direct contact between employees and senior management, including the Management Board. For this reason, there is no need to designate a specific member of management responsible for ensuring engagement. In the Management Board's view, this approach is sufficient for the Group's current stage of development. Given the size of the companies within the MERCOR Group, the existing flat organisational structures, and the prevailing management and communication practices – which enable direct contact between management and employee teams – the Group does not, at this stage, consider it necessary to establish formal written procedures for engagement or evaluation, particularly in view of the planned changes to the Group's structure.

In the absence of a Group-wide occupational health and safety policy, the MERCOR Group's workforce has not formally contributed to activities in this area. Nevertheless, the Group's flat organisational structure enables ongoing communication with employees on workplace health and safety matters.

No member of the Management Board is permanently designated to liaise with employee representatives. The selection and number of Management Board members engaging with employee representatives depends on the matter under consideration.

The MERCOR Group has not entered into any global agreements with employee representatives regarding respect for human rights and, given the Group's current structure, has no plans to conclude such agreements.

In the absence of a formal procedure for workforce engagement, no formal assessment of its effectiveness is undertaken. At MERCOR S.A., given the large number of employees, engagement is facilitated through employee-elected representatives. Consultations with these representatives are held as needed, whenever matters concerning employees are under consideration. In the 2024/2025 financial year, employee representatives took part in work on amendments to the internal whistleblowing procedure. They also took part in a meeting presenting the results of the double materiality assessment conducted for the purposes of sustainability reporting.

Engagement with the workforce involves both consultation and information-sharing. Opinions from employees and non-employees are collected through anonymous surveys, the results of which are subsequently discussed, fostering dialogue and consultation. Follow-up measures, including appropriate actions, changes, and improvements, are then implemented. Surveys are conducted approximately once every few years, with the most recent taking place in March 2024. Members of the MERCOR Group workforce may raise concerns at any time through the channels provided under the internal whistleblowing procedure. In this respect, engagement is ongoing and coordinated at the Group's headquarters level. As outlined in ESRS S1-1, the workforce is also regularly informed of all procedures, policies, and regulations in force within the MERCOR Group, as well as any amendments thereto. This aspect of engagement is also continuous and carried out locally at individual plants. At MERCOR S.A, the 3P Employee Ideas Programme empowers our workforce to contribute valuable proposals for enhancing their workplace, as well as optimising various organisational processes and areas of operation. Proposals may be submitted by both employees and individuals not employed under an employment contract, with the programme being particularly utilised by production staff. All submissions are reviewed by designated coordinators. Engagement with the workforce is conducted using the existing resources of the MERCOR Group.

The MERCOR Group has not adopted a transition plan and is not currently undertaking work towards developing one. Consequently, at this stage – and given the absence of such a requirement – the Group does not engage with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and up/reskilling, gender and social equity, and health and safety.

3.1.4. S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns

The MERCOR Group operates in full compliance with the applicable legal requirements in the markets in which it conducts business, ensuring its employees enjoy secure employment, working hours consistent with statutory provisions, and safe, healthy working conditions. These commitments are reflected, for example, in the work rules adopted by individual Group companies, including MERCOR S.A. and DFM Doors Sp. z o.o.

The Group also facilitates access to channels that allow members of its workforce to raise concerns or express needs and to have them addressed or taken into account, through an established, Group-wide whistleblowing procedure.

In 2021, MERCOR S.A. implemented the Internal Whistleblowing and Response Procedure. The Procedure applies across the entire MERCOR Group and reflects not only the legal obligation arising from the transposition of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, but also provides comprehensive guidance on submitting reports of potential legal violations within MERCOR Group companies.

The purpose of this Procedure is to address any acts or omissions that are unlawful or intended to circumvent the law, including, but not limited to:

- corruption,
- public procurement,
- financial services, products, and markets,
- anti-money laundering and counter-terrorist financing,
- product and service safety and compliance,

- transport safety,
- environmental protection,
- radiological protection and nuclear safety,
- public health,
- consumer protection,
- privacy and personal data protection,
- security of network and ICT systems,
- financial interests of the State Treasury of the Republic of Poland, local government units, and the European Union,
- EU internal market, including the principles of public law governing competition rules, state aid, and the taxation of legal person, and
- constitutional freedoms and human and civil rights.

Reports of violations may be submitted: (i) electronically, via the email address naruszenia@mercor.com.pl, (ii) through the Statlook Sygnalista application, (iii) in writing, by internal or external mail, in a sealed envelope addressed to the Breach Committee and marked "CONFIDENTIAL: Breach Report", (iv) in person, during a meeting with the Breach Committee or one of its members, (v) by telephone, directly to a Breach Committee member. All reporting channels are operated in a secure manner to ensure the confidentiality of the report, as well as the protection of the identity of both the reporting person and any third parties named in the report. The Procedure is available to both employees and individuals not employed under an employment contract. All reports are reviewed by a dedicated impartial investigation team.

The Internal Whistleblowing and Response Procedure includes a formal mechanism for the review of complaints. It provides for the reporting of any breaches of law, internal regulations, or ethical standards. Follow-up actions in response to reported irregularities are carried out by a dedicated advisory body – the Breach Committee. Following its review of a report, the Committee issues recommendations on further actions. These may include the implementation of corrective or disciplinary measures against the individual responsible for the breach, as well as proposals for remedial actions aimed at preventing similar incidents in the future.

A register of violations is maintained to enable the tracking and monitoring of all reported cases.

The MERCOR Group does not currently perform a formal assessment of whether people in its own workforce are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In the 2024/2025 financial year, MERCOR S.A. employee representatives took part in work on amendments to the internal whistleblowing procedure. All newly implemented documents, such as policies, procedures, and directives, are distributed via email to office-based employees, while production employees receive this information through their respective managers and forepersons. Looking ahead, the Group intends to enhance its process for informing new employees, particularly those in production roles, about the whistleblowing procedure and to introduce a requirement for confirming that they have read and understood it.

The Internal Whistleblowing and Response Procedure adopted by the MERCOR Group, expressly prohibits retaliation and guarantees the whistleblower's anonymity and protection against any potential reprisal.

Additionally, the Hungarian subsidiary, Mercor Dunamenti Tűzvédelem Zrt., provides a dedicated link on its website (https://dunamenti.hu/kapcsolat/) for the submission of anonymous reports, which are transmitted directly to the company's Management Board.

3.1.5. S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

For the MERCOR Group, occupational health and safety has been identified as a material issue, representing a negative and actual impact directly linked to the Group's own operations, as evidenced by recorded workplace accidents.

In respect of accidents that occurred during the 2024/2025 financial year, the MERCOR Group implemented all legally required measures, with no additional remedial actions deemed necessary in those cases. Nevertheless, the Group continues to take proactive steps to mitigate the risk of future incidents. Key actions undertaken in 2024 to reduce the likelihood of negative occupational health and safety impacts included:

- providing statutory OHS training at prescribed intervals – every three years for blue-collar positions, annually for blue-collar positions involving particularly hazardous tasks, every six years for administrative staff, and every five years for engineering, technical, and supervisory personnel;
- at the Mirosław manufacturing plant, installing safeguards on production lines to prevent accidental entry into hazardous zones;
- at the Cieplewo manufacturing plant, implementing an alarm system with audible alerts;
- at the Cieplewo manufacturing plant, piloting a headcount monitoring system to track the number of people on-site as a critical tool for evacuation procedures (work on this mechanism will continue into the next financial year and is expected to be completed during that period).

The Company also met its overarching objective of enhancing the efficiency of identifying and recording non-compliances and near-miss incidents at the Cieplewo and Mirosław manufacturing plants. This improvement is evidenced by a marked decrease in recorded near-miss incidents: in 2024, five such incidents were identified at the Cieplewo plant, compared with fourteen in 2023, while no incidents were recorded at the Mirosław plant in 2024, compared with one in 2023. The number of non-compliance cases detected during OHS inspections also fell significantly, with 2024 seeing more than a 50% reduction compared with the previous year.

In the 2024/2025 financial year, several measures were implemented at DFM Doors Sp. z o.o.'s manufacturing plant to enhance production process safety, including:

- an automated final assembly transport line with automated workstations and manipulators for unloading from the paint shop conveyor system, as well as a workstation for wrapping door leaves – eliminating the need for manual unloading from the suspension system, turning, lifting, and transporting heavy partition elements;
- a roll-forming line for SG door panel sheets with a semi-automated production process – eliminating the need for manual cutting, bending, and punching of panel components, as well as inter-operational transport;
- an automatic spray washer and aluminium frame passivation station with an overhead conveyor system – eliminating manual grinding and handling of finished frames;

- an automatic door leaf grinding station with a loading system for the paint shop overhead conveyor – eliminating the need for manual handling, hanging, and grinding during powder coating preparation;
- an automatic CNC grinding station for large-format stainless steel partitions – eliminating the need for manual grinding;
- an industrial robot application for unloading sheet metal after coil unwinding and preparing production batches – eliminating the need for manual sheet handling;
- an industrial robot application for welding steel frames – reducing or eliminating the need for manual welding;
- electric high-lift trucks – eliminating the need for manual lifting of door leaves during pre-assembly and painting;
- a change in welding technology.

Given that the identified impact is negative in nature, the MERCOR Group focuses on implementing preventive measures to avoid such impact in the future.

The Group does not maintain a formalised process for tracking and assessing the effectiveness of its actions and initiatives in delivering outcomes for its own workforce. Accordingly, the primary metric of effectiveness is the workplace accident rate, as presented in section S1-14.

The MERCOR Group determines the nature and scope of actions required in response to negative impacts on its workforce in the area of occupational health and safety by analysing accident statistics for each manufacturing plant and assessing available technological solutions that could reduce accident risks. The scope of these actions is also defined by applicable legal requirements, which mandate regular occupational health and safety training for employees.

To address material impacts, the MERCOR Group allocates a variety of resources, including the modernisation initiatives described above aimed at enhancing workplace safety, as well as human resources dedicated to delivering mandatory training.

3.1.6. S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The MERCOR Group has not established measurable, outcome-oriented targets for managing the identified material negative impact relating to occupational health and safety, nor does it track the effectiveness of its actions in addressing the impact.

Given the diversity of the companies within the MERCOR Group and the planned changes to the Group's structure – which will entail adjustments to its production resources and workforce – the Group has not set such targets, as they would likely require substantial revision following the structural changes.

Accordingly, the MERCOR Group intends to continue its existing initiatives aimed at ensuring occupational health and safety. Examples of such initiatives implemented to date are outlined in section S1-4.

3.1.7. S1-6 Characteristics of the undertaking's employees

The following companies within the MERCOR Group employ staff: MERCOR S.A. (Poland), Tecresa Protección Pasiva S.L. of Madrid (Spain), Mercor Dunamenti Tűzvédelem Zrt of Göd (Hungary), Dunamenti CZ s.r.o. of Prague (Czech Republic), Dunamenti s.r.o. of Kolárovie (Slovakia), Mercor Czech

Republic s.r.o. of Ostrava (Czech Republic), Mercor Slovakia s.r.o. of Bratislava (Slovakia), Mercor Fire Protection Systems S.R.L. of Chitila (Romania), TOB Mercor Ukraina of Drohovyzh (Ukraine), DFM Doors sp. z o.o. of Gdańsk (Poland), Mercor Fire Protection UK LTD of Salford (UK), MCR Tech Lab Sp. z o.o. of Gdańsk (Poland), Mercor Centrum Usług Wspólnych Sp. z o.o. of Gdańsk (Poland). The remaining MERCOR Group companies covered by this report did not employ any staff during the 2024/2025 financial year.

Within the MERCOR Group, employment data is aggregated on a headcount basis, using the number of employees as at the end of the reporting period, 31 March 2025. The figures presented below are sourced from the Group's HR systems and reflect actual, continuously recorded data as at the reporting date. They cover all companies included in this Sustainability Report that employ staff.

The MERCOR Group employs a total of 805 people:

Region	Company	Women	Men	Other/not reported	Total
Poland	MERCOR S.A.	94	306	0	400
	DFM Doors Sp. z o.o.	10	103	0	113
	MCR Tech Lab sp. z o.o.	2	9	0	11
	Mercor Centrum Usług Wspólnych sp. z o.o.	16	4	0	20
Spain	Tecresa Protección Pasiva S.L.	9	52	0	61
Hungary	Mercor Dunamenti Tűzvédelem Zrt	13	71	0	84
Czech Republic	Dunamenti CZ s.r.o	0	1	0	1
	Mercor Czech Republic s.r.o.	3	7	0	10
Slovakia	Dunamenti s.r.o.	1	0	0	1
	Mercor Slovakia s.r.o.	5	3	0	8
Romania	Mercor Fire Protection Systems s.r.l	2	3	0	5
Ukraine	TOB Mercor Ukraina	23	62	0	85
UK	Mercor Fire Protection UK LTD	3	3	0	6
TOTAL	**MERCOR GROUP**	**181**	**624**	**0**	**805**

MERCOR Group employees by country:

Country	Headcount
Poland	544
Spain	61
Hungary	84
Czech Republic	11
Slovakia	9
Romania	5
Ukraine	85
UK	6
MERCOR GROUP	**805**

The table below presents MERCOR Group employees by contract type as at 31 March 2025:

FEMALE	MALE	OTHER	NOT DISCLOSED	TOTAL
Number of employees (headcount)				
181	624	0	0	805
Number of permanent employees (headcount)				
158	537	0	0	695
Number of temporary employees (headcount)				
23	87	0	0	110
Number of non-guaranteed hours employees (headcount)				
0	0	0	0	0
Number of full-time employees (headcount)				
168	613	0	0	781
Number of part-time employees (headcount)				
13	11	0	0	24

MERCOR Group employees by contract type, broken down by country (as at 31 March 2025):

Poland	Spain	Hungary	Czech Republic	Slovakia	Romania	Ukraine	UK	Total for MERCOR Group
Number of employees (headcount)								
544	61	84	11	9	5	85	6	805
Number of permanent employees (headcount)								
446	58	84	11	8	4	79	5	695
Number of temporary employees (headcount)								
98	3	0	0	1	1	6	1	110
Number of non-guaranteed hours employees (headcount)								
0	0	0	0	0	0	0	0	0
Number of full-time employees (headcount)								
530	57	81	11	9	5	82	6	781
Number of part-time employees (headcount)								
14	4	3	0	0	0	3	0	24

Most employees within the MERCOR Group are employed under permanent employment contracts. The vast majority also work full-time, as shown in the table below:

Region	Company	Full-time employees	Total number of employees	Full-time employees as percentage of total employees
Poland	MERCOR S.A.	388	400	97%
	DFM Doors Sp. z o.o.	112	113	99.11%
	MCR Tech Lab sp. z o.o.	11	11	100%
	Mercor Centrum Usług Wspólnych sp. z o.o.	19	20	95%
Spain	Tecresa Protección Pasiva S.L.	57	61	93.44%
Hungary	Mercor Dunamenti Tűzvédelem Zrt	81	84	96.43%
Czech Republic	Dunamenti CZ s.r.o	1	1	100%
	Mercor Czech Republic s.r.o.	10	10	100%
Slovakia	Dunamenti s.r.o.	1	1	100%
	Mercor Slovakia s.r.o.	8	8	100%
Romania	Mercor Fire Protection Systems s.r.l	5	5	100%
Ukraine	TOB Mercor Ukraina	82	85	96.47%
UK	Mercor Fire Protection UK LTD	6	6	100%
Total	**MERCOR GROUP**	**781**	**805**	**97.02%**

MERCOR S.A. and Tecresa Protección Pasiva S.L. of Madrid were the only MERCOR Group companies to engage temporary agency workers – 29 people, including four women and 25 men at MERCOR S.A. and one man at Tecresa Protección Pasiva S.L.

As at 31 March 2025, no MERCOR Group companies employed non-guaranteed hours employees.

During the 2024/2025 financial year, the number of employees who left the MERCOR Group – whether through voluntary resignation or for other reasons – is presented below, together with the corresponding employee turnover rates:

Region	Company	Termination by the employee	Other reasons (dismissal, termination by mutual agreement, death, retirement)	Total departures	Turnover rate
Poland	MERCOR S.A.	17	38 (including 4 retirements)	55	13.75%
	DFM Doors Sp. z o.o.	5	18	23	20.35%
	MCR Tech Lab sp. z o.o.	0	3	3	27.28%
	Mercor Centrum Usług Wspólnych sp. z o.o.	0	0	0	0%
Spain	Tecresa Protección Pasiva S.L.	4	10 (including 2 retirements)	14	22.95%
Hungary	Mercor Dunamenti Tűzvédelem Zrt	13	11 (including 2 retirements)	24	28.57%
Czech Republic	Dunamenti CZ s.r.o	0	0	0	0%
	Mercor Czech Republic s.r.o.	0	1	1	10%
Slovakia	Dunamenti s.r.o.	0	0	0	0%
	Mercor Slovakia s.r.o.	0	1	1	12.5%
Romania	Mercor Fire Protection Systems s.r.l	0	0	0	0%
Ukraine	TOB Mercor Ukraina	3	28	31	36.47%
UK	Mercor Fire Protection UK LTD	0	1	1	16.67%
TOTAL	**MERCOR GROUP**	**42**	**111**	**153**	**19.01%**

For the calculation of the employee turnover rate in the MERCOR Group, the total number of employees who left the undertaking during the reporting period was taken into account, including those who resigned voluntarily, were dismissed, left by mutual agreement, retired, or passed away while in employment. The undertaking uses this total number of departures as the numerator in calculating the employee turnover rate. The turnover rate is determined using the general turnover formula: the ratio of the total number of employees who left during the year up to 31 March 2025 to the total number of employees employed as at 31 March 2025.

3.1.8. S1-7 Characteristics of non-employees in the undertaking's own workforce

The MERCOR Group engages individuals who are not employees and are not bound to Group companies by an employment contract. The data on non-employees presented in the table below reflects the situation as at 31 March 2025. The figures are sourced from the Group's HR systems and are based on actual, continuously recorded data as at the end of the reporting period – 31 March 2025.

Region	Company	Self-employed individuals	Individuals with civil-law contracts	Individuals provided by temporary employment agencies	Total
Poland	MERCOR S.A.	7	11	29	47
	DFM Doors Sp. z o.o.	4	1	0	5
	MCR Tech Lab sp. z o.o.	1	2	0	3
	Mercor Centrum Usług Wspólnych sp. z o.o.	8	0	0	8
Spain	Tecresa Protección Pasiva S.L.	0	0	1	1
Hungary	Mercor Dunamenti Tűzvédelem Zrt	0	4	0	4
Czech Republic	Dunamenti CZ s.r.o	0	0	0	0
	Mercor Czech Republic s.r.o.	0	2	0	2
Slovakia	Dunamenti s.r.o.	0	0	0	0
	Mercor Slovakia s.r.o.	0	0	0	0
Romania	Mercor Fire Protection Systems s.r.l	0	0	0	0
Ukraine	TOB Mercor Ukraina	0	0	0	0
UK	Mercor Fire Protection UK LTD	2	0	0	2
TOTAL	**MERCOR GROUP**	**22**	**20**	**30**	**72**

The above table presents the number of non-employees as at the end of the 2024/2025 financial year, on 31 March 2025.

There were no significant fluctuations in the number of non-employees during the reporting period. Non-employees represent a small proportion of the MERCOR Group's own workforce. Individuals employed by temporary employment agencies are primarily engaged in production roles, while self-employed individuals predominantly perform office-based functions.

3.1.9. S1-14 Health and safety metrics

Occupational health and safety (OHS) is a strategic priority for the MERCOR Group, particularly in relation to production employees.

Mercor Dunamenti Tűzvédelem Zrt. and Tecresa Protección Pasiva S.L. have implemented OHS management systems certified under ISO 45001. The systems cover the entire workforce in these companies – both employees and non-employees – representing 100% of their own workforce.

In MERCOR S.A. and the other MERCOR Group companies, the applicable OHS management systems cover all employees engaged under employment contracts. The employees are subject, among other provisions, to work rules governing occupational health and safety. Non-employees are not covered by the OHS management systems. This group consists of 67 individuals, representing 10.15% of the companies' workforce. For them, appropriate health and safety conditions are ensured in line with the legal requirements applicable in their respective countries.

During the 2024/2025 financial year, no fatalities were recorded as a result of work-related injuries or work-related ill health. The MERCOR Group is not aware of any such cases among other workers operating at its sites, including value chain workers, and no such incidents were reported to the Group.

The following data, relating to the employees of MERCOR Group companies, is sourced from the Group's human resources systems and is based on actual, continuously recorded information.

The table below sets out the number and rate of recordable work-related accidents across all MERCOR Group companies employing either employees or non-employees:

Company	Work-related accidents		Accident rate for period 1 Apr 2024–31 Mar 2025	
	Employees	Non-employees	Employees	Non-employees
MERCOR S.A.	5	2	7.29	38.47
DFM Doors Sp. z o.o.	1	0	2.304	0
Tecresa Protección Pasiva S.L.	4	0	29.06	0

The work-related accident rate was calculated using the following formula:

$$\mathrm{W}\ (accident\ rate) = \frac{number\ of\ accidents}{number\ of\ hours\ worked} x\ 1{,}000{,}0000$$

In the other MERCOR Group companies, no work-related accidents were recorded during the 2024/2025 financial year. It is noteworthy that all accidents reported in the period were classified as minor.

Work-related accidents involving employees resulted in the following number of lost days: Mercor S.A. – 264 days, Tecresa Protección Pasiva S.L. – 280 days, and DFM Doors Sp. z o.o. – 14 days. Across the MERCOR Group, this represented a total of 558 lost days.

No cases of work-related ill health, and consequently no absences related to ill health, were recorded during the 2024/2025 reporting period.

3.1.10. S1-17 Incidents, complaints and severe human rights impacts

In the 2024/2025 financial year: (i) no complaints were filed regarding the activities of MERCOR Group companies; (ii) no incidents of discrimination, including harassment, were reported; (iii) no complaints were submitted through channels for raising concerns by own workforce; and (iv) no severe incidents relating to non-respect of human rights were identified within the MERCOR Group. No fines or penalties were imposed on the MERCOR Group in this respect.

3.2. ESRS S2 Workers in the value chain

3.2.1. ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

The MERCOR Group does not have a policy governing cooperation with its value chain. The development of a Group-wide Supplier Code of Conduct has been defined as a strategic objective for 2025–2026.

In the course of its activities, the MERCOR Group analyses and evaluates its impacts on workers in the value chain, as described in disclosure SBM-1.

The double materiality assessment identified the topics "Working conditions" and "Equal treatment and opportunities for all" as material topics due to their high impact materiality.

The impacts identified are negative and potential in nature. They relate to workers employed by suppliers of raw materials and consumables and are linked to the risk of violations in the countries from which these materials are sourced. In some of these countries, such violations are known to occur. Accordingly, the affected workers are located in the upstream segment of the Group's value chain.

The countries of origin of the MERCOR Group's raw material and consumables suppliers that are considered to be at risk of human rights violations, including child labour and forced or compulsory labour, include China, South Korea, Bahrain, Pakistan, Bosnia and Herzegovina, Mexico, and India.

The identified material negative impacts are widespread or systemic, as they are associated with risks in the supply chains of certain goods from specific countries or regions. The MERCOR Group does not determine whether such violations have actually occurred.

At certain MERCOR Group locations, workers from external companies providing services such as security or cleaning may also be engaged. However, the identified material negative impacts relate primarily to the inability to rule out violations in the countries of origin of raw materials and consumables.

At present, the MERCOR Group does not monitor its suppliers, has not adopted a human rights policy, and has not implemented a human rights due diligence process.

3.2.2. S2-1 Policies related to value chain workers

The MERCOR Group does not currently have a human rights policy in place, as its adoption has been deferred in view of planned structural changes within the Group. Similarly, no policy has been introduced specifically for workers in the value chain, including one addressing the management of material impacts on this group. In light of the forthcoming changes, the adoption of such a policy is not planned at present. The matter will, however, be addressed through the planned Supplier Code of Conduct, the development of which is one of the Group's strategic objectives for 2025–2026.

3.2.3. S2-2 Processes for engaging with value chain workers about impacts

The MERCOR Group does not have a general process in place for engaging with value chain workers and their representatives about potential impacts on them. Given that the Group operates mainly in the European market and in view of planned structural changes, the adoption of such a process is not currently envisaged.

Engagement with individuals in the value chain occurs at various stages of cooperation. Contact with contractors and suppliers takes place directly – by telephone, e-mail, or in-person meetings – with the frequency determined by the nature of the engagement and current business needs.

The MERCOR Group has no procedures in place for engaging with value chain workers to consult them on policies or procedures, or to inform them about the Group's policies. As a result, workers in the value chain do not influence the Group's decisions or activities. It should be noted, however, that the MERCOR Group The Internal Whistleblowing and Response Procedure, as described in S1-3 and G1-1, also applies to individuals working under the supervision and direction of contractors, subcontractors, and suppliers. Accordingly, value chain workers have access to the Group's whistleblowing mechanism, and any reports submitted through this channel are reviewed and considered in the same way as those from own workforce.

3.2.4. S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns

The MERCOR Group Internal Whistleblowing and Response Procedure also applies to individuals working under the supervision and direction of contractors, subcontractors, and suppliers. Accordingly, value chain workers have access to the Group's whistleblowing mechanism, and any reports submitted through this channel are reviewed and considered in the same way as those from own workforce.

The Procedure, described in S1-3, covers violations defined as acts or omissions that constitute a breach of law, internal procedures, or the ethical standards applicable within the Company. Reports may therefore concern the interests of value chain workers, provided they fall within the definition of a violation set out above. The MERCOR Group does not operate a separate reporting channel dedicated to value chain workers.

For monitoring purposes, a register of all reports is maintained. No additional measures are in place to track or follow up on reported concerns.

The MERCOR Group does not assess whether value chain workers are aware of and trust the whistleblowing procedure as a way to raise concerns or have their needs addressed. The Company does not actively inform value chain workers about the existence of the whistleblowing procedure.

3.2.5. S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

The material impacts relating to workers in the value chain, identified through the double materiality assessment, will be subject to further analysis. The MERCOR Group will seek to develop and implement measures for managing these material impacts. However, in view of the planned changes to the Group's structure, such actions have not yet been undertaken, and consequently no monitoring of effectiveness is in place.

The identified negative impacts are systemic in nature, linked to the risk of human rights violations in certain geographies. The MERCOR Group does not currently take actions to prevent or mitigate material negative impacts on value chain workers arising from its practices. These risks concern only part of the supply chain, as the Group's operations are conducted predominantly in regions where the risk of human rights violations is low (mainly EU countries).

In the 2024/2025 reporting year, no major issues or incidents relating to human rights violations in the Group's upstream or downstream value chain were reported.

Where possible, the MERCOR Group takes into account its impacts on value chain workers. For example, particular attention is paid to ensuring that contracts with subcontractors in construction and installation works include obligations to provide their employees with safe working conditions.

3.2.6. S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The material impacts relating to workers in the value chain, identified through the double materiality assessment, will be subject to further analysis. The MERCOR Group will seek to develop relevant targets.

In view of the planned changes to its structure, the MERCOR Group has not set any measurable, outcome-oriented targets for managing material negative impacts. As no actions have been undertaken in this area, no monitoring of effectiveness is in place.

4. Business conduct

4.1. G1-1 Business conduct policies and corporate culture

As a listed company, MERCOR S.A. publishes information on its compliance with the principles set out in the Code of Best Practice for WSE Listed Companies. The MERCOR Group subsidiaries are bound by the Corporate Governance Rules established by MERCOR S.A., which address matters such as disclosures of information of commercial value, rules of representation, payment procedures, and changes in organisational structures and employment. While the document does not constitute a formal policy, it serves as an important instrument governing corporate governance practices.

Given the diverse structure of the companies within the MERCOR Group, a single Group-wide business conduct policy has not been adopted. As a result, there is currently no unified anti-corruption or anti-bribery policy aligned with the United Nations Convention Against Corruption. In view of the planned structural changes, the MERCOR Group does not plan to adopt such a policy at this point. Nevertheless, anti-corruption and anti-bribery matters are addressed in other documents applicable across the Group's companies, including:

- Internal Whistleblowing and Response Procedure – adopted and implemented by the Management Board of MERCOR S.A. and applicable to all MERCOR Group companies. It provides for the reporting of any breaches of law, internal regulations, or ethical standards. The document does not set out provisions for its updating or the monitoring of its implementation.
- MERCOR S.A. Anti-Corruption Policy – adopted and implemented by the Management Board of MERCOR S.A. and applicable to both employees and non-employees. The Policy establishes a zero-tolerance approach to corruption and other forms of financial misconduct, and sets out rules of conduct in the event of actual or potential violations. The document does not set out provisions for its updating or the monitoring of its implementation.
- MERCOR S.A. Gift Policy – adopted and implemented by the Management Board of MERCOR S.A. and applicable to both employees and non-employees. The Policy prohibits the giving and receiving of gifts and establishes accountability for breaches in this area. Implementation focuses primarily on raising employee awareness in order to eliminate undesirable practices related to the giving or receiving of gifts. The document does not set out provisions for its updating or the monitoring of its implementation.
- MERCOR-TECRESA Group Anti-Corruption Policy – expresses zero tolerance for unlawful actions, violations of ethical standards, and improper business conduct. It sets out the measures to be taken to implement the policy. The document does not set out provisions for its updating or the monitoring of its implementation.

In addition to the documents listed above, anti-corruption and anti-bribery matters are also addressed in the organisational regulations of individual companies, including Mercor Dunamenti Tűzvédelem Zrt.

Among its objectives for 2025–2026, the MERCOR Group has set the development of a Group-wide anti-corruption policy, a Group-wide Supplier Code of Conduct, and a Group-wide internal reporting procedure better tailored to the entire organisation.

The MERCOR Group has in place the Internal Whistleblowing and Response Procedure, which serves as a mechanism for identifying, reporting, and investigating concerns related to unlawful conduct or behaviour inconsistent with the Group's ethical standards. The Procedure was adopted to comply with Directive (EU) 2019/1937, which applies to MERCOR S.A.

It allows for reports to be submitted by employees (including prospective employees), non-employees within the Group's own workforce, as well as workers in the MERCOR Group's value chain. Whistleblowers are afforded protection under the Procedure. The available whistleblowing channels are described in S1-3. The Procedure is available to both employees and individuals not employed under employment contracts. All reports are reviewed by a dedicated impartial investigation team.

The Internal Whistleblowing and Response Procedure includes a formal mechanism for the review of complaints, as described in more detail in S1-3.

The Procedure, adopted by the MERCOR Group, expressly prohibits retaliation and guarantees the whistleblower's anonymity and protection against any potential reprisal – any instances of retaliation must be reported immediately. The Procedure also clearly states that filing a report cannot serve as a basis for liability for damages, including defamation, provided that the whistleblower had reasonable grounds to believe that the report was necessary to disclose a violation.

Apart from maintaining a register of reports, no process is in place to monitor the implementation of the Procedure.

Beyond the procedure to follow-up on reports by whistleblowers, as described above, the MERCOR Group does not have a dedicated procedure to promptly, independently and objectively investigate business conduct incidents, including incidents of corruption and bribery. The Group does not plan to adopt such procedures, as it considers that appropriate procurement procedures implemented within its subsidiaries, together with the whistleblowing mechanism, serve as adequate preventive measures.

The MERCOR Group does not have an animal welfare policy, as this matter has not been identified as material.

Similarly, the Group has not adopted a policy on business conduct-related internal training. No incidents of corruption, bribery, or unlawful practices have been identified within the MERCOR Group. For this reason, the Group considers that the existing approach – introducing employees to applicable procedures and ensuring their ongoing availability on the organisation's platforms – provides a sufficient means of communicating the values adopted and applied within the organisation.

Employees most exposed to the risk of corruption and bribery are those with the greatest contact with external partners, in particular the purchasing and sales teams.

4.2. G1-2 Management of relationships with suppliers

The MERCOR Group does not currently have a policy in place for managing supplier relationships or addressing supplier impacts on the supply chain. However, the development of a Group-wide Supplier Code of Conduct is one of the Group's strategic objectives for 2025–2026. As a result, the MERCOR Group does not yet apply a structured approach to supplier relationships that would consider material risks and impacts on sustainability matters. At present, supplier selection does not take into account social or environmental criteria.

The MERCOR Group also does not have a policy aimed at preventing payment delays. In view of the planned changes in the Group's structure, as well as its operations across multiple countries, the adoption of such a policy is not currently envisaged. In this respect, MERCOR Group companies comply with the legal requirements applicable in the jurisdictions in which they operate.

4.3. G1-3 Prevention and detection of corruption and bribery

The MERCOR Group does not currently have a Group-wide policy on the prevention and detection of corruption and bribery. The development of such a policy has been set as one of the Group's objectives for 2025/2026. At present, various solutions exist at the level of individual companies. MERCOR S.A. has adopted an anti-corruption policy and a gift policy, as described in G1-1. In addition, the Internal Whistleblowing and Response Procedure described in G1-1 serves as one of the channels through which cases of corruption and bribery may be reported.

All newly implemented documents, such as policies, procedures, and directives, are distributed via email to office-based employees, while production employees receive this information through their respective managers and forepersons. Updates to existing documents are communicated through the same channels. All current documents are available on a dedicated platform accessible to employees. Newly hired employees receive training that includes an introduction to this platform and the documents it contains.

If an incident of corruption or bribery is reported under the Internal Whistleblowing and Response Procedure, the case is reviewed by an impartial Breach Committee. Where impartiality is in doubt, a committee member may be excluded from the proceedings. The Procedure also provides for informing members of the Supervisory Board or the Management Board about the conduct and outcome of such proceedings.

The MERCOR Group does not provide training specifically dedicated to the prevention of corruption and bribery. The Management Board has not identified significant risks or incidents in this area. The Group considers that the existing approach – introducing employees to applicable procedures and ensuring their ongoing availability on the organisation's platforms – provides a sufficient means of communicating the values adopted and applied within the organisation. Moreover, the Group's flat organisational structure allows employees frequent direct contact with management, giving them a clear understanding of the attitudes and behaviours endorsed by leadership.

4.4. G1-4 Incidents of corruption or bribery

In the 2024/2025 financial year, no incidents of corruption or bribery were identified, and no convictions were issued in this regard. Consequently, there was no need to take remedial actions to address breaches of anti-corruption and anti-bribery procedures or standards. The development of an anti-corruption policy has been set as one of the Group's objectives for 2025/2026.

4.5. G1-6 Payment practices

The MERCOR Group has no dedicated policy on payment practices but complies with the applicable legal requirements in this area. Payment practices differ across Group companies.

MERCOR S.A. – the average time taken to settle an invoice, measured from the start of the contractual or statutory payment term, is 42 days. The Company does not apply differentiated standard payment terms for different categories of suppliers. The most common terms are:

- 14 days for approximately 35% of trading partners
- 30 days for approximately 20% of trading partners
- advance payment for approximately 13% of trading partners
- 7 days for approximately 11% of trading partners
- 21 days for approximately 8% of trading partners
- 60 days for approximately 5% of trading partners
- 45 days for approximately 3% of trading partners.

Tecresa Protección Pasiva S.L. – the average time taken to settle an invoice, measured from the start of the contractual or statutory payment term, is 95 days. Payment terms are 180 days for installers, and 90–120 days for other suppliers.

DFM Doors Sp. z o.o. – the average time taken to settle an invoice, measured from the start of the contractual or statutory payment term, is 7 days. Payment terms range from 1 to 45 days, without differentiation by supplier category.

Mercor Dunamenti Tűzvédelem Zrt. – the average time taken to settle an invoice, measured from the start of the contractual or statutory payment term, is 30 days. Payment terms are 45–60 days for raw material suppliers, 30 days for subcontractors, 60 days for intra-group orders, and 30 days or more for other suppliers.

TOB Mercor Ukraine – the average time taken to settle an invoice, measured from the start of the contractual or statutory payment term, is 3–7 days, with payment terms varying depending on the supplier.

In the other MERCOR Group companies, payment practices differ but are generally consistent with the models described above.

There are currently no pending legal proceedings for late payment.

Statement by the Management Board of MERCOR S.A. on fair presentation of the financial statements for the financial year from 1 April 2024 to 31 March 2025

The Management Board of MERCOR S.A. represents that, to the best of their knowledge:

- ✓ the full-year separate financial statements of MERCOR S.A. and the full-year consolidated financial statements of the MERCOR Group covering the period from 1 April 2024 to 31 March 2025 and the comparative data, have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and give a true, fair and clear view of the assets, financial position and financial results of MERCOR S.A. and the MERCOR Group;
- ✓ the Directors' Report on the operations of MERCOR S.A. and the MERCOR Group gives a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, including a description of key risks and threats, and has been prepared in accordance with applicable provisions of the Accounting Act;
- ✓ the sustainability report has been prepared in accordance with the Accounting Act, the European Sustainability Reporting Standards (ESRS), and Article 8 of Regulation (EU) 2020/852 together with the delegated acts adopted pursuant to Article 8(4) of that Regulation.

Statement by the Management Board of MERCOR S.A. prepared on the basis of the Supervisory Board's representation regarding selection of the audit firm to audit full-year financial statements, and full-year consolidated financial statements

Based on a representation of the Supervisory Board, the Management Board of MERCOR S.A. hereby states that:

- ✓ the audit firm and the auditors who performed the audit met the conditions required to issue an objective and independent report on the audit of the full-year separate and consolidated financial statements in accordance with the applicable laws, professional standards, and professional ethics;
- ✓ the laws governing rotation of audit firms and lead auditors and mandatory cooling-off periods have been observed;
- ✓ the Company has in place a policy for the selection of an audit firm and a policy governing the provision to the Company of permitted non-audit services (including services conditionally exempt from the prohibition of being provided by the audit firm) by the audit firm or its affiliated network members.

Statement by the Management Board of MERCOR S.A. prepared on the basis of the Supervisory Board's representation regarding selection of the audit firm to conduct the assurance of sustainability reporting

Based on a representation of the Supervisory Board, the Management Board of MERCOR S.A. hereby states that:

- ✓ the audit firm appointed to conduct the assurance of the sustainability reporting, together with the members of the assurance team, satisfied all conditions required to issue an impartial and independent assurance report, in compliance with relevant legal provisions, professional standards and ethics;
- ✓ the Company has adopted a policy for the selection of an audit firm to conduct the assurance of sustainability reporting and a policy for the provision of permitted non-assurance services by the audit firm, its affiliates and members of its network.