



Our Responsibility

Report on Non-Financial Information of the Apator Group for 2021

1. INTRODUCTION



Ladies and Gentlemen,
Dear Shareholders, Customers, Employees and Partners
of the Apator Group,

we have experienced an exceptionally difficult year marked by long-lasting pandemic, galloping inflation and looming recession. And when we began to reasonably hope that those threats would slowly disappear, the world was shocked by Russian invasion of Ukraine – something which should never happen in Europe after World War II. We still do not know the full scale of economic consequences of this war, however all of us already experience its negative implications - not only in the economic sphere but also, most importantly, in human and social dimension - and we can expect that the economic consequences can be of a global nature.

When I took up the position of the President of the Management Board of Apator SA in November last year, I declared that the Apator Group would continue

to develop in the existing directions, and today, regardless of the conditions which have occurred since then, I would like to uphold that declaration. The core of the Group's operation will be the organisation of business around three strong and completely equivalent business segments: Electricity, Water & Heat and Gas which have a common denominator – solutions for metering and settling all utilities. Having such a broad product range including electricity meters, gas meters, water meters and heat meters with systems reading and transmitting device data and software competences, the Apator Group is one of the few entities in the world with such a comprehensive offer in terms of metering of utilities. Although our expectations regarding financial results for 2021 were higher, I am convinced that in such difficult macroeconomic conditions the Group showed its flexibility and resistance to economic perturbations; it also did not abandon its plans and ambitions in terms of further development.

The “green” transformation of all energy sectors is favourable for Apator. As far as electricity is concerned, our solutions support customers in terms of security and stability of energy systems, reducing the sector's negative impact on the environment through further increase in RES share. The Gas segment faces new challenges related to the demand for new hydrogen and biogas metering technologies. The heat metering market shows an increasing tendency which results from obligatory heat metering in the EU but also from general and growing awareness of users in terms of energy and heat efficiency. There are numerous opportunities when it comes to the water metering segment which provides not only more and more precise solutions for the metering of water, which is perhaps the most valuable resource in the 21st century, but also modern solutions and services: from remote reading through remote control systems and leak detection to water loss reduction. We want to actively protect our Green Planet.

As can be easily seen, all of our solutions support sustainable development and modern economy neutral for the environment. At the same time, we strive to ensure that the company's business success is related to the professional fulfilment, satisfaction and safety of our employees. We believe that the development of the Apator Group can be beneficial for all of its stakeholders: shareholders, business partners, local communities as well as the entire Polish and European economy. Therefore – despite numerous difficulties related to the macroeconomic and political context – we will be consistently meeting our goals, acting in accordance with the highest standards of corporate social responsibility.

Arkadiusz Chmielewski
President of the Management Board of Apator SA



2. About Us

2.1. APATOR GROUP IN 2021



2.4
thousand
employees

60 markets
across the
WORLD

6 mln
delivered
water, heat, gas
and electricity
METERS

12%
of the Group's
revenues came
from the **SALES** of
smart solutions

PLN
940.1 million
in **REVENUE**

22%
of **sales**
in the segment
of **electricity meters**
came from **smart
equipment**

PLN
90 million worth
of **INVESTMENTS**

47%
of **SALES** are
generated on
export markets

2.8 thousand
suppliers and
partners

25 years
on the **Warsaw
Stock Exchange
(WSE)**

2.2. BUSINESS PROFILE AND MODEL

Apator is an international group of producers and distributors of metering equipment and systems as well as suppliers of solutions supporting the operation of power grids as well as water and gas networks. Utilities companies constitute the biggest group of recipients of these solutions.

The Apator Group also develops its offer for the RES sector, IT systems for companies and local government authorities as well as solutions in the field of automation and robotisation for industrial companies.

We place on the market technologically advanced products and services, such as:

- broad range of equipment for metering the consumption of utilities: electricity meters, gas meters, water meters and heat meters, including smart solutions,
- systems for remote reading of utilities,
- systems for managing the consumption of utilities in companies,
- specialised equipment for protecting, supervising and controlling power grid,
- systems supporting the management of utilities distribution networks,
- solutions for the RES sector, including, among others, protection solutions, controllers, electricity meters as well as control and supervision systems intended for PV farms, wind farms or other renewable sources as well as for local energy management (addressed to energy clusters and cooperatives),
- software solutions for the optimisation of business processes (e.g. applications for the management of assets or work of service and maintenance crews),
- solutions and services in the field of automation and robotisation of production processes.

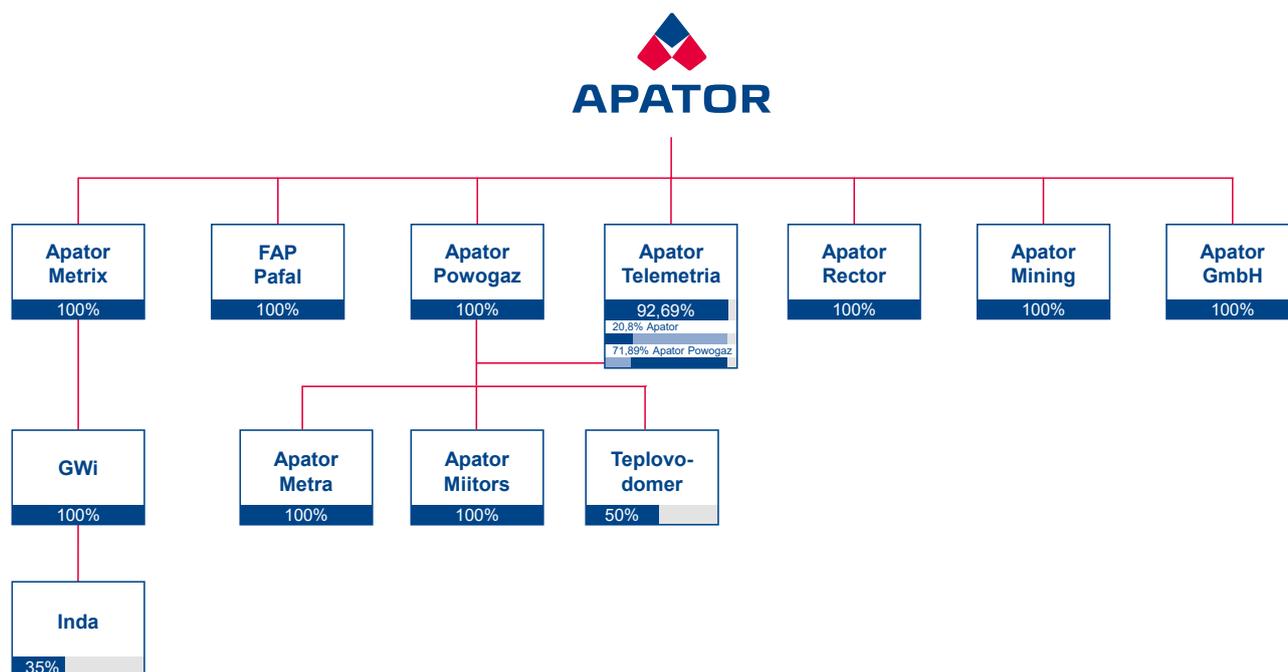
Companies within the Apator Group rank high in Poland and on the European markets, they are a renowned European brand in the field of solutions for modern energetics, gas sector as well as water and sewage sector.

Almost half of the Group's revenues comes from export; the solutions and products are distributed to more than 60 countries. The biggest recipients in 2021, apart from Poland, were the following markets: Great Britain, Germany, Belgium, Czech Republic, Ukraine, Turkey, France, Spain and the Netherlands.

Apator SA with its registered office in Toruń is the parent company of the Apator Capital Group.

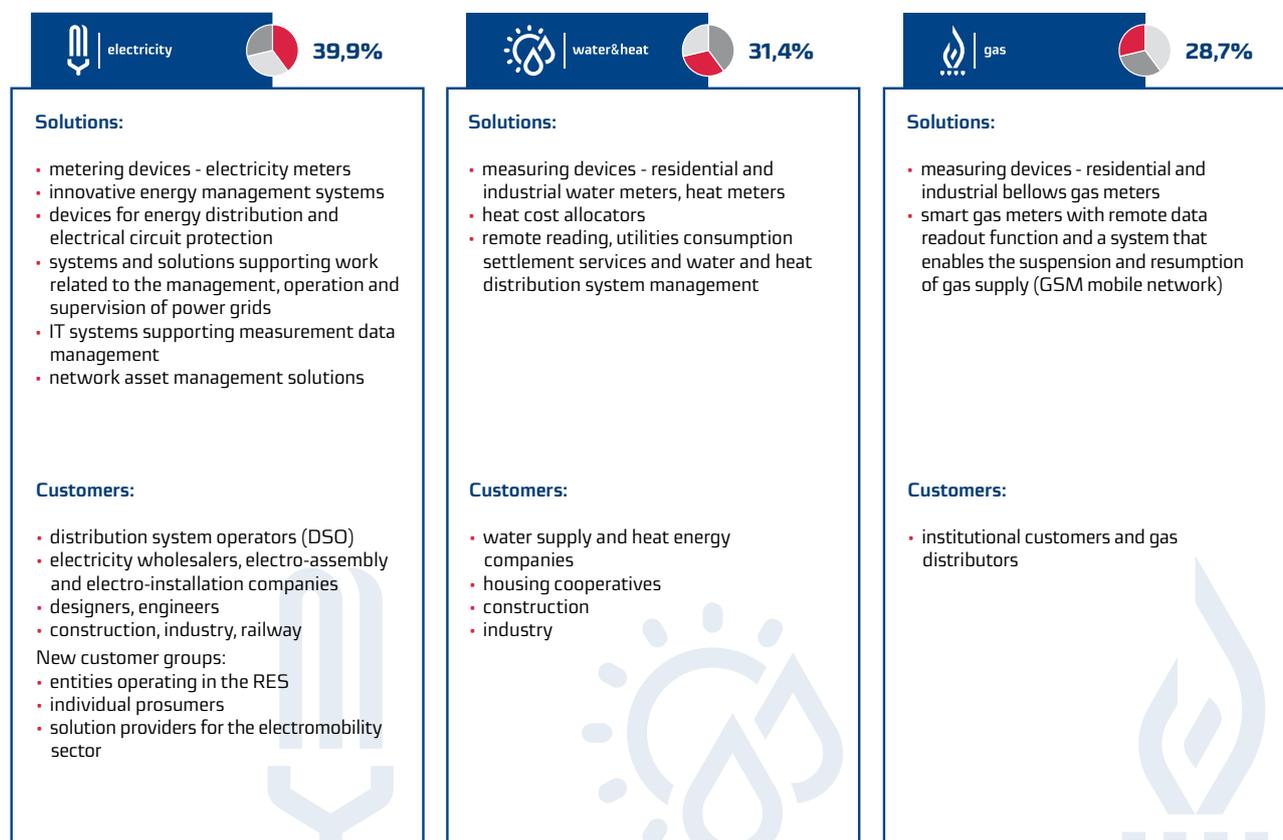
Apator SA sets strategic directions for the Group's development, coordinates the implementation of the Apator Group's strategy, initiates strategic group projects, performs support function in terms of financial management, controlling, corporate governance, IT, HR and marketing.

Structure of the Apator Group as of 31 December 2021



Business model

The Apator Group operates within three business segments: Electricity, Water & Heat and Gas.



2.3. BUSINESS STRATEGY

In accordance with the Apator Group's strategy for 2019-2023:

- we build the Apator Group's value in accordance with the owners' interest and the expected return from their invested capital,
- we build the organisation's readiness for challenges posed by variable and dynamic regulatory, market and technological environment,
- we act in order to strengthen and expand existing business by, among others, entering new fields and markets.

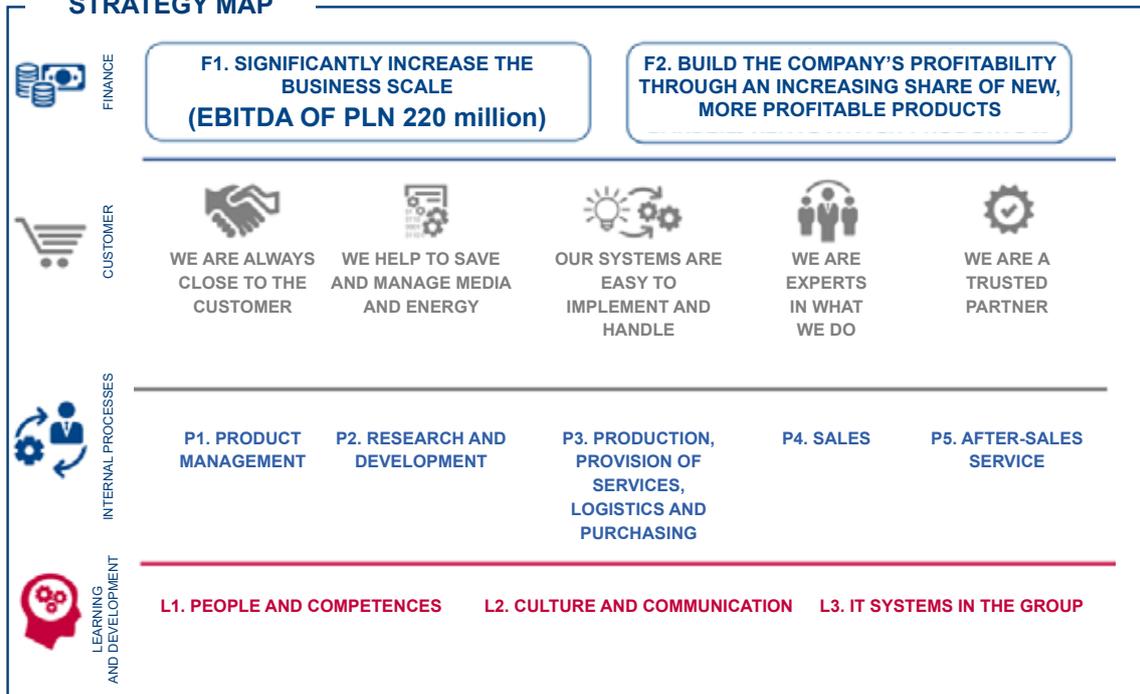
MISSION

Providing customers with user-friendly and intuitive solutions in the scope of effective management of all types of energy media.

VISION

Long-term maintenance of the position of segment leader and expert in Poland, reaching the top of suppliers in Germany and Central & Eastern Europe, and achieving high recognition of the Apator brand in other selected markets

STRATEGY MAP



In terms of strategy, the Apator Group expects that the increase in the value of sales to foreign markets will be significant and that the high share of export in sales (currently approx. 50% of total sales) will be maintained.

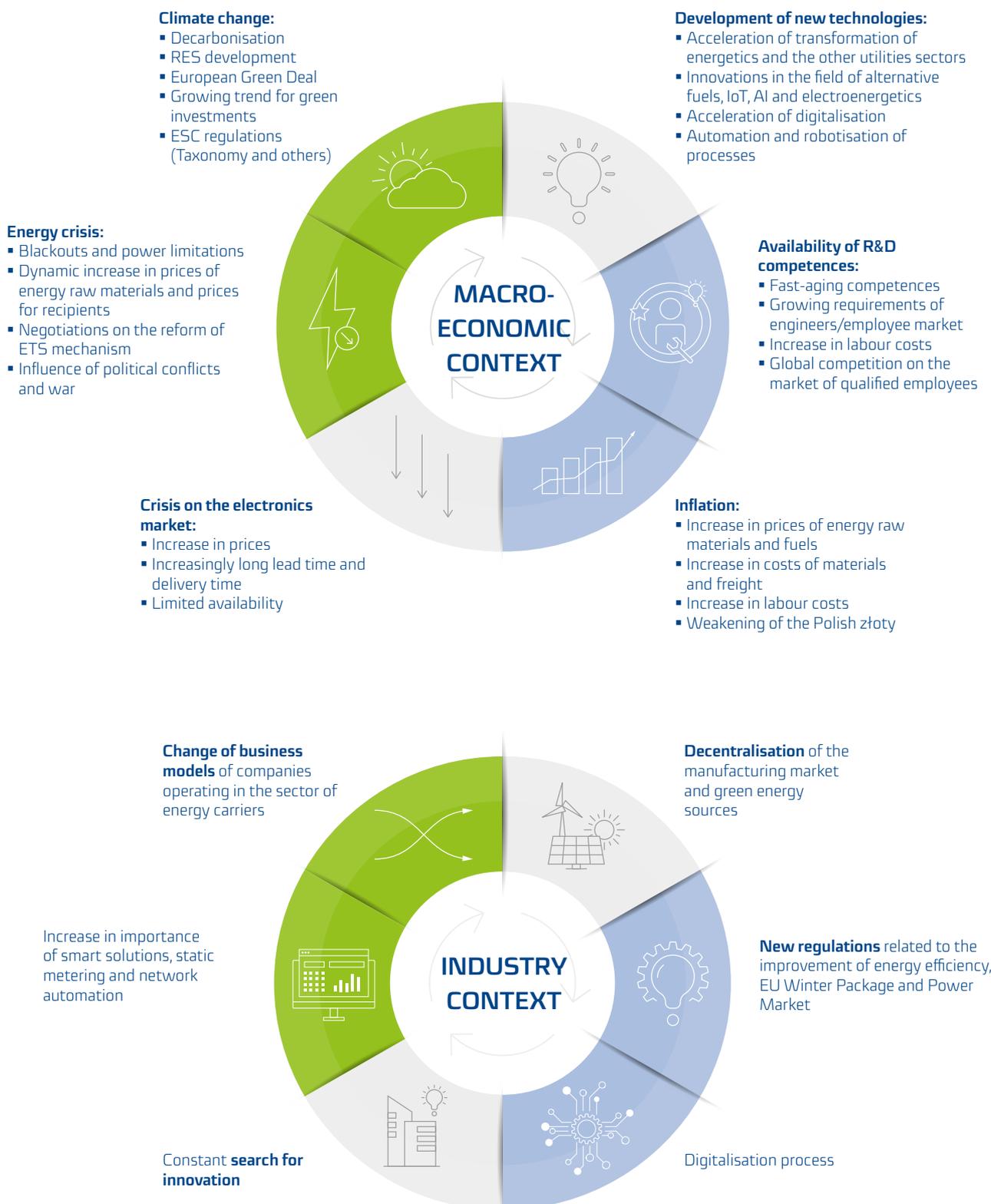
Drivers of growth in terms of offer development:

- new-generation metering equipment with electronic - static metering,
- solutions and services in terms of implementation and maintenance of supervision and metering systems as well as in terms of predictive management of network assets,
- smart metering, billing services, IoT technologies, systems for reading and managing metering data on the basis of modern communications technologies.

Priorities in the field of internal processes:

- further automation and robotisation of production processes,
- optimisation of the Group (structure's simplification, further development of common functions),
- limiting costs by more effective use of resources and group competences.

Factors affecting the implementation of business strategy in 2021



Influence of COVID-19 pandemic on the implementation of the Apator Group's business strategy in 2021

COVID-19, declared a global pandemic by the WHO in March 2020, has led to far-reaching political, economic, social and environmental consequences. Throughout 2021, the Apator Group's operation was still subject to restrictions caused by the pandemic. The industrial sector faced disruptions of global supply chains of components and concurrent cost-push inflation. Substantial part of the Group's products is based on electronic components, plastics and copper - materials which are very sensitive to long-term disruptions in demand and transport.

In the last month of 2021, the Group was gradually restoring sales on markets subject to earlier restrictions related to COVID-19. The recovery of demand after the period of pandemic restrictions was particularly visible in Water & Heat, Gas and switchgear line.

The crisis caused by the long-lasting pandemic has increased the risk related to (among others):

- potential change of priorities in the implementation of the European and domestic energy policies,
- approach to natural gas in the energy policy of Poland and EU.

At the same time, new opportunities for the Apator Group have arisen, in particular:

- emphasis on effective management of resources: water, energy, heat and gas,
- acceleration of digitalisation and automation of business processes in all economic sectors.

The Apator Group continued to develop technology for remote communication of metering equipment and solutions supporting the efficiency of distribution network management. In addition, further actions were taken in order to expand the portfolio of solutions for RES and the offer of automation and robotisation of industrial processes.

In view of the difficult macroeconomic situation, an efficient organisation of warehouse management and the development of new and flexible model for the functioning of supply logistics posed the biggest operational challenge. The consolidation processes within the Electricity segment and the actions related to the relocation of three companies (Apator Powogaz, Apator Telemetria and British Gwi) planned for 2022 were also continued.

The challenges resulting from the transformation of market sectors in which the Apator Group operates, new directions in the field of technology, trends and strategies of the Group's customers provide the basis for updating the business strategy before the assumed time horizon, i.e. before 2023. Nevertheless, in view of great variability and uncertainty of the environment (pandemic and war in Ukraine), the Company's Management Board has decided to suspend the works on updating the strategic document, sustaining the most significant directions of the Group's current development.

The Apator Group has assumed the following financial liabilities:

- We strive towards increase of our revenues and EBITDA profit by means of sustainable development, assuming:
 - Operation diversification - business model based on 3 segments.
 - Participation of key stakeholder groups in financial resources of the Apator Group.

Operation scale and financial indicators of the Apator Group

Sales revenues by segments	2021	2020	Change	Y/y dynamics
	PLN	PLN	PLN	%
Electricity Segment	375,043	444,319	-69,276	84.4%
Gas Segment	269,627	250,975	18,652	107.4%
Water & Heat Segment	295,413	239,556	55,857	123.3%
Total revenues	940,083	934,850	5,233	100.6%
country	497,695	553,402	-55,707	89.9%
export	442,388	381,448	60,940	116.0%

Basic financial data	2021	2020	Change	Y/y dynamics
	PLN	PLN	PLN	%
Sales revenues	940,083	934,850	5,233	100.6%
Sales profit	48,740	71,238	-22,498	68.4%
Operational activity profit	94,801	78,591	16,210	120.6%
EBITDA	150,573	131,100	19,473	114.9%
Net profit	63,336	62,237	1,099	101.8%
Equity	551,275	517,574	33,701	106.5%
Long-term liabilities	71,501	46,456	25,045	153.9%
Short-term liabilities	376,484	310,919	65,565	121.1%
Total assets	999,260	874,949	124,311	114.2%
Gross remuneration (with charges)	228,783	214,155	14,628	106.8%
Income tax	21,908	19,680	2,228	111.3%
Current income tax	24,929	15,479	9,450	161.1%
Deferred income tax	-3,021	4,201	-7,222	-
Rate of contributions to the Social Insurance Fund*	38,333	39,462	-1,129	97.1%
Rate of contributions to other funds (State Fund for Rehabilitation of Disabled People (PFRON), Guaranteed Employee Benefits Fund)*	3,205	3,186	19	100.6%

* the rate of contributions made applies only to the domestic companies within the Apator Capital Group

Dividends

Apator, since its debut on the stock exchange in 1997, has paid its shareholders approx. PLN 510 million in the form of dividend and share repurchase programmes.

Dividends for 2020-2021

Breakdown	2021 - advance payment	2020
Dividend per share for the financial year	PLN 0.30	PLN 1.20
Total dividend for the financial year	PLN 9.8 million	PLN 39.3 million
Annual average share price	PLN 22.17	PLN 19.59
Dividend yield*	1.35%	6.13%

* dividend yield calculated as the quotient of dividend per share and annual average share price

2.4. MANAGEMENT STANDARDS

Companies within the Apator Group operate in accordance with the adopted Integrated Management System including policies in the following fields:

- quality management,
- environment management,
- occupational health and safety management,
- information safety.

The Management Systems are adjusted to the character of operation of particular companies. Domestic production companies within the Group operate on the basis of the following standards:

Standard	Apator	Apator Metrix	Apator Powogaz	Apator Elkomtech	FAP PAFAL	Apator Telemetria
PN-EN ISO 9001:2015	X	X	X	X	X	X
PN-EN ISO 14001:2015	X	X	X		X	X
PN-ISO 45001:2018	X	X	X	X	X	X
PN ISO/IEC 27001:2014-12	X	X		X		X

Corporate governance

Apator SA, as the company coordinating the Capital Group's operation and the company listed on the Warsaw Stock Exchange (WSE), undertook to observe the corporate governance rules specified in the **"Good Practices of WSE Listed Companies (2021)"** brought into force on 1 July 2021 by virtue of the Resolution No. 13/1834/2021 adopted by the Supervisory Board of the WSE on 29 March 2021.

Apator SA observes most of the rules specified in the Good Practices of WSE Listed Companies (2021), with the exception of the following rules: 2.1; 2.2; 2.11.6 and 4.1. The Company has included the explanation for non-observance of the abovementioned rules in the Management Board's Report on the Apator Group's Operation for 2021 (Chapter 15.1).

Uniform corporate governance is in force in all domestic companies within the Apator Capital Group. Owner supervision is exercised through personal unions in supervisory boards, "internal law" established under cooperation contracts in the form of the Group's guidelines, operation of committees formed within the Apator Group, internal audit and common functions (including CFO, treasury, controlling, R&D/HR/IT group projects).

Detailed description of corporate governance frameworks, including the description of executive authorities with the information on experience, competences and degree of independence of the members of the Management Board can be found in the Management Board's Report on the Apator Group's Operation for 2021 (Chapter 15) and in the Report on the Supervisory Board's Operation (documents available at www.apator.com, in the "Investor Relations" tab).

2.5. OUR STAKEHOLDERS

Key stakeholder group of the Apator Group includes customers, business partners, suppliers, institutions cooperating with the companies as well as social partners (the so-called external stakeholders), but the internal stakeholders – employees of the companies within the Capital Group – are not less important. Our goal is to have a good understanding of the needs and issues of all our stakeholders and address them - acting in the interest of the Group and respecting the capital of its shareholders.

Our operation assumes interacting with various groups of stakeholders and building relationships based on mutual and effective cooperation and trust. In 2021, direct communication with our stakeholders was difficult due to the pandemic. Most interactions took place remotely, with the use of online tools (e.g. meetings with customers, suppliers, investors and journalists). Some trade fairs and conferences were cancelled or organised online, and the companies within the Apator Capital Group – taking care of the safety of customers and employees – limited their participation in events to the necessary minimum. Previous activities aimed at providing customers with technical knowledge were replaced with a series of online trainings: Apator E-Academy ([more in Chapter 6.3](#)), and the Group's employees shared their knowledge on market trends and new technologies during the annual MEGATRENDS conference which was organised online as well ([more in Chapter 6.3](#)).

Stakeholder group	Communication goals	Communication forms	Identification basis
Key stakeholder groups			
Investors, stock exchange analysts, business media journalists	Reliable and honest communication and reporting on the current situation of the Capital Group - in accordance with requirements, regulations and good practices of information circulation for companies on the regulated market.	On-going reports, financial statements, conferences, meetings, newsletters, website, Facebook and LinkedIn profile, media statements in the form of interviews and articles, on-going communication with journalists.	For Apator SA, as the company listed on the Warsaw Stock Exchange (WSE), building relationships with investors, analysts and journalist is a priority.
Customers	Cooperation in optimisation of customer business, development of technologies and solutions, exchange/sharing of technical knowledge, presentation of product offer and terms and conditions of commercial cooperation.	Face-to-face meetings, fairs, conferences, trainings, newsletters, website, product materials, Facebook and LinkedIn profile.	The Apator Capital Group pursues business goals by providing customers with solutions and products meeting their expectations and needs.
Employees	Communicating the organisation's goals and values, informing on an ongoing basis about the company's situation and financial results, key decisions, organisational and personal changes as well as social actions. Building common organisational culture.	Meetings of managers and directors, meetings of departments/offices, educational campaigns, "Flesz Apatora" ("Apator's Flash") - the Group's internal magazine, newsletters, website, Facebook and LinkedIn profile. Additionally, depending on the practices of a given company: meetings of the Management Boards with the employees, employee portal, corporate PA system in Apator SA.	The Apator Capital Group pursues business goals thanks to the commitment and competences of its employees.
Suppliers	Exchange of knowledge and communication of mutual expectations for the purpose of successful implementation of operational processes and effective cooperation.	Periodic meetings and presentations, audits, website, Facebook and LinkedIn profile.	The Apator Capital Group pursues business goals by selecting reliable partners who meet defined quality criteria while taking into account pricing requirements.
Technological partners	Cooperation and exchange of knowledge in the field of development of new solutions and technologies.	Meetings, presentations, common communication in the media and at industry and economic events.	The Apator Group develops new solutions and technologies for its customers in its own R&D offices but also by cooperation and exchange of knowledge with technological partners.

Stakeholder group	Communication goals	Communication forms	Identification basis
Other stakeholder groups			
Government and regulators, industry organisations, financial institutions	Actions aimed at shaping and developing the smart metering/smart grid market, promotion of effective solutions and technologies. Actions aimed at developing cybersecurity standards.	Participation in consultation meetings, conferences, symposiums, actions within industry associations and organisations.	The Apator Capital Group acts in accordance with legal requirements and principles of morality, sharing knowledge and good practices for the purpose of development of new technologies and effective management of utilities.
Media	Conscious creation of company and brand image by informing the market environment about the company's operation.	Press materials and information, industry articles, press conferences, website, Facebook and LinkedIn profile.	The Apator Capital Group cooperates with industry, specialised and local media exchanging expert knowledge, promoting its products, presenting the effects of business and non-business operation, creating company/brand image on the market.
Local authorities (local government, district, commune)	Communication aimed at effective cooperation, organisation development in accordance with the needs of local community and the expectations of local governments.	Face-to-face meetings, participation in local events, website, Facebook and LinkedIn profile.	Companies within the Apator Group, operating in the field regulated by local governments, cooperate with local authorities for the purpose of gradual development of business and local communities.
Social institutions, non-profit organisations, artists, sportspersons, social environment	Cooperation for the purpose of implementation of valuable social initiatives.	On-going cooperation in project implementation, conferences and meetings, website, Facebook and LinkedIn profile.	Companies within the Apator Group enter into business and non-business relationships with local institutions, supporting valuable initiatives, making donations to organisations carrying out social missions.
Scientific environment, public education centres, research institutes	Exchange of knowledge and experience, strengthening cooperation and implementation of common scientific and development projects, science popularisation, presentation of the company's operation.	On-going cooperation in project implementation, participation in conferences and meetings.	Cooperation between scientific environment and business facilitates the development of the company and science as well as drives the development of new technologies and products. Companies within the Apator Group recruit employees from students and graduates of higher education institutions.



3. Our Responsibility

The most important document specifying the goals in the field of corporate social responsibility for all companies within the Apator Group is the **Corporate Social Responsibility Strategy (CSR Strategy) of the Apator Group**.

The Apator Group is committed to meeting the highest standards in the field of organisational culture based on **corporate values**, honest relationships with employees, customers and business partners, and it conduct business activities with respect for the environment and taking into account the needs of local communities.

3.1. CSR STRATEGY

Apator Group operates in accordance with the highest standards of corporate social responsibility understood as „Creating Shared Value” (CSV), i.e. on the basis of activities which are to bring benefits both for the company and the society. CSR is treated as an element supporting business strategy, it includes long-term activities and programmes, and its aim is to create new business opportunities, new markets and strengthen the Group's competitive position.

Grounds for the Apator Group's responsibility, liabilities to customers and business partners but also internal declarations identifying goals and operating standards within the Apator Group are defined by:

- Code of Ethics of Apator Group,
- mission and vision,
- corporate values.

Additionally, the assumptions of the Apator Group's CSR Strategy include:

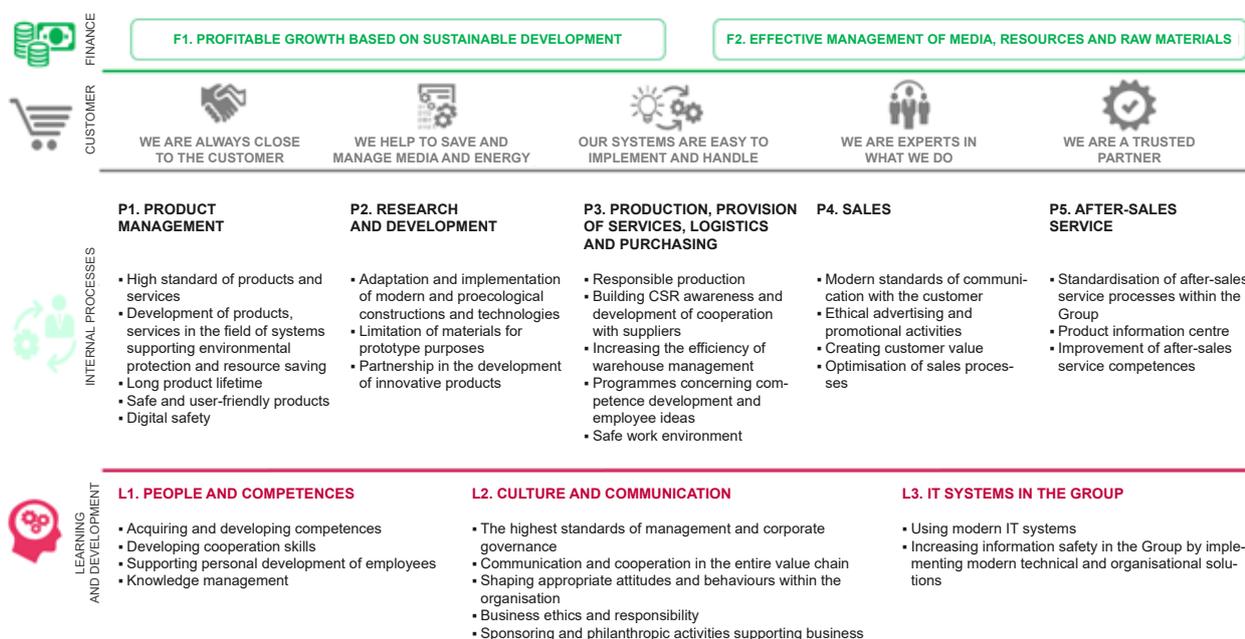
- recommendations and good practices in the field of reporting of non-financial data,
- “Good Practices of WSE Listed Companies”,
- the 2030 Agenda for Sustainable Development adopted by the UN in 2015.

The main goal of the Apator Group is a **profitable growth based on sustainable development** taking into account the broad **context of the Apator Group's operation**.



CSR Strategy Map

The Apator Group's CSR Strategy distinguishes 4 areas: Finance, Customer, Key Processes and Learning & Development, corresponding to the areas of the Apator Group's applicable business strategy. Each of those four areas defines leading directions, liabilities, main initiatives and indicators.



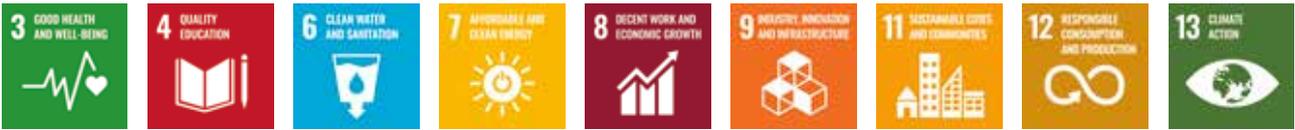
Liabilities in particular areas, key initiatives and number and quality indicators assigned to them have been presented in individual chapters of this report.

UN sustainable development goals

The UN Resolution, the so-called 2030 Agenda (adopted by 193 UN Member States, including Poland) is a global obligation to act for the benefit of a better world in which the balance between economic, social and environmental aspects is achieved. It defines 17 Sustainable Development Goals which should be pursued by governments and the entire economic environment.

Our CSR Strategy goals include the UN Sustainable Development Goals - adequate for the character of the Apator Group's operation and challenges of industries in which the Group operates.

Sustainable development goals pursued by the Apator Group



One of the key programmes implementing the 2030 Agenda at the European level is the European Green Deal constituting a new growth strategy which is to transform the EU into a fair, integrated and wealthy society with modern, knowledge-based, resource-efficient and competitive economy in which in 2050 there will be no net emission of greenhouse gases and which protects, preserves and strengthens the EU natural capital and protects the health and well-being of citizens against environmental threats.

The Apator Group's contribution to the implementation of the 2030 Agenda and the climate and energy policy related to it consists in:

Goals

Placing on the market solutions and technologies supporting effective and sustainable consumption of electricity, water, heat and gas



Developing technical solutions for the sector of renewable energy sources



Developing technical solutions for operators of energy utilities distribution networks in terms of effective management of distribution networks (e.g. in order to ensure networks reliability and energy security as well as to improve qualitative indicators for the supply of electricity for DNO recipients)



Developing the portfolio of products and services for companies and local government administration units (cities, communes) supporting energy efficiency and sustainable wealth management



Our contribution to the implementation of the other goals of the 2030 Agenda:

Goals

Every year, the Apator Group invests in the development of new products and innovations, offering innovative solutions to customers in Poland and abroad as well as sharing with them specialist technical knowledge. We develop industry infrastructure in Poland and other European countries where our companies are located, building new capacities and automating production lines



We employ approx. 2.4 thousand employees in our production plants in Poland and Europe, and we cooperate with a broad base of local and regional suppliers and cooperators. We observe high ethical standards, we take care of the development of the members of our team, decent working and cooperation conditions, safety and health of our employees and associates



We put a great emphasis on cybersecurity of our solutions, we undertake information activities and share technical knowledge in order to improve the security of power grids in Poland



We act within industry organisations, we have also established technological partnerships, and – together with other Polish ICT companies – we work on new technologies, in particular in terms of effective and safe telecommunication and metering data transmission



CSR strategy implementation

Companies within the Apator Group companies – while planning and carrying out their business and non-business operation – take into account the goals and liabilities specified in the CSR Strategy Map and cascade them to the goals of management boards and managers of individual companies. These goals are closely connected with business strategy and on-going operational activity of the companies (including initiatives, strategic and operational indicators).

Summary of the implementation of the CSR goals and liabilities of the companies within the Apator Group is the basis for preparation of the annual consolidated CSR Report/Report on Non-Financial Information.

Particular CSR areas were assigned a set of quantitative and qualitative indicators prepared on the basis of:

- regulatory requirements, in particular the Accounting Act (implementing the Non-Financial Reporting Directive (NFRD)) and the Taxonomy Regulation,
- strategic and operational indicators as well as Management System efficiency indicators (including ISO 14001, 9001, 45001),
- good practices and recommendations including, among others, the Non-Financial Information Standard (Standard Informacji Niefinansowych – SIN), ESG Reporting Guidelines (Guide for Issuers, May 2021) and the Global Reporting Initiative (GRI) Standard.

Additionally, the following elements were taken into account:

- map of stakeholders and analysis of importance in relation to reporting aspects according to the Global Reporting Initiative Standard for the Apator Group (prepared during workshops with the management),
- UN guidelines in relation to the goals of the 2030 Agenda.

3.2. VALUES AT THE APATOR GROUP

We build the culture of our organisation on the basis of the **Apator Group's corporate values**. They guide us in everyday operation; they help us make decisions and show us how to work, what to focus on, where to be particularly involved, how to cooperate and communicate.

Responsibility, cooperation, development and agility – these are the four aspects which we have deemed particularly important for our business and our team and which we strive to practice and promote in our teams.

Values of the Apator Group





4. In Line with Ethics

Our core value is **responsibility** understood as strict observance of the applicable law, internal procedures and regulations. We implement and promote ethical principles in all aspects of our operation, and we build relationships with our stakeholders on the basis of honesty and partnership.

Liabilities resulting from the CSR strategy

The Apator Group has assumed the following liabilities in the area of LEARNING AND DEVELOPMENT:

- In line with ethics - our core value is responsibility understood as strict observance of the applicable law but also honesty in relationships with others.

4.1. CODE OF ETHICS OF THE APATOR GROUP

We build the culture of our organisation on the basis of corporate values and the **Code of Ethics of the Apator Group** - a set of guiding principles defining our professional conduct. It contains examples of good practices and guidelines applicable in business relations with our customers, suppliers and business partners as well as constituting the basis of relationships and cooperation between our team members.

The Code of Ethics of the Apator Group is periodically reviewed and updated. The new edition of the Code became effective in April 2021. The document has been internally reviewed by a legal counsel, selected managers and management system proxies in the companies within the Apator Group.

The Code of Ethics of the Apator Group is available at www.apator.com in Polish and English.

Educational campaign for employees

The new Code of Ethics of the Apator Group was introduced together with an educational campaign for employees – “Thursdays with the Code of Ethics”. The campaign aimed at:

- familiarising employees with the new Code of Ethics,
- promoting desirable attitudes and behaviour.

As part of the promotional campaign, the following actions were taken:

- periodical publications of employee newsletters,
- publications of articles in corporate magazine,
- poster and board display,
- engagement of employees through contests and quizzes.



4.2. ANTI-CORRUPTION POLICY

Companies within the Apator Group are committed to acting in line with the applicable law, observing high ethical standards and rooting out any signs of corruption. The Group systematically analyses potential corruption threats which may occur in relation to its activities and applies preventive measures reducing the probability of corruption.

Our actions in this respect are defined in the **Code of Ethics of the Apator Group** whose guiding principle says that the **Apator Group does not accept any actions which violate the impartial business decision making**. It means that, among others, the Group's employees must not accept or offer financial benefits which may influence business operations and decisions.

Any signs of corruption are forbidden in the Apator Group, including the following:

- providing, promising to provide, offering or soliciting to accept gratification in the form of payment, gift, trip or other benefit in order to obtain or thank for obtaining business benefit,
- accepting gifts, trips, invitations and other benefits (or promises thereof) from a third party (with the exceptions specified in the Code of Ethics of the Apator Group),
- using corporate assets for private purposes or benefits; deliberately using corporate assets against adopted general rules,
- providing, or promising to provide, financial or personal benefit to an intermediary in exchange for intermediation, e.g. supporting the engagement of a supplier, contractor or service provider,
- nepotism, cronyism – favouring relatives of consanguinity/affinity or friends.

Important elements of the anti-corruption system in the Apator Group include also:

- clear and transparent procedures, known and available to the Group's employees as well as customers and cooperating entities,
- monitoring all processes to detect corruption threats and analysing corruption risk,
- increasing the awareness of the Group's employees by fostering organisational culture, improving internal communication, refining motivational systems,
- building ethical leadership connected with internal communication, promotion of ethical values and enhancement of the image of ethical organisation,
- employee-oriented educational actions in the field of ethics and anti-corruption.

Anti-Corruption Policy applies to all employees of the Apator Group, its bodies as well as associates and business partners acting on behalf of the companies within the Apator Group.

The management is obliged to take on a key role in shaping organisational culture in which corruption will be impossible and completely unacceptable.

Each and every employee of the Apator Group is obliged to prevent, report and detect corruption. The manner of proceeding with such reports is specified in the Group's Guidelines - "Identification of Legal Requirements and Compliance Management". The manner of reporting violations, addressing questions or expressing ethical doubts by employees is specified in the Code of Ethics of the Apator Group.

Whistleblower's identity protection

The Apator Group has developed a whistleblowing system which employees, associates, contractors, partners (including business partners) and anyone acting on behalf of the companies within the Apator Group to provide information and report violations anonymously and confidentially.



Model of three defence lines

The model introduces uniform principles of role and responsibility division in the Apator Group in terms of functional internal audit, risk management and compliance as well as a common set of techniques and tools. It allows not only for the fulfilment of obligations resulting from the "Good Practices of WSE Listed Companies" but also for effective elimination and minimalisation of risk.



Compliance trainings

Periodical trainings and internal meetings on legislative changes and operating procedures are organised within the Apator Group. In 2021, we carried out the following trainings:

- **Whistleblower protection** - Bill on the Protection of Whistleblowers; Amendment to the Polish Code of Commercial Companies and Partnerships - training for the management of individual domestic companies within the Apator Group
- **Corporate governance, information obligations** - training for the management, accountants and individual employees of domestic companies within the Apator Group
- **New compliance areas, regulatory changes, new non-reporting obligations, Good Practices of WSE Listed Companies (2021)** – training for the members of Supervisory Boards and the Management Board of Apator SA as well as for the IR department employees.

4.3. HUMAN RIGHTS POLICY

The Apator Group strives for creating work and business cooperation environment in which **human rights are strictly observed and implements practices aimed at preventing situations in which human rights could be violated.**

Entities within the Group observe Polish and international law in this respect and operate in accordance with the highest standards defined in internal documents. The most important ones are: the Code of Ethics of the Apator Group, Corporate Social Responsibility Strategy and Work Regulations of individual companies.

The Group's obligations in terms of human rights include the following areas:

- **Employees** – all employees are treated with respect, regardless of their position, gender, age, national and ethnic origin, sexual orientation, family situation, (dis)ability as well as political and religious views. Entities within the Group observe all applicable provisions concerning terms and conditions of employment, improve human resources management processes and take care of friendly work atmosphere. They react against mobbing and discrimination.
- **Contractors** – we are committed to respecting and promoting human rights in relationships with suppliers, customers and business partners. This cooperation is conditional on, among other things, their compliance with ethical principles and occupational health and safety standards.
- **Shareholders** – we operate in such a way as to secure the interest of shareholders of Apator SA. We also pay much attention to providing shareholders with reliable and up-to-date information on the current situation of the entities within the Group and on events concerning them (detailed information on the cooperation with shareholders can be found in Chapter 15 of the Management's Board Report on the Apator Group's Operation for 2021).

Equal opportunities and mutual respect

At the Apator Group, we apply the rules of equal treatment of all employees with regard to:

- commencing and ending employment,
- terms of employment,
- promotion,
- access to trainings improving professional qualifications.

Equal treatment means no discrimination, directly or indirectly, in any manner whatsoever, regardless of gender, age, disability, race, religion, nationality, political views, membership in associations, ethnicity, denomination, sexual orientation or employment type (limited-term/unlimited-term employment, full time/part time employment).

Diversity at work

Companies within the Apator Group – because of the character of operation on the public tender market – periodically employ more production employees (with the help of temporary employment agency) in order to meet the increased demand. Temporary employees include Polish citizens and foreigners (mainly from the East). Regardless of the employment type, work on similar positions is remunerated according to equal principles. Depending on the scope of other benefits offered by the employer in a given year, all employees receive festive gifts and benefit from “fruit days”, participate in integration meetings and events (in 2021, large integration picnics were cancelled due to the pandemic). The company takes care of the adaptation and good work atmosphere of foreigners - information materials were prepared in Ukrainian and Russian, periodical meetings were organised to provide support and explain possible ambiguities.

All Apator Group’s employees are subject to uniform principles in terms of development potentialities as well as remuneration and bonus system which is closely connected with tasks and engagement as well as employee performance. We take care of the transparency of this process.

Diversity in numbers

- Foreigners accounted for 1.7% of all employees of the Apator Group in 2021 (1.4% in 2020).
- Disabled persons accounted for 2.6% of all employees of the Apator Group (2.1% in 2020).
- Women accounted for 44% of all employees in 2021 (43% in 2020). The share of women's average remuneration in men's remuneration was 61.3% in 2021 (56.7% in 2020).

More details on Personnel Policy and relationships with employees can be found in [Chapter 5](#).

Diversity within supervisory bodies

When electing the company's leadership (members of Supervisory Bodies and Management Boards of companies) and its key managers, Apator SA aims to ensure versatility and diversity, in particular in terms of gender, educational background, age and professional experience. In this respect, high qualifications and expert knowledge are the most important.

More details on the implementation of Corporate Governance can be found in Chapter 15 of the Management Board's Report on the Apator Group's Operation in 2021.

Ethics trainings

In 2021, the Apator Group's employees took part in an obligatory training on preventing mobbing at work – for administrative employees the training was organised in the form of e-learning and for production employees in the form of a lecture.

4.4. ANTI-CORRUPTION AND HUMAN RIGHTS – ACHIEVEMENTS AND CHALLENGES

Anti-Corruption Policy

Existing achievements

Key achievements in this field include:

- developing clear, precise rules of conduct compliant with the Code of Ethics of the Apator Group communicated internally and to business partners, verifiable in documents (internal and external) and adopted/implemented operating procedures (audits, periodical assessments, trainings, contractual provisions),
- implementing the highest standards of corporate governance - transparent and effective policy of communication with stakeholders,
- implementing transparent remuneration system, adjusting payroll and non-payroll solutions to market practices (e.g. payroll scales based on market median, bonus based on target performance, benefit system, etc.),
- promoting and enforcing corporate values and ethical values connected with them among employees.

Goals and challenges

In 2022 key anti-corruption challenges include:

- consistent employee trainings on corruption, in particular its civil and criminal consequences for the company and employees as natural persons.

Human Rights Policy

Existing achievements

- implementing and observing a number of internal regulations concerning standards and values applicable in relationships between employees and with external entities. In this respect, particularly important are the corporate values widely promoted within the Group as well as the Code of Ethics of the Apator Group describing, among other things, standards on which the Group's organisational culture is based, preferred employee conduct in relationships inside and outside the organisation as well as behaviour which is unacceptable within the organisation (e.g. discrimination, bullying, mobbing, harassment),
- adopting a principle according to which the issues related to social responsibility of business partners are taken into account in all companies within the Group. In case of doubt, the supplier/cooperator is obliged to provide explanations and, if necessary, address the problem. Negative assessment in terms of observing the ethical and ecological standards excludes the supplier from further cooperation.

Goals and challenges

In the perspective of 2021, the key human rights challenges include:

- shaping appropriate attitudes and educating employees in terms of knowledge of corporate values and ethical principles applicable in the Group as well attitudes and behaviour related to them,
- constant monitoring and improvement of employee safety as well as taking care of good work atmosphere (effects assessed by means of the Employee Satisfaction Survey),
- developing effective mechanisms for supplier verification in terms of meeting the requirements of the Code of Ethics of the Apator Group (planned preparation and implementation of the Code in cooperation with suppliers).

Ethical supply chains

Our cooperation with suppliers is conditional on the professionalism of their services, expected quality and price of delivered products as well as good practices in terms of work safety, environmental standards and ethics. The rules for cooperation with suppliers and cooperators are specified in the Group's Guidelines "Cooperation of the Companies within the Apator Group with Cooperators and Suppliers" as well as in detailed guidelines introduced in individual companies.

The company's requirements for suppliers and cooperators should take into account the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO27001:2013 Standards, even if a supplier/cooperator has not introduced a system compliant with the abovementioned Standards yet. Internal regulations also include other recommendations and clauses for contracts concluded with suppliers and cooperators concerning the requirements of work and environment safety. More information on the cooperation with suppliers can be found in [Chapter 6.3](#).

Supplier are verified through, among others, location audits. Due to pandemic restrictions, most companies stopped auditing its suppliers at their locations in 2021. Because of the character of operation (production plants) and scale of collaboration with suppliers and cooperation (extended supply chains), the verification of supplier is particularly important for Apator SA, Apator Powogaz, Apator Metrix, FAP Pafal and Apator Telemetry. In 2021, Apator SA, Apator Telemetry and Apator Powogaz did not carry out audits, the other companies carried out few audits of their business partners, e.g.: Apator Metrix verified 1 foreign and 3 domestic suppliers, FAP Pafal verified 1 domestic supplier.

4.5. ANTI-CORRUPTION AND HUMAN RIGHTS – INDICATORS

Anti-corruption	2021	2020
Number of reported cases of corruption	0	0
Number of entities within the Apator Capital Group assessed in terms of corruption risk*	13	13
Percentage of entities within the Apator Capital Group assessed in terms of corruption risk	100%	100%
Value of donations to political parties and institutions of similar nature	0	0
Human rights	2021	2020
Number of reported cases of discrimination/mobbing/bullying, etc.	0	0
Number of entities within the Group assessed in terms of risk of human rights violation	13	13
Percentage of entities within the Group assessed in terms of risk of human rights violation	100%	100%

*the summary does not include Apator Mining (operation outside core business)



5. Friendly Workplace

The Apator Group builds its competitive advantage on the basis of expert knowledge, experience and specialist competences of its team. **We create a friendly, development-oriented workplace** and shape the culture of our organisation in line with corporate values which include: responsibility, development, cooperation and agility. We improve the processes of human resources management, implement tools supporting the development of employees and adopt methods for building their engagement, loyalty and motivation.

We create conditions for a safe and hygienic workplace. Our activities are aimed at eliminating accident threats and minimising harmful factors affecting employees at work. In special circumstances (such as the time of pandemic) we took special measures to take care of the safety and health of our employees as well as to provide safe conditions of cooperation with our contractors, shippers and business partners.

5.1. RELATIONSHIPS WITH EMPLOYEES

The development and learning area which refers to the improvement of human resources management processes, implementation of tools supporting the development of employees, building their engagement, loyalty and motivation is one of the foundations of the Apator Group's Business Strategy.

Business strategy goals in terms of HR

- develop competences crucial for the implementation of strategy,
- effectively attract and retain key employees,
- develop and promote customer-oriented organisational culture,
- build responsibility for internal and external declarations,
- efficiently exchange information and knowledge within the Group.

The rules of work in individual companies within the Group are regulated by generally applicable law (including the Labour Code) as well as internal procedures, instructions and regulations. The **Personnel Strategy of the Apator Group** plays a key role in determining the approach to employee issues management within the Group. The **Code of Ethics of the Apator Group** defines the principles of procedure compliant with external and internal regulations, whereas, among others, the **Corporate Social Responsibility Strategy (CSR)**, **Work Regulations** and **Corporate Collective Labour Agreements** play a supplementary role in defining employee policy standards.

Liabilities resulting from the CSR strategy

The Apator Group has assumed the following liabilities in the area of LEARNING AND DEVELOPMENT:

- Being closer to employees - we invest in people, development of their competences and work environment
 - Improving relationships with employees
 - Ensuring occupational health and safety
- We improve organisational culture and communication as well as take care of good image of the Apator brand
 - Implementing new IT tools supporting the digitalisation of business processes, cooperation within companies and the Apator Group as well as information safety
 - Improving communication

Personnel Strategy of the Apator Group

The Personnel Strategy of the Apator Group is focused on:

- Delivering values for the employee through:
 - creating a friendly and safe workplace,
 - creating an inspirational place for professional development,
 - creating an environment that unleashes the employee's energy.
- Delivering values for the organisation, i.e.:
 - providing employees and building competences essential to achieve business goals,
 - building engagement and loyalty of the employees,
 - determining the role of the HR team (business partner in human resources management).

Key competences

We shape the culture of our organisation on the basis of four corporate values setting standards of our everyday work (more information on values can be found in [Chapter 3](#)). We translated corporate values into key competences which were in turn translated into the set of manager and functional competences. They are the basis for periodical assessment of employees.

1 RESPONSIBILITY

Awareness of and commitment to business goals, focus on achieving and improving the company's results, respect for the entrusted capital, taking care of tools and workplace, honesty and respect in relationships with others, keeping your word given to customers and associates, reliability and engagement in fulfilling tasks and professional obligations, taking care of quality and timeliness while fulfilling tasks, delivering products in quantity, quality and time required by the customer, observance of principles and procedures.

AGILITY 2

Openness to changes, ability to cleverly and efficiently adapt our actions to the needs of customer, market and organisation, active implementation and communication of changes, predicting the consequences and assessment of actions taken or to be taken, flexibility of operation taking into account the financial, efficiency goals and conditions of the organisation's operation, ability to support and build acceptance for changes.

3 DEVELOPMENT

Readiness for taking up challenges, active search for new markets, solutions, products or improvements, following market and technological trends, constant search for unique solutions building the organisation's competitive advantage and developing business, implementing breakthrough innovations, taking care of efficiency and profitability of operation, effective resource management, proactive attitude, creativity and courage, thinking outside the box, translating concepts into specific solutions and action plans, update and development of knowledge and competences, willingness to learn, curiosity and broad view of business and interpersonal relationships.

COOPERATION 4

Openness to the needs of external and internal customers, building relationships based on trust and respect, supporting others, partner approach to relationships with others, openness to other points of view, ability to work in a team and cooperate to meet the organisation's goals, readiness for compromise, communication skills and openness to feedback, overcoming barriers, sharing knowledge, courteousness and empathy in relationships with others, building "team spirit".

Employee development

Companies within the Apator Group support the development of employees in various fields, e.g.:

- organisation of obligatory trainings resulting from professional obligations,
- specialist trainings connected with the development of employees' hard skills,
- co-financing for learning foreign languages,
- trainings supporting soft skills,
- co-financing for learning and studying,
- support in terms of employees' personal development.

Employee trainings are carried out on the basis of annual Training Plans which are closely connected with the directions of development and goals of the Apator Group's business strategy as well as with the demand on particular competencies within individual companies. During the annual assessment talks, the needs of employee's personal development and specific requirements in terms of hard and soft skills are established. The scope and budget of trainings depends on the financial situation of a given company.

Due to the pandemic and its negative effects for business, training budgets in 2021 were lower than in the previous years. Most of the trainings were organised in the form of e-learning.

Examples of development initiatives undertaken in 2021:

- series of e-learning trainings on cybersecurity for Apator SA employees,
- "Personal Efficiency" e-learning training for Apator SA employees,
- product trainings under the Apator E-Academy,
- lectures on communication in Apator Rector teams.

Digital library for employees

In 2021, as part of the support of personal development of Apator SA employees, they received an unlimited access to a digital platform containing 60 thousand e-books and 4.5 thousand audiobooks. Having access to the platform, the employees could use a library full of various books in the following categories: crime fiction, fantasy and science fiction, novels of manners, sensation, thrillers and horrors, reportages, biographies, books for children and young people as well as foreign languages.

The employees were also eagerly using the collection presented in the "Business, Development, Law" category. 170 people were actively using the platform.



Employee Ideas Programme

Each year, Apator encourages its employees to be creative and take initiative on their positions under the Employee Ideas Programme which has been organised for years. The employees have the opportunity to suggest improvements not only on their positions but also within the entire company. If an idea is accepted and implemented, the employee may expect a financial reward (according to the criteria for assessing ideas). The criteria for assessing ideas include: influence on quality, influence on productivity, innovativeness, cost savings, OHS and environmental protection, communication and work system. Annual awards in “the best team” and “the best idea” categories are an additional incentive for the employees.

Results of the Employee Ideas Programme (2020/2021):

- Date: 1 September 2020 – 31 August 2021
- Number of suggested ideas: 16
- 15 ideas were implemented, 1 idea was not implemented
- Number of active teams in the 2020/2021 edition – 6
- Total savings from the ideas in the 2020/2021 edition – approx. PLN 30 thousand



Sharing knowledge

In order to operate in the sector of new technologies, we need to constantly develop ourselves and update our knowledge on the market and industry, regulatory changes, global trends and directions of economy transformation. At the Apator Group, we promote the culture of exchanging knowledge and sharing professional experience. The knowledge exchange process takes place in various fields, e.g. through:

- **periodical MEGATRENDS conference** with internal experts and external guests. In 2021, approx. 100 people took part in the conference which was organised online. Among the topics discussed on the conference were, among others, cloud technologies in energetics, possible hydrogen application in gas network, trends on the market of RES, electromobility and energy cooperatives. More information on MEGATRENDS can be found in [Chapter 6](#),
- **meetings with experts** – we arrange meetings with industry experts, scientific authorities or managers from other companies in order to learn about new concepts and models of operation,
- **analyses and reports** prepared or obtained by our experts (e.g. as a result of participation in meetings or industry conferences),
- **periodical Strategic Reviews**.

Priorities in the field of Personnel Strategy

- Effective recruitment:
 - effective promotion of the Apator brand on the labour market,
 - implementing common recruitment tools within the Group (tools, bases, partners),
 - improving the process of onboarding of new employees in the companies.
- Creating conditions for employee development:
 - implementing common model for defining competences and assessing employees (taking into account the character of the companies),
 - programming employee development (clear promotion paths, succession plans, development programmes for key employees),
 - offering employees the possibility to have an influence on their task and the company's operation.
- Building the employee's engagement in pursuing the organisation's business goals:
 - supporting managers in modelling business processes, cascading position-related business goals,
 - supporting managers in improving relationships and communication with employees,
 - implementing good practices of appreciating the engagement and achievements of employees,
 - systematically examining and analysing the satisfaction and engagement of employees,
 - integrating employees around common values of the Apator Group.
- Shaping the remuneration system:
 - shaping the remuneration system on the basis of market benchmarks,
 - connecting the remuneration and bonus system with tasks, engagement and results achieved by the employee, taking care of process transparency,
 - adjusting the benefit system to the needs of employees and market requirements.
- Efficient personnel and payroll service:
 - centralisation of employee payroll service,
 - standardisation of personnel service processes,
 - ensuring the compliance of HR solutions with the applicable law.

Personnel Strategy also provides for expanding the competences of the HR team, adapting the organisation of the HR teams to the role of partner for business units and implementing IT systems supporting HR management within the Group.

Communication with employees

We pay much attention to informing employees of the current situation of the companies, financial results, significant changes, perspectives and planned actions as well as of initiatives and events concerning the operation of the entire Apator Group.

The communication with employees takes different forms:

- **meetings of employees with Management Boards of the companies** – they usually take place periodically and focus on discussing the effects of the company's operation, implemented projects, plans for the next months and current organisational matters. Due to the pandemic, the meetings with employees were organised online or in hybrid form,
- **meetings of directors and managers with the Management Board** – they take place accordingly on a weekly and monthly basis,
- **newsletters** with the overview of the most important events,
- articles and news published in the "Flesz Apatora" corporate magazine,
- **current informational activities** undertaken through communication channels available at a given company (e.g. at Apator SA – through announcements in the HRsys, boards and animations on the TV screens as well as broadcasts in the corporate PA system).

We choose good relations

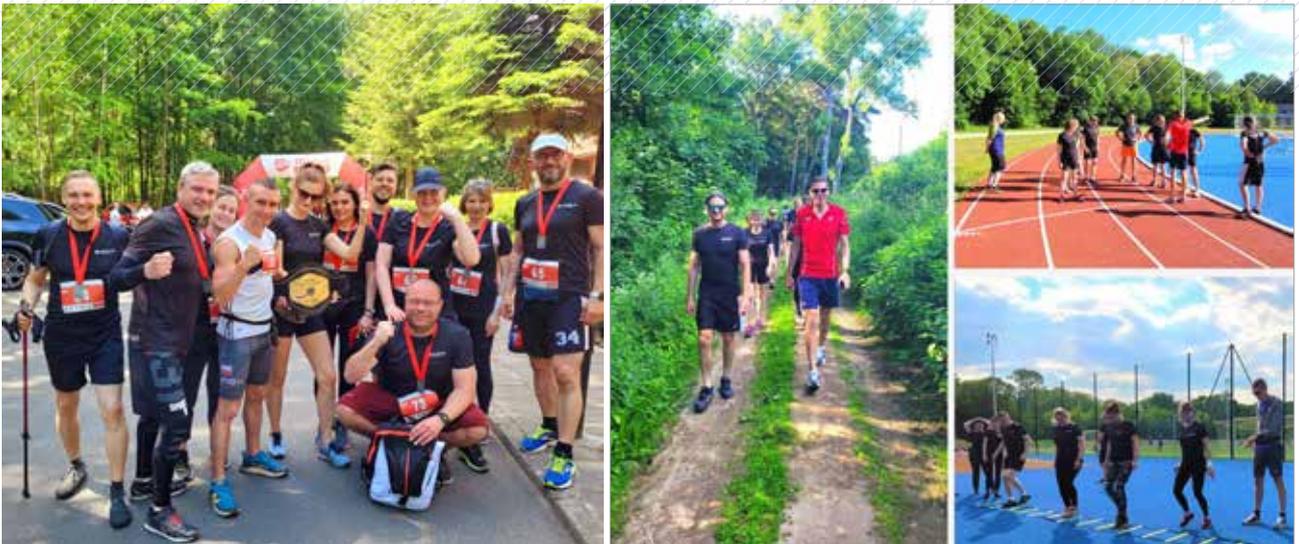
At each of our companies, we strive to build a friendly atmosphere so that our employees could feel good with each other. Some good practices have been adapted in several companies, however sometimes companies develop their own ways of building good relations among their employees. All such initiatives are valuable.

For example, popular holidays (e.g. Saint Nicholas' Day, Women's Day, Fat Thursday), which are an opportunity to build a positive atmosphere in the team and remind employees, through a small snack or gift, that the company remembers about them, are celebrated every year.

Each of our companies undertakes its own initiatives adjusted to the character of a given team. For example: the employees of Apator Rector, operating in the field of ICT, celebrate the success of the company's projects (e.g. integrating at team games, such as bowling and squash) as well as other important occasions, e.g. the "Programmer's Day". As part of the celebration of the "Puzzle Day", the employees took part in a riddle competition. The Apator Rector's employees, wanting to train their minds, introduce such form exercises at their company on a permanent basis.

In June 2021, after a long time of pandemic restrictions, Apator Telemetria organised a kayaking trip for its employees which ended with an integration meeting by a campfire. There is also a football team at the company; teams at Apator Metrix, Apator Powogaz and Apator pursue their passion for football as well (in the form of regular or occasional meetings). In 2021, a futsal team and a corporate running team which was training under the watchful eye of Łukasz Nowak, Olympian and multiple Polish Championships medallist, were organised at Apator Powogaz. Another initiative at Apator Powogaz was the "Bike Summer" competition which aimed at encouraging employees to engage in physical activity in the atmosphere of healthy sport competition.

In 2021, the employees integrated through numerous social actions: collections of books for hospitals, gifts for hospices, pet food for animals from the shelter as well as common participation in charity runs and many other activities (more information on social activities can be found in [Chapter 8](#)).



Appreciating positive behaviour

We remember about our corporate values in our everyday work, and we promote them through our behaviour but also through appreciating our associates for holding onto them. On the HRsys platform, in the case of Apator SA, we have added the APPRECIATING tile where you can easily award your colleague or supervisor with a badge for showing RESPONSIBILITY, COOPERATION, DEVELOPMENT or AGILITY.



5.2. OCCUPATIONAL HEALTH AND SAFETY

Providing occupational health and safety is one of the priorities of the Apator Group. Our activities are aimed at **eliminating accident threats and minimising harmful factors affecting employees at work**. We act in compliance with applicable law and the provisions of the occupational health and safety management system according to PN-ISO-45001:2018 Standard applicable in several companies within the Group. The methods of achieving the OHS goals are also regulated in a number of internal procedures and instructions applicable in individual companies within the Group.

The Apator Group supports the protection of health of its employees, works on permanent improvement of safety and working conditions, implements solutions that prevent accidents at work, professional illnesses and near misses. Carried out activities include:

- hazard identification and assessment of occupational risk for each position,
- initial, periodical and follow-up medical examinations, protective measures, initial and periodical training on the OHS rules,
- organisation of work stations in accordance with the applicable law and rules of ergonomics, introduction of modern technological lines and equipment having positive influence on the productivity and minimising the burden of employees,
- monitoring working conditions by the OHS Commission,
- separating, marking and preparing work stations, transport routes and fire-fighting equipment,
- monitoring identified risks.

Planning and improving the OHS process takes place through a plan of goals and tasks prepared annually, the implementation and monitoring of which are defined in relevant procedures.

Additional activities undertaken in 2021 included (among others):

- developing a programme for reacting to accident and emergency situations for the employees of Apator SA,
- introducing a register of legal provisions in terms of occupational health and safety at Apator SA,
- carrying out mock evacuation drills (day and night) at Apator SA,

- launching a system for reporting and registering OHS incidents at Apator Powogaz (forms dropped to the boxes located throughout the employing establishment – on the basis of the report a team is organised to analyse and determine the reasons for non-compliance and decide on the activities aimed at addressing the issue),
- additional trainings for the employees of Apator Powogaz, the so-called “5 Minutes for the OHS”, which in 2021 focused on: “Staying Safe when Operating a Forklift”,
- additional trainings at Apator Metrix on first aid as well as fire-fighting trainings with demonstration on how to use a fire extinguisher.

Special security measures during the pandemic

Companies within the Apator Group implemented a number of internal procedures and rules to protect the health of employees and prevent the spread of COVID-19. Thanks to wide-reaching preventive measures, our plants worked without major disruptions and were not the focal point of massive spread of infection in 2021.

The most important measures in this respect taken at the companies (depending on the character of operation of a given company, all or some of the following measures were taken):

- Internal regulations were introduced, and educational campaigns on preventing the spread of COVID-19 among employees were carried out.
- In order to ensure safe working conditions, the work of production employees was reorganised – changes were made to working time schedules so that employees of different production departments could start and finish work at different times. For the greater safety of the crew, working hours were periodically reduced. Similarly, changes were made to the timetable for breakfast breaks to prevent the employees from gathering in larger groups. Rigid rules also applied to those in changing rooms.
- Most non-production employees worked remotely or under a hybrid rotation system.
- The organisation of traffic flow was changed, and the requirements for receiving guests were strengthened.
- Business trips were limited to those which were necessary.
- The obligation to wear face masks at all work stations was introduced. The employees were systematically provided with reusable and disposable masks as well as with protective gloves. Sanitisers were made available at the plants.
- Changing rooms, all flat surfaces, doorknobs and handrails were systematically disinfected.
- People entering the company had their temperature taken (cameras checking the temperature, thermometers).
- Thermometers with instructions and procedures concerning measures to be taken if the disease is suspected were purchased and distributed.
- Footpaths and zones were determined and marked to prevent the spread of COVID-19.
- In the event of disease symptoms, the employee was voluntarily tested for the presence of the virus.

All of the aforementioned measures resulted from the care for the health of employees and the desire to provide them with safe working conditions.

Details on the measures taken can also be found in [Chapter 9](#) (Risk of epidemic threat/coronavirus infection).

5.3. ACHIEVEMENTS AND CHALLENGES

Existing HR policy achievements

In 2021:

- promotion of corporate values and culture of responsibility was continued,
- e-learning trainings for employees and managers were launched,
- internal communication was improved,
- recruitment campaigns were carried out in connection with the change of location of Apator Powogaz,
- educational campaign promoting the Code of Ethics of the Apator Group was carried out,
- survey of involvement and satisfaction of the employees of the Apator Group was carried out,
- change management process in connection with the merger of Apator SA with Apator Elkomtech SA was implemented,
- HR team was optimised and changed in terms of organisation,
- new personnel and payroll system was introduced,
- preparations for the implementation of the changes related to the Polish Order were made,
- crisis management plan connected with employee absence, social distancing, face masks, disinfection, temperature measurement and testing employees for COVID-19 was implemented.

Goals and challenges in the field of employee issues

The key challenges in the field of employee issues in the perspective of the subsequent periods at the level of the Apator Group include:

- implementation of skills matrix for office workers, career path building tools and talent management system,
- implementation of retention systems, particularly in the IT field,
- application of increased tax deductible costs for authors of works,
- management of the fluctuation of workers from Ukraine,
- implementation of activities integrating employees of the merged Companies,
- implementation of employee and manager dashboards integrated into the new HR system.

Survey of satisfaction of the employees of the Apator Group

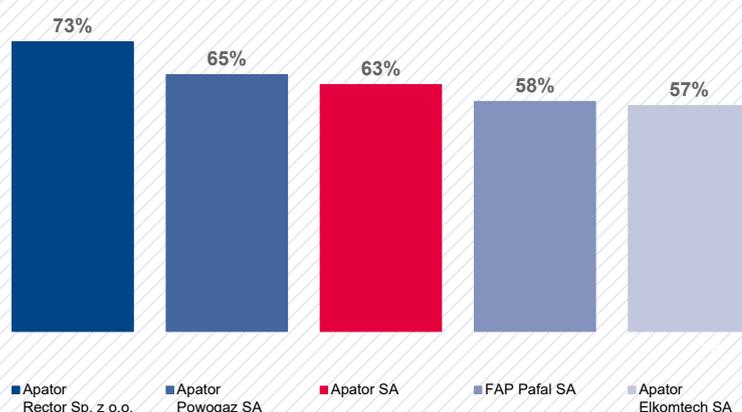
The employee engagement survey provides important information on what needs to be worked on in the organisation to increase the engagement of team members and thus improve the overall business.

In the period from 22 June to 10 August 2021, a survey was carried out which covered the employees of: Apator, Apator Elkomtech, Apator Powogaz, Apator Rector and FAP Pafal. A total of 751 employees participated, i.e. 50% of those covered by the survey. The survey covered the following areas:

- Work
- Immediate supervisor
- Rewarding
- Practice and atmosphere
- Development and knowledge
- Employer image

The overall involvement indicator at the Apator Group (applicable to the companies covered by the survey) was 64%.

The survey provided valuable information and hints on what should be worked on in individual companies and the Group in order to increase team commitment, build an atmosphere that supports development, both in business terms and in terms of individual professional development of employees.



5.4. INDICATORS IN THE FIELD OF EMPLOYEE ISSUES

Employment, including the form of employment

Employment in the Apator Group*	2021	2020	Y/y dynamics [%]
Average annual employment [RJR**], including:	2,388.7	2,475.9	96%
those covered by collective agreements	1,341.1	1,400.8	96%
Employment at the end of the year [persons], including:	2,408	2,397	100%
women	1,061	1,033	103%
men	1,347	1,364	99%
Employment at the end of the year [persons], including:			
1. Full-time positions	2,374	2,366	100%
women	1,045	1,020	102%
men	1,329	1,346	99%
2. Part-time positions	34	31	110%
women	16	13	123%
men	18	18	100%
Employment at the end of the year [positions], including:	2,399.9	2,375.7	101%
women	1,057.3	1,020.1	104%
men	1,342.6	1,355.6	99%
Employment at the end of the year [positions], including:			
1. Indefinite term contracts	1,984.2	1,975.6	100%
women	837.3	790.8	106%
men	1,146.9	1,184.9	97%
2. Fixed term contracts	380.5	379.5	100%
women	214.0	218.5	98%
men	166.5	161.0	103%
3. Contracts for a trial period	35.2	20.6	171%
women	9.0	11.0	82%
men	26.2	9.6	273%
Employment in branches outside the companies' headquarters [positions]	58.5	57.3	102%

* Excluding employees on maternity leave and leave under the conditions of maternity leave, taking paternity leave, parental leave or extended parental leave, for vocational training.

** RJR - annual work units, i.e. the number of employees calculated into full-time positions within the company in question or on its behalf during the entire reference year.

Employment with diversity indicators: gender division, employment of disabled persons, employment of foreigners

Employment of disabled persons	2021	2020	Y/y dynamics [%]
Number of employed disabled persons			
as of the end of the year [persons]	62.0	51.0	122%
annual average [persons]	56.4	49.3	114%
Employment of foreigners	2021	2020	Y/y dynamics [%]
Number of employed citizens of the country where the company's registered office is located			
as of the end of the year [persons]	2,366.0	2,363.0	100%
annual average [persons]	2,352.9	2,465.0	95%
Number of employed foreigners			
as of the end of the year [persons]	42.0	34.0	124%
annual average [persons]	39.0	27.7	141%

Changes in employment during the year, labour turnover

Changes in employment at the Apator Group	2021	2020	Y/y dynamics [%]
Employees newly employed during the year [persons], including:	392	278	141%
production workers	248	179	139%
non-production workers	144	99	145%
Employees dismissed during the year [persons], including:	384	488	79%
production workers	242	347	70%
non-production workers	142	141	101%
voluntary quitting	260	178	146%
involuntary quitting, including:	124	310	40%
retirements/pensions	47	63	75%
Labour turnover [%]*	15.9	20.4	78%

* Labour turnover calculated using the formula: (Number of quittings during the year [persons]/Employment at the end of the year [persons])*100

Ratio of the lowest to the highest remuneration at the Apator Group and ratio of the lowest remuneration to the minimum national remuneration

- The ratio of the lowest to the highest remuneration (excluding the members of the Management Board) in domestic companies within the Apator Group ranged from 10.5% to 20.4% in 2021.
- The lowest remuneration ranged from 100.0% to 121.4% of the minimum national remuneration.

Diversity indicators

- Foreigners accounted for 1.7% of all employees of the Apator Group in 2021 (1.4% in 2020).
- Disabled persons accounted for 2.6% of all employees of the Apator Group (2.1% in 2020).
- Women accounted for 44% of all employees in 2021 (43% in 2020). The share of women's average remuneration in men's remuneration was 61.3% in 2021 (56.7% in 2020).

Freedom of association and collective bargaining

Average annual number of employees (RJR), including:	2019	2020	2021
1. those covered by collective labour agreements [RJR]	1,537.0	1,400.8	1,341.1
2. those not covered by collective agreements [RJR]	1,066.2	1,075.1	1,047.6
Total [1+2]	2,603.2	2,475.9	2,388.7

Training and development of employees

Employee training	2021	2020	Y/y dynamics[%]
Total training budget [PLN thousand]	1,333.1	918.1	145%
Training budget per employee [PLN]	558.1	370.8	151%

Management skills development programmes	2021	2020	Y/y dynamics[%]
Number of persons who benefited from the company's financial support for:			
1. postgraduate studies	6	7	86%
2. MBA programmes and studies	4	6	67%
3. Management by Objectives (MBO) workshop	-	18	-
4. Other	10	4	250%

Ensuring occupational health and safety

Number and type of accidents

Occupational health and safety	2021	2020	Y/y dynamics[%]
Number of accidents at work, including:	39	37	105%
light accidents	39**	37**	105%
medium accidents	0	0	-
serious accidents	0	0	-
fatal accidents	0	0	-
Accident frequency indicator*	16,3	14,9	109%

* Indicator calculated using the formula: (Number of accidents per year/Average annual employment[RJR])*1000. The number of accidents and the accident frequency indicator calculated on their basis includes Polish companies within the Capital Group.

** Due to differences in the methodology for qualifying occupational accidents in the UK as compared to Poland, the vast majority of the occupational accidents reported in the summary (30 in 2020 and 33 in 2021, respectively) involved the British GWi.

Occupational health and safety trainings (applies to production companies)

Occupational health and safety trainings	2021	2020	Y/y dynamics[%]
Number of trained employees [persons]	1,609	1,423	113%
Number of training hours	5,784	5,914	98%

Employees' complaints concerning occupational health and safety (made by production and administrative workers)

Employees' complaints	2021	2020
Number of occupational health and safety complaints made by employees, including:	0	0
1. by administrative workers	0	0
2. by production workers	0	0

Additional voluntary medical care for employees, co-financed by the employer

Medical packages	2021	2020
Number of employees benefiting from additional medical packages	695	906
Company expenses connected with co-financing employee medical packages [in PLN thousand]	581.3	397.2

Improving organisational culture and communication, taking care of good image of the Apator brand

Implementing new IT tools supporting the digitalisation of business processes, cooperation at companies and Apator Group as well as information safety

Investment expenditures at the Apator Group in the “IT” category are specified in [Chapter 6](#) (part of CAPEX investment expenditures)

Information safety indicators*	2021	2020
SLA (solving IT incidents according to assumed SLA limits)	93.0	94.0
Critical IT systems availability indicator	99.0	99.9

* applies to Apator SA

Promotion of health and physical activity

Health benefits: Depending on the range of non-remuneration benefits provided by a given company, employees can benefit from additional medical care, subsidised purchase of a Multisport card and free annual flu vaccinations. In addition, at selected companies, employees could voluntarily vaccinate against COVID-19.

Sports events: Companies within the Apator Group integrate their employees as part of common participation in sports events and encourage healthy competition between teams. In 2021, many sports events still did not take place due to the prevailing pandemic. During periods of transitional removal of restrictions, teams engaged in various initiatives which allowed for renewing direct relationships between people as well as building good atmosphere and team spirit. For example, Apator Telemetry organised a kayaking trip for the members of its team, Apator Powogaz organised a running team which trained together and represented the company at running events.

Sports teams: several of our companies have successful football teams. In 2021, a futsal team was additionally organised at Apator Powogaz – a training hall was hired, trainings were organised and a schedule of games was established. The company also purchased the necessary equipment for the game (outfits and balls). What is more, Apator SA football team took part in the Zone Football Championships played between the companies operating in the Pomeranian Special Economic Zone on the territory of the Kujawsko-Pomorskie Province in 2021.

Fruit days: at selected companies, employees can expect fruits once a week. **Variety Day** is organised at Apator Rector: periodically, twice a month, a healthy refreshment in the form of e.g. seasonal fruit, toast, juice and ice-cream is provided.



Breakfast in Jaryszki

One of the largest recent development initiatives is the construction of the new headquarters of Apator Powogaz in Jaryszki near Poznań. Moving to a new plant is a big change for the whole team.

The company's employees had the opportunity to see for themselves how the construction work was progressing. The trip to Jaryszki included a company breakfast, coffee and – of course – a tour of the construction site which will become a new, comfortable and modern workplace in Q2 2022.



Our enthusiasts

Among our employees there is a large group of extraordinary enthusiasts who are engaged in various activities.

Michał, an engineer from the research and development department at Apator Powogaz, won the Polish Futsal Cup with the Red Dragons Pniewy team at the beginning of May 2021.

Krystian from Apator Metrix, in turn, is the world class champion – he is a double World Championships gold medallist. In April competitions in Pabianice, during the WPA Federation World Championships, Krystian won gold in the Open category up to 110 kg with the result of 195 kg in barbell bench press. Krystian beat the competitor by 0.5 points and broke the WPA Polish record, improving it by 2.5 kg.

Tomasz, a project engineer at Apator Powogaz won high, 14th place in Poznańska Korba – 180 km long bicycle race around Poznań in which about 200 people take part every year. Tomasz covered the distance in 7 h and 14 min., which is the best result achieved in Korba by an amateur cyclist.

Michał and Paweł from Apator Powogaz are also engaged in an original activity – they devote themselves to exploring abandoned buildings and installations. URBEX, i.e. “urban exploration”, also involves filming, photographing or simply getting information about a given place.





6. Apator Group on the market

6.1. CUSTOMER ORIENTATION

Business strategy objectives of the Apator Group are determined while taking into account customers whose expectations and needs determine the direction of R&D activity and development of product offer of the Apator Group.

The Apator Group has defined its priorities in this field, i.e:

- **we are always customer-oriented,**
- **we help customers save and manage utilities and energy,**
- **we provide them with systems and solutions that are easy to implement and use,**
- **we are a trusted partner.**

Apator plays the role of a technological advisor which – in close cooperation with customers – develops solutions addressing to their needs and market trends. We draw on our long-time experience and technical knowledge gained through cooperation in the energy, water supply and sewerage as well as gas sectors but also in the new IT technologies and industrial automation sectors.



electricity



water&heat



gas

Traditional customer groups:

- power distribution companies/operators of electricity distribution systems
- electricity wholesalers, electro-assembly and electro-installation companies, designers
- construction, industry, railway

New customer groups

- broad group of entities operating in the RES sector, including: PV and wind farms, energy clusters and cooperatives as well as energy storages,
- individual prosumers producing energy from the RES for their own needs,
- providers of solutions for the electromobility sector.

- large, scattered group of customers: waterworks, heat energy companies, housing cooperatives, construction, industry.

- institutional customers and gas companies.



Liabilities resulting from the CSR strategy

The Apator Group has assumed the following liabilities in the field of key processes:

- **Customer-orientation and "green" energy** – we advise our customers and help them manage their utilities effectively, thus we help to save the Earth's natural resources. Our products are easy to use and safe for the user and the environment.
Key initiatives:
 - promoting and implementing solutions tailored to current and future market needs, supporting energy efficiency and meeting technological, climate and social challenges,
 - educating the Group's social and market environment on energy efficiency, green energy and environmentally friendly solutions.
- **Product social responsibility, i.e:**
 - implementing modern and proecological constructions and technologies,
 - manufacturing products with a long life span and striving for their reliability.
 Key initiatives:

- development of modern products and implementation of innovations,
- attention to product quality.

The abovementioned objectives are defined and implemented through:

- monitoring the management of Business Strategy and CSR Strategy, i.e. monitoring and implementing strategy objectives, reviewing the implementation of strategic initiatives,
- developing modern products and implementing innovations, including growth in sales of smart solutions and offer for the RES sector – investment expenditures (CAPEX), share in sales of individual product groups (product mix analysis),
- taking care of product quality and effective sales and after-sales service – analysis of complaints handling,
- building customer relationships – promotional communication and PR plan, periodical customer satisfaction surveys.

Our achievements

Companies within the Apator Group operate in specialist sector of energetics and industry, where the proper identification of customer needs and their subsequent translation into activities in the field of design, development works and construction changes is crucial. The offer is built on the basis of the analysis of current customer needs, while the development and construction works are consulted directly with customers (through dedicated key account managers). The companies provide technical support by organising trainings and presentations for customers and providing technical after-sales support.

Innovations and new solutions

The Apator Group concentrates on the development of technologically advanced solutions, mainly in the field of smart metering equipment and systems, automation, control and supervision of the operation of power grid as well as solutions to be applied in distribution networks of all utilities, i.e. electricity, gas and water & heat.

New business opportunities for the Group have arisen in connection with the rapidly growing Polish sector of renewable energy sources and the increasing pressure for more economical, efficient consumption of electricity but also gas, water and heat. The European economy is undergoing a transition towards climate neutrality, hence the increasing role of "green" technologies and investments. On the other hand, the dynamic increase in the prices of energy raw materials and utilities is becoming an impulse to seek solutions to improve energy efficiency, allowing companies to reduce their operating costs.

Automation and robotisation of production processes became another field of innovation within the Apator Group. Polish companies are looking for solutions and technologies, the application of which brings an increase in productivity, reduction of production costs, higher and repeatable product quality.

The Apator Group develops solutions in its own R&D offices specialised in the development of innovative products, systems and services, and it cooperates with other entities under technological partnerships.

Meetings with customers

Building relationships with customers traditionally takes place through individual meetings and expert consultations as well as at industry events where new products are presented. Customers are also invited to visit our plants where we can present both our technical achievements and production resources. Due to the long-lasting pandemic in 2021, the number of customer meetings and customers visiting our companies was considerably reduced. Many industry events and fairs have not returned to their traditional formula and scale of operation, therefore customer contacts have been made through other, indirect channels.

Trade fairs

In 2021, we participated in the following trade fair events:

- AQUATHERM trade fair in Kiev (May 2021) – presentation of the offer in terms of water meters
- VDE Zählerfachtagung, Gotha, Germany (September 2021) – presentation of the offer in terms of electricity meters
- TAUSENDWASSER trade fair in Berlin (October 2021) – presentation of the offer in terms of water meters
- Gat | wat in Cologne (November 2021) – presentation of the offer in terms of gas meters
- Warsaw Industry Week (November 2021) – participation of Robotics and Automation Department of Apator Metrix and Industrial Automation Department of Apator Elkomtech
- ENLIT fair in Milan (November/December 2021) – presentation of smart metering solutions for energy, gas, water and heat.



Trainings and presentations

Companies within the Apator Group share specialist technical knowledge and present functionalities of new solutions and products in the form of trainings for customers, animations and product presentations. Due to the pandemic, we have adapted our activities to the new conditions and moved them to the Internet.

Series of online trainings for customers and designers

We have prepared a series of trainings on switchgear for our customers and business partners which were held in the form of convenient and safe webinars. As part of the Apator E-Academy, we have presented functionalities of current products and novelties in the field of switchgear. The webinars on ARS pro and smartARS pro fuse-switch disconnectors as well as on low and medium voltage surge arresters attracted the greatest interest.

Not only customers and designers but also employees benefited from the training offer.

Apator E-Academy in numbers:

- 3 months of trainings (December-February)
- 7 different topics
- 20 webinars in total
- 239 participants



6.2. SOLUTIONS SUPPORTING THE "GREEN DEAL"

The European economy renewal programme relies heavily on projects related to the EU's "Green Deal". It assumes a gradual transformation of the EU economies into modern, resource-saving and climate and environment neutral economies. The transformation is guided by the slogan: "Clean Energy for all Europeans", and its hallmark is the 3xD, i.e. Decarbonisation, Decentralisation and Digitalisation. The new law has accelerated the implementation of modern technologies and solutions.

The main challenges for the Polish energetics and industry are set out in the Polish Energy Policy 2040 (PEP 2040) and the amended Energy Law (PE) together with implementing acts which introduces the obligation of and framework for the implementation of smart meters on the domestic market.

The Apator Group acts for transformation in energetics and develops "green" technologies.

Our motto is:

WE HELP OUR CUSTOMERS SAVE AND MANAGE UTILITIES AND ENERGY.

We use our experience and know-how to develop and launch innovative solutions in the field of energy efficiency, efficient management of utilities and network assets as well as network stability management with increasing number of RES. We implement technical tools to operate the distributed electricity grid and to improve the quality of power in the grid. We develop our offer applicable to photovoltaic and wind farms in terms of efficient metering and management of energy from RES.

Also in the Gas and Water & Heat segments, the Group intensifies its efforts to develop solutions for more efficient resource management. We implement next generations of smart devices, including smart class gas meters and water meters with radio modules as well as next generations of ultrasonic water meters. Our water meter designs with high accuracy classes enable even more precise water metering for the rational management of this precious natural resource.

Directions of development of the Apator Group's offer as part of its business strategy include:

- **development of smart metering solutions** – smart metering equipment and systems for remote reading of electricity, water, heat and gas meters,
- **implementation of solutions for the RES sector** – a wide portfolio of protection, control and executive devices as well as software applications for RES energy management.

Smart metering and the environment

Smart meters are metering systems which enable automatic collection, storage and transfer of electricity, gas, water or heat consumption data. They eliminate the need to manually check the status of meters and, thanks to data transfer, allow for monitoring the level of utility consumption in real time.

- The ability to monitor energy consumption by the consumer is an opportunity for better and conscious management of energy consumption. The analysis of household energy consumption provides the basis for changing our habits, using energy more rationally and making real savings. Thanks to two-way communication between the meter and the central dispatch system, operators (DNO) receive detailed information on current demand and consumption profiles, which is the basis for more effective energy demand forecasting. In addition, the meters provide information on the quality of the supplied energy – they detect breaks in supply and automatically inform the dispatch centre about this fact, which speeds up the process of removing failures. With smart meters, Transmission System Operators (TSOs) gain additional possibilities to plan the operation of the transmission network more efficiently and to ensure energy security. Indirectly, power generators (power plants) will benefit from smart metering thanks to the possibility of equalising the electricity generation profile (reducing peak demand). This can influence the decisions concerning the planning of blocks operation and will reduce the cost of

electricity generation. The positive effect on the environment is the reduction of used and burned raw material and the resulting pollution.

- In the Gas segment, there is a visible trend of gradual transition from traditional mechanical gas meters to smart gas metering. The change involves mainly selected EU markets which are particularly aware of the need for better and more rational management of this valuable fuel. The Polish market also opens up to smart metering in gas, which will allow for even more efficient distribution network management and rational use of gas by domestic consumers. Companies within the Apator Group also participate in research projects related to the application of hydrogen in traditional gas network (testing correct operation of gas meters for specified levels of hydrogen and gas mixture) and potential future application of advanced infrastructure for hydrogen transmission and storage.
- Smart metering gains particular importance in the Water & Heat segment because of the need for rational worldwide management of this precious, non-renewable resource. Accurate real-time consumption data enable more efficient distribution network management, better balancing of water consumption, reduction of water wastage (through monitoring of failures and leaks) and more effective planning of necessary investments and upgrades. Smart metering of water consumption supports changes in consumer habits – the necessity of rational water consumption is obvious to environmentally conscious people, while others may be convinced by real savings on bills or possible financial incentives. An additional new aspect is the development of technology for measuring water quality, e.g. by using special sensors monitoring specific water parameters.

Smart metering brings a number of benefits to all participants in the electricity, gas as well as water supply and sewerage market. It can also significantly contribute to a better, more rational human use of natural resources and energy utilities. Importantly, smart metering opens the door to the development of new functions and services related to more efficient and sustainable management of the Earth's precious resources.

Smart metering for better utility management

One of the greatest challenges of modern societies is to reduce the waste of energy, water, heat and gas. Smart power grids as well as water, heat and gas networks enable control over the amount of utilities used and more rational consumption in industry, business and households. The Apator Group develops the offer of smart equipment, remote meter reading systems and advanced systems which can be used for predictive purposes and reduction of losses during generation, transmission and distribution of utilities to final customers.



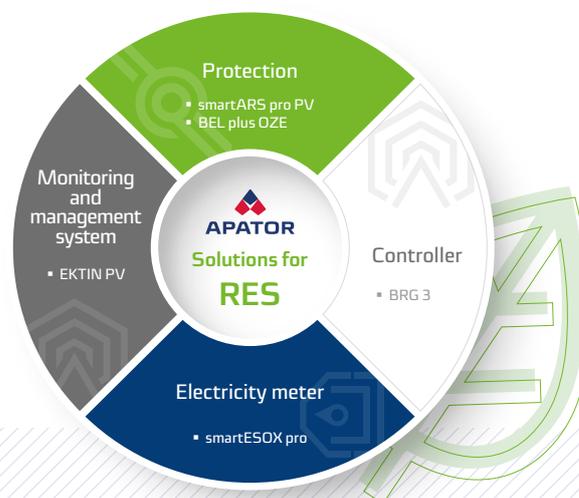
Solutions for RES

Moving away from conventional, high carbon-emitting sources, which are responsible for degrading the environment and increasing the share of renewable energy sources in the energy mix, is becoming a global trend increasingly emphasised by global organisations and national governments. In Poland, the RES sector is relatively young, but in the last decade it has been experiencing dynamic development accompanied by increased innovation and technological progress.

The Apator Group actively participates in the development of RES market in Poland. We are currently one of the biggest suppliers of prosumer bidirectional electricity meters (with and without communication) used in PV micro installations as well as specialised equipment for connecting and protecting electrical circuits in PV farms. The Apator Group has also implemented a series of solutions for the management of energy flow in installations and internal networks containing PV generation and providing integration of dispersed PV energy sources with modern large-scale power grid.

Equipment and systems developed for the RES sector:

- Fuse switch disconnecter – smartARS pro PV
- Protection – BEL plus OZE
- Controller – BRG 3
- Electricity meter – smartESOX pro
- Supervisory system for photovoltaic farms – EKTIN PV



Green technologies for energetics

In 2021, EKTIN PV – a comprehensive system for the supervision and management of photovoltaic farms developed by engineers from our Łódź team – was becoming more and more popular. It is a SCADA class solution thanks to which the customer can observe the operation of RES in real time, monitor the basic parameters as well as track the most important indicators showing the use of the potential of green energy production.

Our achievements

In all Apator Group's business segments, a number of solutions supporting green transformation of the energy sector as well as sustainable, more effective management of electricity, gas, water and heat have been developed and placed on the market.

Examples of solutions and product innovations implemented by the companies within the Apator Group in 2021:

ELECTRICITY SEGMENT

- new line of the REMIZ industrial meters – miniature versions, special way of mounting on the TH 35 bus bars in meter and distribution cabinets, designed according to the requirements of the German market,
- new solutions for protecting power grids, including the new ARS evo disconnecter (special design for better heat dissipation),
- mobiPLANER application – it allows you to plan the work of teams and service/maintenance crews as well as supervise the efficiency of operations according to a fixed schedule. It is used to manage the work of fitters, service technicians, installers or suppliers,
- GISMO Lighting – an application for managing network assets, enabling the creation of your own database of lighting assets, designed for companies and local government units managing utilities,
- lighting management services including: lighting network passporting, energy efficiency audit and visual inspection of the technical condition of street and road lighting.

GAS SEGMENT

- development of the smart gas meter offer for the European markets,
- expansion of the industrial gas meter portfolio for the German market,
- placing a telemetry attachment for the Unismart2 gas meter on the German market,
- placing ultrasonic gas meters on the market,
- further development of the ICT solutions for the gas segment, e.g. in the areas of the collection of data from telemetry equipment and GIS systems.

WATER AND HEAT SEGMENT

- new technologies in water metering, e.g. implementation of new types of Ultrimis water meters based on W-Sonic Technology – an original ultrasonic metering method (e.g. new classes of industrial water meters, hot water meters, customised products, etc.),
- further development of the LoRaWAN wireless communication module for water meters (communication adapted to the requirements of different markets),
- development of the software incorporated in the system for remote reading of water and heat meters to include additional communication modules,
- eLF2 heat meter – expanded metering functions (heat and cold metering).

Our challenges

- further development of smart metering, protection and control devices with communication function intended for use in the power grid, solutions supporting energy efficiency and effective management of utility consumption as well as technologies for RES,
- expansion of the range of ultrasonic water meters providing more precise water metering,
- increase in sales of smart gas and water meters in Europe,
- participation in the rollout of smart electricity meters in Poland,
- development of the offer in terms of automation and robotisation, as this allows for optimisation of production processes in terms of product quality, reduction of raw materials and production waste as well as more efficient use of energy and fuels used for manufacturing products,
- development of the offer in terms of communication modules, multi-media metering and reading systems and other advanced ICT solutions for managing utilities and energy efficiency,
- promotion of the abovementioned solutions on the market in order to popularise efficient technologies and implement the "Green Deal".

Solutions for efficient management of lighting infrastructure

Services in the form of network passporting, energy audit as well as visual inspection of the technical condition of lighting provide key data on the lighting infrastructure. Using them in the right system helps to effectively manage the lighting infrastructure. Apator Rector develops solutions and services in the field of:

- lighting network passporting,
- energy efficiency audit,
- assessing the technical condition of street and road lighting.

The GISMO system, which has been placed on the market, is a comprehensive solution for network asset management, allowing you to build your own database of lighting assets. The system allows for:

- using lighting information in the planning of new investments,
- obtaining complete and comprehensive information on the lighting infrastructure,
- efficient supervision of service and maintenance teams thanks to integration with the Field Work Management module.

6.3. BUSINESS COOPERATION

Apator Group performs its business goals in close cooperation with a wide group of business partners among which there are suppliers and cooperators, technological partners and consortium members, higher education institutions and research institutes as well as trade organisations.

Suppliers/cooperators

Effective cooperation with suppliers is essential for the performance of business goals of the Apator Group. The principles of cooperation with the suppliers within the Apator Group are regulated by the "Group's Guidelines on Cooperation of the Companies within the Apator Group with Cooperators and Suppliers" which introduces common principles regarding the organisation of cooperation with suppliers and cooperators within the Apator Group, including: unified criteria for selection, qualification and periodical assessment, conclusion of contracts and requirements in relation to management system, production process and reporting.

- **Supplier** is an entity supplying materials, components, goods or services for the company within the Apator Group.
- **Cooperator** is an entity involved in the performance of a certain phase of production process or the production of construction elements for products manufactured by a company within the Apator Group.

Our principles:

- When working with suppliers and cooperators, we strive to conclude cooperation contracts and we follow internal procedures and use appropriate tools for handling and communicating with partners,
- Procurement strategy is focused mainly on selecting reliable partners who meet defined quality criteria, taking into account the pricing requirements,
- Companies within the Apator Group conduct a competitive and open procurement policy, at the same time ensuring that the ethical rules are followed,
- We pay special attention to respecting intellectual property rights of our partners, and we expect similar behaviour on their part,
- In contracts with partners, we use clauses on anti-corruption, protection of personal data and compliance with the Code of Ethics of the Apator Group,
- In our contracts with partners, we use clauses on occupational safety of suppliers and cooperators with regard to employees and the environment,
- We familiarise our business partners with our standards of operation and react to any violations of the law and applicable rules of cooperation,
- As part of supporting our local community, we attempt to seek and use the services of national suppliers and cooperators to the widest extent possible.

Impact of the pandemic on cooperation with suppliers

The pandemic crisis has led to a disruption of existing supply chains and increasing problems with sourcing raw materials and components for production. In 2021, thanks to long-term relationships with suppliers, the companies within the Apator Group managed to source materials relatively well, although it was connected with higher involvement of working capital (building of warehouse stocks) and changes in forecasting and ordering of components resulting from longer lead times. In addition, rising inflation resulted in a significant increase in the cost of materials and transport, which negatively impacted the Group's results and margins (more in the Management Board's Report (2021)).

We expand the Programme for the Development of Cooperation with Suppliers

At Apator SA, under the Programme for the Development of Cooperation with Suppliers, we manage the risk related to the supply chains by:

- introducing regular S&OP meetings,
- cooperating with suppliers in their development works, e.g. through quality improvement programmes (8D, 5W),
- organising regular teleconferences with suppliers.

In 2021, the following activities were additionally undertaken:

- consultations with suppliers were held to update lead times,
- forecasting and orders placed in advance were extended,
- alternative suppliers were sought after,
- supplies from several sources (where possible) were secured.

Works on new procedures for working with suppliers have started – implementation planned for 2022.

Technology partners and consortium members

We work with a group of carefully selected business partners with whom we jointly develop innovative technical solutions and promote them among customers. Cooperation is based on achieving synergy, sharing knowledge, know-how and available resources in order to develop innovative solutions and technologies. This cooperation is always governed by concluded contracts and is carried out in compliance with the ethical principles laid down in our Code.

New generation meters in cooperation with Phoenix Systems

Apator SA together with Phoenix Systems from the Atende Group are working on innovative electricity meter based on IoT technology. The new equipment will be easily and remotely reconfigured, and new functionalities will be introduced through applications (as in a smartphone). For example, the meter will allow users to manage lighting or inverters. Universal and flexible technology will evolve with the market and customer needs.

The iSMART2 gas meters for the Belgian market are another common project. The new design will combine a new generation electronic counter with a reliable diaphragm gas meter. The gas meters will be based on Phoenix-RTOS, an open source real-time operating system designed for the Edge-IoT devices.

Industry environment

The Group's entities actively participate in consultations on regulations and technical standards as well as share their knowledge of new technologies, market trends, challenges and problems related to, among other things, the dynamic transformation of the energy sector and the growing share of unstable energy sources, the implementation of smart grid and smart metering.

Activities in professional organisations

Companies within the Apator Group are active in the development of technological standards and legislative solutions for the electricity, gas as well as water supply and sewerage sectors. Experts are involved in the activity of a number of industry organisations and working groups that prepare recommendations for legal solutions concerning the industries in which the Apator Group operates.

Krajowa Izba Gospodarcza Energetyki i Telekomunikacji (Polish Chamber of Commerce for Electronics and Telecommunications)

The aim of the organisation is to cooperate with the legislative, executive and regulatory authorities by participating in the processes of preparing and reviewing legislation projects and evaluating the functioning of the law, in particular in terms of electronics, electrotechnical and telecommunications sectors. Apator is active in the Smart Grids Section, our experts work with working groups as part of which we participate in social consultations of legal acts concerning the energy sector, we propose solutions of technical and legal problems, we prepare specifications and recommendations.

Izba Gospodarcza Gazownictwa (Chamber of Commerce of the Gas Industry)

The Chamber was established by entities operating in the gas industry in order to represent the economic interests of its members within the scope of their activities before national state, local and social authorities and scientific and economic institutions as well as foreign authorities and institutions. Its purpose is to integrate natural and legal persons connected with the gas industry, to promote modern technical and economic knowledge and to cooperate in the establishment of gas industry development programmes. It has 167 member companies connected with the gas industry. In 2021, Ewa Daniszewska, our expert and Sales and Marketing Director at Apator Metrix, was elected a member of the Management Board of the Chamber of Commerce of the Gas Industry for the next 3-year term.

Industry agreement for the development of the PV industry under the Ministry of Climate and Environment

Its idea is to bring business and government together to build a value chain for the Polish photovoltaic industry. The signatories of the letter, including Apator SA, undertook to take joint actions aiming at developing the photovoltaic market in Poland and making recommendations concerning the best standards and technologies, the Catalogue of Good Practices of the PV Industry, the creation of the base of local producers and products as well as the search for methods of strengthening the position of Polish producers in the PV sector.

Polskie Stowarzyszenie Magazynowania Energii - PSME (Polish Energy Storage Association)

PESA is active in the development of green energy, energy efficiency and energy storage. Under the Association, Apator will cooperate for the development of distributed energetics and energy storage industry in Poland.

Krajowa Izba Klastrow Energii – KIKE (National Chamber of Energy Clusters)

KIKE is active in the development of green energy, energy efficiency and energy clusters. Apator SA has joined the Chamber in order to support the energy transformation, taking into account the dynamically developing renewable energy sources.

In 2021, the companies within the Apator Group were associated or cooperated under the following national and international organisations:

- Prime Alliance (an organisation which develops and promotes standards and products as well as systems used in power grids)
- Association of Polish Electrical Engineers
- Polish Committee for Standardisation
- ESMIG (an organisation which provides support to the European Union Institutions, Member States and standardisation organisations, the aim of the group is to assist in the development of national and European smart metering initiatives and solutions)
- DLMS User Association

- Polish Association of Listed Companies
- UCA International Users Group
- Forum for Supporters of the Distributed Network Protocol - a forum for the exchange of experience on DNP
- Oracle Poland
- Microsoft Sp. z o.o.
- IBM Ireland Limited
- AQUA – Association Européenne des Fabricants de Compteurs d'Eau et d'Energie Thermique
- Association of Polish Mechanical Engineers and Technicians
- Economic Chamber of Polish Waterworks
- Association of Polish Utilities Settlement Companies
- DVGW – German Technical and Scientific Association for Gas and Water (forum for the exchange of experience on innovation and market standards)
- Lora Alliance (standardisation and large-scale implementation of low-power broadband networks, i.e. LPWAN through the development and promotion of the LoRaWAN open standard)
- Wielkopolska Chamber of Commerce and Industry
- ISO 9001 Polish Forum Club
- Regional Agency for Saving Energy in Toruń
- Chamber of Commerce of the Gas Industry
- Scientific and Technical Association of Oil and Gas Industry Engineers and Technicians
- Association of European Gas Meter Manufacturers (Farecogaz)
- Federal Association of Gas and Water Companies (Figawa)
- OMS – Working Group (Open Metering System)
- ESRI Poland
- ZVEI – Zentralverband Elektrotechnik und Elektronikindustrie e.V. (an organisation which provides quick access to technical specifications for smart metering solutions)
- Polish Centre for Accreditation
- Executive Club

We share our expert knowledge on the market and within the Apator Group

Apator is a well known and valued domestic energy sector expert, therefore it takes active part in debates and meetings integrating participants of energy sector, it shares experience and knowledge gained on international markets, it proposes solutions and standards supporting transformation of energetics and implementation of the best innovations and new technologies in energy and fuel sector.

Apator experts take part in debates and editorial projects, give expert comments within the editorial activities concerning energy, water supply and sewerage as well as gas sectors and share their experience in terms of implementation of technological innovations and export activity as well as promote the idea of economic patriotism.

The voice of experts at the EuroPOWER & OZE POWER Energy Conference

Apator participated in the 34th Edition of the EuroPOWER & OZE POWER Energy Conference. The aim of the event is a broad discussion on the most up to date challenges and problems concerning the energy sector in Poland and the CEE region. Our expert took an active part in the meeting, delivered a presentation on the most important challenges and possible scenarios for the transformation of the energy sector in Poland and spoke on a panel entitled "Modernisation and Expansion of Distribution Networks".

Polish Energy Policy 2040 (PEP 2040) through the eyes of energy solution providers

"Energetics 2040 and Industry 4.0 – perspective of the industry" is the topic of the online press conference with the participation of representatives of Apator SA and Atende Industries. We shared our observations on the possible impact of PEP 2040 on the entire industry and the opportunities for Poland that the new strategy brings.

Apator as a partner of the "Made in Poland" Congress in Berlin

The event aimed to highlight the potential of Polish producers who have a significant impact on the shape and development of the Polish economy in various industries. Our expert spoke on the panel "Poland – the land of green revolution", presenting technological solutions for green transformation.

TRIGON Green-Tech Conference 2021

A series of online meetings with representatives of selected WSE listed companies for which the transformation in energetics may be an opportunity for further development. Apator presented the direction of development of its offer for the transforming energy sector.

MEGATRENDS 2021 internal conference

MEGATRENDS is an annual meeting that is devoted to, among other things, analysis of the situation on the market, the most interesting trends in our industries and discussion on the most important challenges for the companies of the Apator Group in the context of technological revolution and regulatory changes. In order to broaden the spectrum of topics and open to new ideas, Apator invites also external experts to open discussion, among whom are representatives of technology companies, business partners and scientists from technical universities. The fourth edition of the conference took place online and was attended by approx. 100 people.

As part of the 3 thematic blocks, in which spoke over 20 experts, a wide spectrum of topics was presented, including (among others) cloud solutions in energetics, trends on the electric vehicle charging market, hydrogen technologies, innovations for the RES and modern solutions for business.

Apator in the Round Baltic project

The Round Baltic project is implemented under the Horizon 2020 programme, and its aim is to broaden the framework and accelerate the pace of financing for energy efficiency improvements in the economy.

The project provides for, among other things, the organisation of a National Round Table at national level and Regional Round Tables in seven provinces, in cooperation with representatives of important regional institutions relevant to the improvement of energy efficiency.

As part of the Kujawsko-Pomorskie Round Table held in November 2021, we took an active part in creating one of the three thematic sessions i.e: Solutions for Improving Energy Efficiency from the Perspective of Companies – Energy Suppliers and Technology Providers.

Apator as a guest of the smart-grids.pl industry portal

How is smart metering implemented in the Polish energy sector? What functions must a meter fulfil to be called a smart meter according to the EU Directive and the Energy Act? Will Poland manage to implement smart meters for 80% of end customers by 2028? These are key topics from the perspective of the energy industry which we shared with readers of the www.smart-grids.pl industry portal.

"Fight for climate" – "Rzeczpospolita" project

"Rzeczpospolita" journalists periodically take up important topics related to climate policy, energy strategy, the development of electromobility or the closed-circuit economy, inviting representatives of business, science, government administration and social organisations. For another year, Apator has joined this discussion, convincing about the necessity of undertaking actions and developing technologies which will allow for more effective protection of natural resources.

#PolskieMójWybór (#PolishMyChoice) campaign

In 2020, Apator initiated a wide discussion on the idea of economic patriotism, i.e. promoting conscious consumer and business choices, taking into account economic considerations such as a company's contribution to the national budget, investment in national infrastructure, job creation, specialisation of personnel and development of Polish technical thought or support for the local social environment.

The activities were continued in 2021, among others, in the form of publications in the media and social networks. In an article for ICAN Management Review, we addressed the question of what economic patriotism looks like in practice. We looked at whether the pandemic increased consumers' sense of shared responsibility for the local economy which translates into concrete purchasing and business decisions.



Cooperation with higher education institutions

Companies within the Apator Group develop innovative technologies in cooperation with higher education institutions – especially, we use engineering knowledge, scientific achievements and laboratory facilities of technical universities.

In 2021, we continued joint projects with the following higher education institutions:

Cooperation with the Łódź University of Technology

Implementation of research and development projects co-financed from EU funds:

- Management of the low voltage distribution network including the active role of the prosumer
- Smart LV network reconfiguration system with support system for fitters
- System for autonomous reduction of failure effects in the depth of a power grid

Cooperation with the Cracow University of Technology

Implementation of a project for motor field protection with predictive elements, involving the development of functionality to include motor cage protection, short circuit detection and early warning of such phenomena.

Cooperation with the Nicolaus Copernicus University in Toruń

Apator cooperates with, among others, the Faculty of Physics, Astronomy and Informatics of the Nicolaus Copernicus University and Aleksander Jabłoński Foundation whose aim is to directly support people of science and the development of scientific research, in particular innovation-oriented research. Additionally, the cooperation with Nicolaus Copernicus University resulted in Apator's annual participation in the Festival of Science and Art (which – because of the pandemic in 2021 – did not take place) and the perspective of broader cooperation under the project of construction of the Centre of Technical Sciences and co-creation of the Strategy of the Nicolaus Copernicus University in the scope of development of cooperation between the scientific community and representatives of business.

Industry conference in cooperation with the Cracow University of Technology

We shared our technical knowledge during joint participation of experts from Apator Elkomtech and the Cracow University of Technology in industry conference. The event covered diagnostics and operation of electric drives, electromobility, design and overhaul of motors and drive systems. We presented a new MV motor failure prediction solution used in the BEL_plus series protection.

6.4. INDICATORS IN THE ABOVEMENTIONED AREAS

Customer Orientation and “green” energy – promoting and implementing solutions tailored to current and future market needs which support energy efficiency and meet technological, climate and social challenges.

Smart solutions, solutions for the RES	2021	2020	Change	Y/y dynamics
	PLN	PLN	PLN	%
Sales of smart solutions, including: smart meters, gas meters*, water and heat meters, software solutions.	304,296	324,921	- 20,625	93.7%
Sales of solutions for the RES, including: smart meters, smartARS pro-PV disconnectors, hardware for the RES and energy storage	21,053	40,557	- 19,504	51.9%

* including smart gas meters offered under an OEM formula

The decrease in sales generated both in the smart solutions group and in the RES offer is mainly due to the decrease in sales of electricity meters as compared to 2020. For the smart solutions group, this is the result of a high base in 2020 (implementation of a large contract for the Power Market). The reduction in the scale of sales of meters for the RES was the result of increased competition (mainly from Asian manufacturers) and erosion of margins in this market field.

Social responsibility for the product – using modern, environmentally friendly designs and technologies, long product life span, striving for failure-free operation, effective after-sales service.

1. Development of modern products and implementation of innovations

Investments, R&D activities	2021	2020	Change	Y/y dynamics
	PLN	PLN	PLN	%
CAPEX investment expenditures, including:	90,661	77,510	13,151	117.0%
tangible fixed assets	68,469	55,953	12,516	122.4%
intangible assets	22,192	21,557	635	102.9%
CAPEX investment expenditures, including:				
replacement	5,502	9,861	- 4,359	55.8%
increase in power/efficiency**	6,482	23,471	- 16,989	27.6%
new products	14,911	10,141	4,770	147.0%
R&D	18,548	12,137	6,411	152.8%
IT	3,947	3,030	917	130.3%
other	41,272	18,870	22,402	218.7%
Running costs of development offices (R&D) not included in CAPEX	28,513	32,213	- 3,700	88.5%
Average annual number of employees in R&D [RJR*]	176,5	165,4	11,1	106.7%

* RJR – annual work units, i.e. the number of employees calculated into full-time positions within the company in question or on its behalf during the entire reference year.

The increase in the realisation of CAPEX results from investments related to the relocation of the Apator Powogaz plant – construction of a new plant as well as modernisation and automation of the current machinery resources ultimately relocated to the new location (included in the "Other" item).

2. Attention to product quality

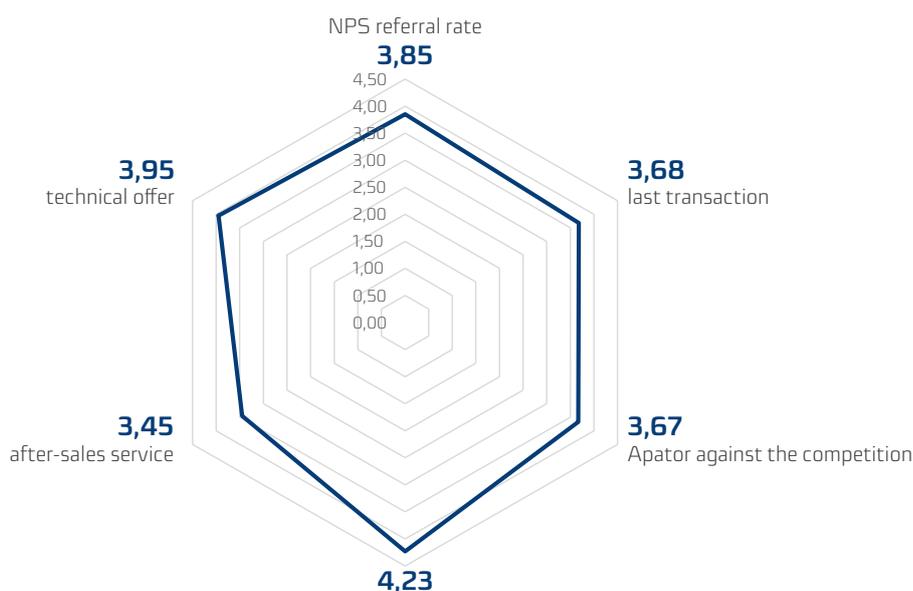
Due to the specific character of operation of the companies within the Apator Group in particular business segments (i.e. diverse groups of customers and geographical markets as well as wide portfolio of offered solutions and services), companies within the Apator Group carry out their own customer satisfaction surveys in the scope and frequency specified by a given entity. In 2021, such a survey was carried out by: Apator Metrix, FAP PAFAL, Apator Powogaz and Apator Metra (Czech Republic).

Survey on satisfaction of Apator Metrix customers – results	2021	2020
Percentage of customers satisfied with cooperation with the company [%], including:		
1. quality of products/services [%]	95.0%	100.0%
2. quality of sales service [%]	97.0%	95.0%
3. complaint handling [%]	89.0%	87.0%
4. satisfaction with cooperation [%]	100.0%	96.0%
5. satisfaction with on-time delivery [%]	95.0%	88.0%

Survey on satisfaction of FAP PAFAL customers – results	2021	2020
Percentage of customers satisfied with cooperation with the company [%], including:		
1. quality of products/services [%]	100.0%	98.3%
2. quality of sales service [%]	100.0%	100.0%
3. complaint handling [%]	100.0%	100.0%
4. technical cooperation [%]	95.0%	96.7%
5. compliance with OHS standards [%]	100.0%	100.0%
6. order processing flexibility [%]	98.3%	100.0%
7. logistics [%]	96.7%	100.0%
8. company brand [%]	100.0%	100.0%
9. on-time order processing [%]	100.0%	98.3%
10. payment terms [%]	85.0%	96.7%
11. order processing speed [%]	93.3%	96.7%
12. product price [%]	90.0%	93.3%
13. compliance with environmental requirements [%]	100.0%	100.0%

Survey on satisfaction of Apator Metra customers – results	2021	2020
Percentage of customers satisfied with cooperation with the company [%], including:		
1. quality of products/services [%]	84.0%	86.0%
2. quality of sales services [%]	95.0%	97.0%
3. claims management [%]	85.0%	86.0%
4. order processing speed [%]	88.0%	90.0%
5. confirmation of order speed [%]	97.0%	97.0%
6. access and willingness of sales employees to meet customer requirements [%]	95.0%	98.0%

Survey on satisfaction of Apator Powogaz customers – results



3. Effective sales and after-sales service – Speed of service (average time for processing complaints for manufacturing companies)

Sales and after-sales service	Speed of service (average complaint processing time in days)	
	2021	2020
Apator SA	24	22
Apator Elkomtech	7	5
FAP Pafal	12	15
Apator Metrix	27	24
Apator Powogaz	10	21
Apator Telemetry	27	30
Apator Metra	19	18

We implement responsible production and optimise stock management while prioritising development and co-operation with suppliers, especially those operating in the local and domestic environment.

Suppliers	2021	2020	Y/y dynamics[%]
Total number of suppliers, including:	6,769	7,453	91%
1. Cooperators (service providers), including:	2,812	3,050	92%
domestic	2,543	2,765	92%
foreign	266	280	95%
indirect import	3	5	60%
2. Other suppliers, including:	3,957	4,403	90%
domestic	3,006	3,581	84%
foreign	926	788	118%
indirect import	25	34	74%
Purchases			
Share of purchases from domestic suppliers in total purchases [%]	66.5%	62.4%	-

More information on the Programme for the Development of Cooperation with Suppliers can be found in [Chapter 6.3](#).

6.5. ENVIRONMENTALLY SUSTAINABLE ACTIVITY (COMPLIANCE WITH THE EU TAXONOMY)

Business activity of the Apator Group is in 23% compliant with the EU Taxonomy of environmentally sustainable activity in terms of revenues and in 15% in terms of capital expenditures.

The report does not show a table of the percentage of operating expenditures for products or services related to business activity compliant with the systematics. In 2021 (and in earlier periods), part of companies within the Apator group did not keep accounting records in a manner that would allow for reliable and precise separation of this kind of expenditures. At the same time, following the analysis carried out for the purposes of this report, it was assessed that the operating expenditures to be reported, if any, were so limited in 2021 that their value would most likely not exceed the materiality level adopted by the Group (1% of total operating expenditures).

At the same time, from 2022 onwards, the records in the CG companies have been made more detailed to the extent which, ultimately, will allow to accurately analyse the operating expenditures as part of the activity compliant with the systematics.

Turnover of the Apator Group from environmentally sustainable activity in 2021.

Economic activities (1)	Code(s) (2)	Absolute turnover (3) Ezr. PLN	Proportion of turnover (4) %	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of turnover, year 2021 (18) Percent	Taxonomy-aligned proportion of turnover, year 2020 (19) Percent	Category (enabling activity or) (20)	Category (transitional activity) (21)
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity metering		78 365	8%	100%	%	%	%	%	%											
Switchgear		75 642	8%	100%	%	%	%	%	%											
Control and supervision systems		33 508	4%	100%	%	%	%	%	%											
Heat meters		16 501	2%	100%	%	%	%	%	%											
Water meters		11 724	1%	100%	%	%	%	%	%											
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		215 740	23%		%	%	%	%	%									23%		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
n/d				0%	0%	0%	0%	0%	0%											
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
Total (A.1 + A.2)		215 740	0		%	%	%	%	%									27%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)																				
Electricity metering		109 618	12%																	
Switchgear		26 558	3%																	
Control and supervision systems		21 560	2%																	
ICT		23 834	3%																	
Other Electricity segment revenues		5 938	1%																	
Gas segment		269 627	29%																	
Other Water and Heat segment revenues		267 188	28%																	
Total (A + B)		724 343	77%																	

CAPEX of the Apator Group related to expenditures on environmentally sustainable investments in 2021.

CapEx	Substantial contribution criteria										DNSH criteria (Does Not Significantly Harm*)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2021 (18)	Taxonomy-aligned proportion of turnover, year 2020 (19)	Category (enabling activity or (20)	Category (transitional activity)
	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)									
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2021 (18)	Taxonomy-aligned proportion of turnover, year 2020 (19)	Category (enabling activity or (20)	Category (transitional activity)	
A. TAXONOMY-ELIGIBLE ACTIVITIES		€ vs. PLN	%	%	%	%	%	%	%	%	%	%	%	%	%	Y/N	Percent	Percent	E	T	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Electricity metering		1360	2%	100%													2%	10%			
Switchgear		654	1%	100%													1%	5%			
Control and supervision systems		1590	2%	100%													2%	3%			
Water and Heat segment		10 358	11%	100%													11%	4%			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		13 962	15%	%	%	%	%	%	%	%	%	%	%	%	%	Y/N	15%	21%			
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
n/d				0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Y	0%				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																					
Total (A.1 + A.2)		13 962	0	%	%	%	%	%	%	%	%	%	%	%	%	Y/N	15%	21%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of Taxonomy-non-eligible activities (B)																					
Other CapEx of Electricity segment		13 511																			
CapEx of Gas segment		12 054																			
Other CapEx of Water and Heat segment		51 134																			
Total (A + B)		76 699																			



7. Solutions for the environment

Apator Group manufacturing companies set high standards regarding effective management of resources, raw materials and utilities and strive to minimise the negative impact of their activity on the environment. We use and implement new **technologies and processes that are optimised in terms of the consumption of raw materials and utilities as well as pollution and waste**. We take care of the safety of all our employees, especially those who are directly involved in production processes and may be exposed to contaminants and hazardous substances.

7.1. ENVIRONMENTALLY FRIENDLY PROCESSES

Our priority is to deliver products safe for the user and the environment, simultaneously minimising the adverse environmental effect of manufacturing processes and other operations.

We manage the environmental area consciously and responsibly under the Integrated Management Policies implemented in some of the companies within the Apator Group, including all the manufacturing companies whose level of the impact on natural environment is relatively the highest. Not only do we comply with current legislation, but we also assume additional obligations that arise from our high internal standards and our customers' expectations.

For the sake of the environment, the Group is committed to:

- **observing the requirements** of the regulations on environmental aspects, including (among others) norms of contaminations emitted into the atmospheric air, sewage and generated waste,
- **using the resources in a responsible and economical way** in production processes and other activities, in particular:
 - saving natural resources and utilities,
 - sustainable waste management.

Liabilities resulting from the CSR strategy

The Apator Group has assumed the following liabilities in the field of key processes:

- **Product social responsibility, i.e.:**
 - implementing modern and proecological constructions and technologies,
 - manufacturing products with a long life span and striving for their reliability.

Key initiatives:

- development of modern products and implementation of innovations,
- attention to product quality.

- **Closer to nature – conscious and responsible environmental management**

Key initiatives:

- saving natural resources,
- maintaining low emission of pollutants and sustainable waste management,
- optimisation/minimisation of negative environmental impact.

- **Implementing responsible production** while prioritising development and cooperation with suppliers, especially those operating in the local and domestic environment.

Key initiatives:

- programme for the development of cooperation with suppliers,
- process automation.

The environmental objectives are defined and implemented through:

- monitoring environmental aspects within the Environmental Management System (plan of objectives and tasks) and improving processes in terms of environmental objectives,
- monitoring the management of the Business Strategy and CSR Strategy with regard to aspects related to the environmental area (reviews of the implementation of strategic initiatives, including: analysis of key internal pro-

- cesses, planning and execution of R&D operation),
- analyses (overviews) of the introduction of new materials, raw materials and technologies, purchases of machinery, equipment and technological lines, taking into account environmental aspects,
- the budget for environmental charges (included in the operational plan),
- application of solutions optimising the consumption of energy utilities (i.e. electricity, water, heat and gas) in companies within the Apator Group,
-
- raising employees' awareness and sensitising them to environmental issues (educational campaigns, collection of batteries and electronic waste, etc.).

High quality of environmental processes is confirmed by compliance with the requirements of the PN-EN ISO 14001:2015 standard, and the operation in the context of environmental responsibility is specified in a number of detailed internal regulations in force at individual Group companies, concerning, for example, electricity and utility management, waste management, environmental measurements, monitoring and analyses, etc.

None of the production companies operate within or in the immediate vicinity of protected areas or areas of high biodiversity value, and the proper handling of the Group's products throughout their life cycle helps to minimise any potential negative impact on the environment.

Environmental processes in the Apator Group are systematically supervised and adjusted to the changing technological and manufacturing processes and new legal requirements. Each process identifies elements of actions that may interact with the environment. Manufacturing companies within the Apator Group strive to increase the level of automation of processes - each year they allocate significant investment funds for this purpose. Automation serves to streamline production processes and optimise them in terms of productivity, costs, quality and work safety. When investing in new machines and technologies, each time pro-environmental premises are also taken into account as very important, i.e. reduced consumption of raw materials, minimisation of production waste (including elimination of hazardous waste), reduced utilities consumption. Modernisation of production technology also affects the reduction of environmental inconvenience of implemented processes and supplied products.

7.2. ACHIEVEMENTS AND CHALLENGES

Existing environmental policy achievements

In particular Apator Group manufacturing companies a number of technological and infrastructural changes have been introduced in order to minimise the operational impact on natural environment.

Improving energy efficiency of operations and materials, reducing greenhouse gases and water consumption

In order to improve energy efficiency of the activity and to reduce emission of greenhouse gases, manufacturing companies within the Apator Group take a number of actions in the field of changes/optimisation of manufacturing processes, automation of operating processes, and they apply modern and environmentally friendly structures and technologies.

Examples of actions taken at manufacturing companies:

Apator Metrix:

- implementation of new products (static gas meters), built from fewer materials and components, with an increased proportion of recyclable materials,

- thermomodernisation of buildings, ventilation system, lighting,
- modernisation of lighting installation – motion sensors, LED sources,
- modernisation of the CO installation in production halls,
- modernisation of compressed air installation – optimisation of consumption, elimination of vacuum generators in production lines, change of operating parameters,
- renewable energy sources – installation of photovoltaics for an office building (40 kW),
- replacement of the vehicle fleet with vehicles meeting the Euro 4 to Euro 5 emission standard,
- optimisation of water consumption through the automation of the gas meter housing washing process and the use of sensors in sanitary facilities.

Aparator SA:

- new product design and implementation of an automatic unit for the production of L1 and L2 current circuits for the ARS evo disconnecter – a 6-fold increase in the productivity of the production process, reduction in energy consumption, optimisation of copper consumption, reduction in the amount of dust and elimination of grease in the technological process,
- launching of an automatic bundling machine for deionisation boards for use in ARS disconnecters – improvement of process efficiency, reduction in electricity consumption in the process per production unit,
- implementation of a robotic station for functional testing of PCB boards for NORAX 3 meters – increase in process efficiency, reduction in electricity consumption in the testing process per production unit.
- implementation of a process for returning waste (plastics) to production in the form of regranulate – in effect, a reduction in the consumption of raw materials in the production process, a reduction in waste. Some details are even made from 100% recycled materials.

Aparator Powogaz:

- implementation of a closed water cycle in technological processes,
- optimisation of materials management: increasing the proportion of recycled materials (selected components recovered from water meters removed from the installations for reuse in the production process – without adversely affecting the quality of new products),
- in connection with the construction of the new factory, the emphasis was put on modernising and designing new optimised automated production processes in the new plant, also in terms of more energy-efficient business operations (LED lighting, insulation of the building according to the latest WT2021 standards, recovery of warm air through heating and ventilation units, rainwater harvesting).

Other actions taken at companies:

- implementation of new products optimised in terms of quality, material efficiency and manufacturing costs.
- consistent optimisation of production processes and successive replacement of worn-out, less efficient machinery and equipment*,
- operating equipment correctly, carrying out inspections and maintenance, keeping equipment in good working order,
- carrying out selective collection of waste at the place of its production,
- carrying out pre-work and periodical employee trainings on waste management, using returnable packaging (if possible),
-
- storing waste in places designated for this purpose at the plant, in an orderly manner and in such a way as to prevent the pollution of soil and water.
- provision of waste for recycling to authorised collectors, including agreements with recovery organisations for packaging and electronic equipment and batteries, in order to meet the statutory collection targets for treatment, recycling and disposal of used batteries and portable accumulators and electronic equipment placed on the market and to meet the statutory recovery and recycling targets for packaging waste placed on the market and imported.

*Manufacturing companies within the Apator Group consistently automate production processes, which generates higher levels of energy consumption (energy necessary for operation of equipment – automatic machines), however, automation increases efficiency and repeatability of production, which causes reduction of energy consumption per product unit and optimisation in terms of material consumption.

Environmental goals and challenges

In 2022, key environmental challenges for the Apator Group include:

- achievement of environmental indicators at levels defined in the operational plans of individual companies,
- implementation of new products optimised in terms of quality, material efficiency and manufacturing costs,
- further investments in modern, automated machinery resources and manufacturing technologies guaranteeing – apart from systematic increase of effectiveness of production processes – minimisation of environmental impact of the carried out activity (e.g. launching of a robotic station at Apator SA for functional testing of PCB boards for next electricity meter families, modernisation of automatic line for the assembly of OTUS 1 and 3 meters (and others)),
- relocation of companies while taking into account the highest environmental standards, i.e:
 - finalisation of construction and relocation of the activity to the new seat of Apator Powogaz in Jaryszki near Poznań (production of water meters) – planned date of relocation: Q2 2022,
 - relocation of the Apator Telemetry plant to a new production building with office and social facilities on the Słupsk Special Economic Zone (location in the direct neighbourhood of the present one) – planned date of relocation: Q2 2022,
- raising the awareness of the market environment and employees regarding environmental challenges and effective prevention of the degradation of natural resources.

New seat of Apator Powogaz in Jaryszki near Poznań



Closed circulation of plastics at Apator SA

In September 2021, a project on closed circulation of plastics was started at Apator. It aims to maximise the reuse of waste materials in the production process in terms of plastics used in the production of disconnectors and electricity meters.

During the standard manufacturing process, waste which has not been previously reused is generated. Today, production waste is recycled in the process – it is ground and added back to the plastic. The proportion of recovered plastic ranges from 15% to as much as 100%, depending on the type and destination. Importantly, this process does not reduce the parameters of the plastic, therefore it does not have a negative impact on the quality of the final product (which has been confirmed in laboratory tests).

Project outcomes:

- up to 50% savings in raw material for selected types of plastics and parts,
- savings on the raw material purchasing costs and the transferring of waste to external recycling,
- reducing the production and consumption of plastics – giving a "second life" to plastics, in line with the EU's Circular Economy strategy.

Plans provide for the development of the project in terms of increasing the scale and range of recycled materials.

7.3. ENVIRONMENT – INDICATORS

Indicators in the field of natural environment

Energy consumption by source	2021	2020	Y/y dynamics[%]
Total electricity consumption [MWh]	11,803.2	11,427.0	103.3%
Total natural gas consumption [thousand m ³]	1,554.5	2,453.5	63.4%
Total heat energy consumption [GJ]	20,669.2	20,549.6	100.6%
Total fuel consumption (oil, diesel, petrol, LPG) [t]	247.3	209.2	118.2%
Water consumption			
Total water consumption [m ³]	24,853.0	20,967.8	118.5%
Consumption of basic raw materials			
Total steel consumption [t]	1,932.7	2,182.4	88.6%
Total plastic consumption [t]	2,075.6	1,812.1	114.5%
Total copper consumption [t]	698.5	527.5	132.4%
Total consumption of paints, varnishes, solvents [t]	76.2	67.4	113.1%

The increase in the consumption of copper and plastics is due to the increase in the scale of switchgear production and additionally to a change in the product mix (among others, an increase in the production of the ARS evo disconnector containing a significant proportion of copper in the product).

The increase of the indicator of water consumption at the Apator Group was influenced by the change of the seat of Apator Rector – in present location the water consumption is metered, in previously rented building there was no detailed metering for tenants (hence the water consumption for this company was not included in total amount of water consumed at the Apator Group in 2020).

The increase in fuel consumption mainly relates to the companies of the Water & Heat segment and the switchgear line – the effect of a return to the pre-2020 scale of operations when the restrictions on activity resulting from the pandemic were felt most strongly.

Indicators of energy consumption and productivity for selected companies within the Apator Group

Energy consumption indicator [kWh/PLN 100]	2021	2020	Year/year dynamics[%]
Apator SA	1,53	1,15	133.2%
Apator Metrix SA	1,11	1,28	86.6%
Apator Powogaz SA	0,65	0,75	87.1%
FAP Pafal	2,21	2,01	110.0%

Productivity [kWh/RJR]	2021	2020	Year/year dynamics[%]
Apator SA	6,764.38	5,980.66	113.1%
Apator Metrix SA	5,100.22	5,452.33	93.5%
Apator Powogaz SA	3,968.01	3,814.60	104.0%
FAP Pafal	6,454.36	5,245.11	123.1%

Manufacturing companies within the Apator Group consistently automate production processes, which generates higher levels of energy consumption (energy necessary for operation of equipment – automatic machines), however, automation increases efficiency and repeatability of production, which causes reduction of energy consumption per product unit and optimisation in terms of material consumption.

Maintaining low emission of pollutants and sustainable waste management

Waste generation/emission	2021	2020	Y/y dynamics[%]
Amount of generated waste [kg], including:			
hazardous waste	65,863.0	66,430.0	99.1%
inert waste	1,442,412.0	1,475,254.7	97.8%
Recycled waste [kg]	1,337,030.0	1,235,708.0	108.2%
Waste disposed of [kg]	166,162.8	198,648.7	83.6%
Emissions to air			
Carbon dioxide emissions [kg]	1,376,227.6	1,238,209.1	111.1%
NOx emissions [kg]	1,445.6	1,283.4	112.6%
SOx emissions [kg]	6.7	5.8	114.6%

Optimisation/minimisation of environmental impact

Environmental charges	2021	2020	Y/y dynamics[%]
Charges for the use of the environment [PLN]	68,427.6	108,506.4	63.1%
Production waste disposal costs [PLN]	530,724.7	577,985.2	91.8%
Charges for the recovery and recycling of packaging, electronics, batteries placed on the market [PLN]	109,340.8	100,294.1	109.0%
Costs of physical and chemical analyses [PLN]	11,612.4	19,739.5	58.8%
Costs of water consumption and sewage disposal [PLN]	408,839.1	376,194.7	108.7%

Environmental penalties	2021	2020	Y/y dynamics[%]
Amount of penalties for negative impact on the environment [PLN]	0.0	0.0	-

Carbon footprint, extent of reported emissions

SCOPE 1 Carbon footprint [Mg CO₂/year]	2021	2020	Year/year dynamics[%]
Apator SA	26	223	11.7%
Apator Metrix SA	691	600	115.2%
Apator Powogaz SA	190	172	110.5%
FAP Pafal	446	405	110.1%

SCOPE 2 Carbon footprint [Mg CO₂/year]	2021	2020	Year/year dynamics[%]
Apator SA	3,112	2,923	106.5%
Apator Metrix SA	1,757	1,933	90.9%
Apator Powogaz SA	1,180	1,135	104.0%
FAP Pafal	559	524	106.7%

SCOPE 1+2 Carbon footprint [Mg CO₂/year]	2021	2020	Year/year dynamics[%]
Apator SA	3,138	3,146	99.7%
Apator Metrix SA	2,448	2,533	96.7%
Apator Powogaz SA	1,370	1,307	104.8%
FAP Pafal	1,005	929	108.2%

Reported emissions cover scope 1 (direct emissions) and scope 2 (indirect emissions resulting from generation of energy purchased by entities within the Apator Group). The sources of greenhouse gas emissions for scope 1 were the consumption (combustion) of natural gas for heating buildings and in production processes as well as the use of fuels in vehicles.

The indicators for the environmental field were calculated taking into account selected companies within the Group (including all production companies) which, due to their type of operation, are obliged to monitor their environmental impact.

- **Indicators in the area of product responsibility and modern, pro-ecological production technologies** can be found in Chapter 6 (Apator Group on the market). This applies to the following indicators:
 - Development of modern products and implementation of innovations - capital expenditures (CAPEX) and operating costs of R&D offices
 - Automation of production processes - expenditures on automation of production processes and lines

Apator is a partner in the "Fight for Climate" project in the "Rzeczpospolita" newspaper

Apator participates in editorial projects in which the topics related to "green" transformation of economy are discussed. As part of the 5th edition of "Rzeczpospolita's" "Fight for Climate" project, issues related to the following topic "New Energy Architecture of Poland. How to Build an Electricity System from Scratch. The Energy mix in the Context of the European Green Deal" were discussed. Apator is actively involved in public debate by publishing expert comments in "Rzeczpospolita" and on www.rp.pl concerning, among other things, benefits from implementation of smart metering for economical management of utilities.

Educational campaigns for employees

At Apator we organise the celebration of ecological holidays such as the Earth Day and the Car Free Day. The initiatives build employees' environmental awareness, signal the dangers of climate devastation and promote actions to counteract environmental damage, e.g. the use of environmentally friendly means of transport. As part of the campaign, educational programmes are broadcast on our PA system, and competitions to verify employees' knowledge of environmental protection are organised.

An example of an educational campaign was the Earth Day thanks to which the team could think about what we can do at the company to make our activities less harmful to the environment. We encouraged employees to change their daily habits in order to manage valuable resources more responsibly and rationally and avoid wasting them. Two eco-campaigns were conducted to promote environmental awareness:

- Competition for the best coverage of employees' activities for the Earth,
- "Flower Exchange" where seedlings, plants and seeds could be exchanged.



Community education campaigns

International Water Day is the perfect opportunity to remind people of the importance of this unique natural resource. In our social media communication activities, we highlighted important facts and recommendations on water efficiency. We stressed the need for sustainable water management, the construction of a water storage system, the use of modern technologies for more efficient use and recovery of water. The rational exploitation of water sources also requires effective prediction, and this in turn is not possible without modern tools for metering water consumption. By implementing new generations of water meters that allow for precise metering of each drop of water, the activity of the Apator Group is compliant with the policy of economical water management.





8. Apator for the society

Social aspects have key importance in the performance of business objectives of the Apator Group. Companies do not operate in a vacuum but are firmly embedded in local communities and rely on local infrastructure. At the same time, by operating on a broader, national or international scale, business interacts directly or indirectly with groups of customers, users of products and solutions, suppliers and cooperators.

In relationships with each of these social groups, priorities are determined by corporate values adopted by the Apator Group and principles specified in the Code of Ethics which are the point of reference for our actions and attitudes.

8.1. APPROACH TO THE MANAGEMENT OF SOCIAL ISSUES

Social issues, in particular related to the relationships of the Apator Group with customers, suppliers, employees and the industry environment have been discussed in the previous chapters.

We understand our responsibility in relation to social environment as the contribution of the companies within the Apator Group and their employees to the local social fabric, supporting the initiatives organised in towns/cities or regions where our production plants and companies are located.

Liabilities resulting from the CSR strategy

The Apator Group assumed the following liability in the area of LEARNING AND DEVELOPMENT:

- Community orientation - we support worthwhile cultural, educational and sports initiatives and help those in need in our immediate vicinity.

The Apator Group consistently builds positive relationships with its immediate environment. Being aware of the needs of communities, we co-finance valuable events in the field of culture, art, education and sports. The activities undertaken are of local character with possible national or international tone. With the exception of the actions carried out centrally, each company within the Apator Group engages resources to support valuable initiatives in its region – adequately to its financial possibilities.

- In our **charity activities**, we support social institutions and organisations which act for the benefit of excluded persons and carry out specified social missions. Our priority is to support local charity organisations, hospices and support centres. As part of the promotion of the **employee voluntary service**, we also strive to involve employees in various social initiatives, believing that each of us can have a real, positive impact on our immediate environment.
- As part of our **sponsoring and social activities**, we engage ourselves in activities such as patronage of subject Olympiads and sponsorship of scientific and cultural events.

Sponsoring activity is subject to the main goal specified in business strategy of the Apator Group that is to build brand recognition and its proper perception. Detailed standards in terms of carrying out sponsoring and philanthropic activities are specified in the Sponsoring Policy of the Apator Group. Each time the company's financial engagement in sponsoring and philanthropic activities is regulated in a concluded contract, whereas providing sponsorship benefits is confirmed by the sponsored entity in a relevant report.

Companies within the Apator Group do not engage in political or religious projects, any projects which violate the law or general social norms or which adversely affect the natural environment or may be harmful to facilities with historic or artistic importance, or which include discriminatory, racist, controversial content or content which promotes improper attitude that could disrespect certain social groups.

8.2. ACHIEVEMENTS AND CHALLENGES

We adapt our social activities to the needs of the community on the one hand, and to the capabilities and resources of our companies on the other. In 2021, the Apator Group allocated 0.4% of consolidated net profit to sponsoring and charity activities.

2021 was difficult due to the pandemic. Many events and initiatives were cancelled or organised online. Our companies effectively adapted to conditions and restrictions and were not indifferent to the pressing needs of communities and institutions struggling with COVID-19.

Support for science and culture

In 2021, Apator supported (among others):

- 5th National Review of Children and Youth Visual Arts "My Beautiful - Safe Place 2021",
- The Nicolaus Copernicus University, Toruń Branch of the Polish Mathematical Society – funding of prizes for the winners of the Józef Marcinkiewicz Mathematical Competition.

Sports sponsorship

In 2021, our commitment was directed towards:

- Twarde Pierniki Club – support of the senior and youth team in the 2020/2021 basketball season,
- 30th Polish Masters Indoor Light Athletics Championships,
- The 'Run&Row' rowing marathon (organised by AZS UMK Toruń (Academic Sports Association of the Nicolaus Copernicus University in Toruń)),
- Starogard Sports Club,
- Sports Karate Club (Tczew),
- support for the Poznań MMA fighter.

Philanthropic activities

In 2021, we provided support to the following charity organisations:

- Fundacja Piękniejszego Świata (Foundation for a More Beautiful World),
- Fundacja Dzieciom „Zdążyć z Pomocą” (Foundation for Children "Help on Time"),
- Fundacja Serce Dziecka im. Diny Radziwiłłowej (Dina Radziwiłłowa Child's Heart Foundation) – donation for treatment and rehabilitation of Nina Huzakowska,
- WSWOP "Hospicjum Domowe" (Greater Poland Association of Palliative Care Volunteers "Home Hospice") in Poznań.

Other initiatives supported by donations:

- adoption of a brown bear from the Poznań zoo,
- support of the "Licznikowiec" Society for the Promotion of Physical Culture (a social organisation which associates current and retired employees of FAP Pafal).



Employee voluntary service:

In 2021, a volunteer group was established at Apator Powogaz which was active in the following initiatives:

- participation of employees in the "Charity Run for Asia",
- collection of books for the charges of WSWOP "Hospicjum Domowe" from Poznań,
- Christmas collection for the charges of the Poznań hospice,
- cleaning work at the hospice,
- supporting the Poznań Zoo in its collection of food for bears.

Activities of a group of volunteers from Apator Rector:

- "Anioły Dzieciom" ("Angels for Children") campaign,
- "Paczka dla Szpitala" ("Parcel for a Hospital") campaign,
- "Psu na budę" campaign,
- „Zapełnij worek Świętego Mikołaja” ("Fill Santa's Sack") campaign.

Activities of the employees of Apator SA:

- collection of cosmetics and toys for the charges of the Social and Charitable Foundation "Pomoc Rodzinie i Ziemi" Hospicjum Nadzieja ("Helping Family and Earth" Hospice of Hope") from Toruń,
- collection of products and items necessary for COVID-19 patients staying at the Infectious Diseases Hospital in Toruń.

We support the Twarde Pierniki SA Toruń Club (senior and youth team)

Supporting local sports teams, especially their youth sections, plays an important role in our sponsorship strategy. We are proud to support a team that has been successful again in recent years, that is from our region and that brings joy to so many fans. We took special care of the youth teams whose players are taking their first steps in basketball. Supporting and promoting a healthy and active lifestyle among young people is very important to us.



Policy challenges in the field of social issues

Sponsoring policy will be still performed according to accepted principles and directions and it is subject to business strategy of the Apator Group. In the current environment, it is important to effectively adapt the way we operate to the constraints that arise from a prolonged pandemic.

Initiatives planned in 2022:

- Continued implementation of the sponsorship policy and philanthropic activities – scope and scale adapted to the financial capabilities of the companies and the Group as a whole.
- Development of content- and visually-attractive materials in the field of new utilities, adapted to the information needs of various groups of recipients (customers, current and potential employees, business and social partners).
- Further development of the website – implementation of further language versions.

New corporate www.apator.com website

In 2021, we worked intensively to launch new website of the Apator Group (www.apator.com) (Polish version was implemented in the first stage).

The objective of the project was to make available to wide group of stakeholders of the Company modern, transparent and functional tool that is the centre of information concerning the Apator Group in the following areas: the offer (section: Our solutions), business, corporate and social activity of the Apator Group (section: Apator Group) and also full spectrum of information related to the operation of the company on the capital market (section: Investor Relations).

The new website of the Apator Group is adjusted to all types of devices, including mobile ones.



Children visit Apator Rector

As part of the “Tydzień każdego dziecka” (“Every Child’s Week”) campaign in one of the primary schools in Zielona Góra, parents were asked to present their profession and place of work. As a result, a group of 24 young people came to the headquarters of Apator Rector, curious about how adults in the IT industry work. There were a lot of questions and a desire to start working together in the future.



“Psu na budę” campaign

Apator Rector team is involved in many local social initiatives. One of these is helping shelter animals. In 2021, the employees of Apator Rector once again organised the collection of items necessary for animals from the shelter in Zielona Góra. During the “Psu na budę” campaign, numerous “gifts” were collected as well as money which was used to buy specialist food for the shelter’s most needy animals. Thanks to the involvement of the Apator Rector’s employees, it was a little easier for the animals to survive the most difficult winter time.



Apator Rector awarded with the "Socially Sensitive Business" statuette

The originator and organiser of the "Socially Sensitive Business" competition is the Foundation for Collegium Polonicum which has been active in the field of social activism for over 15 years and is the leader of the Social Economy Support Centre. The purpose of the competition is to present good practices of companies from Lubuskie Province which carry out initiatives for the benefit of the local community.

The award recognises the team from Zielona Góra whose members have repeatedly shown that they are able to work together socially. There were many actions initiated by the Apator Rector's employees, such as: "Angels for Children", during which they collected sweets for children from the Care and Education Institution in Zielona Góra; "Psu na budę", "Nakręć się na pomaganie" ("Turn on to Helping", "Apator Rector for the Earth", "Flower Exchange", "World Appreciation Day" or finally the support for the hospital in Zielona Góra in terms of collecting toys for parcels for children staying in hospitals during the holiday season.



Space exhibition

At the headquarters of Apator SA, the exhibition borrowed from the Children's Art Gallery and Centre in Toruń entitled "Greetings from Space" was hosted. On the occasion of the Year of Stanisław Lem, children prepared art works inspired by the work of this outstanding writer, futurologist, columnist and philosopher.



8.3. INDICATORS IN THE FIELD OF EMPLOYEE ISSUES

Impact on the environment	2021	2020	Y/y dynamics[%]
Number of supported events/initiatives, including:	36	37	97%
sports events	33	16	206%
cultural events	1	8	12%
educational events	1	5	20%
other	1	8	12%
Expenditure on social activity [PLN thousand], including:	317,7	633,5	50%
donations	77,0	242,7	32%
sponsorship	206,8	343,5	60%
other	34,0	47,3	72%



9. Non-financial Risk Management

Risk management in the Apator Group is aimed at ensuring that all significant risk factors are identified, analysed and controlled on an ongoing basis. Risk management is carried out on the basis of the three lines of defence model and the uniform principles and methodology developed on the basis of the international standard ISO 31001. At the individual Group companies, **risk management is an integral part of their management systems** and is under the supervision of the parent company.

The risk management policies adopted by the Group include risk control divided into:

- financial risk associated with financial management,
- strategic risk related to the development and creation of the value of the Apator Group,
- operational risk, including day-to-day performance, legal compliance, occupational safety, information security and environmental protection.

Risk and hazard factors related to business activity are described in detail in the Management Board's Report on the Apator Group Operation in 2021, in Chapter 8. The summary presented in this report includes risks related to non-financial, social area of activity of the Apator Group i.e. the area of ethics, workplace, environment and relationships with the social environment.

9.1. ETHICAL RISK

Anti-corruption Risk

1. Risk of (employee) abuse

Preventive action:

- disseminating ethical attitudes and ethical behavioural patterns contained in the Code of Ethics and other documents within the Group and in individual companies,
- employee training on ethics, organisational culture and corporate governance,
- clearly defining and promoting among employees the knowledge on the applicable procedures relating to abuse,
- internal control system and systematic monitoring to identify potential abuse,
- internal and external audits of the Group's regulations and processes.

2. Risk of unethical behaviour in relations with suppliers, co-operators and business partners

Preventive action:

- compliance with the law,
- promoting principles (ethics, integrity, partnership) in all aspects of operation to build relationships with partners based on mutual trust and benefit,
- clearly defined criteria for assessing and selecting business partners,
- establishing cooperation with suppliers providing contract performance guarantees,
- obligation of the suppliers to get acquainted with and observe the Code of Ethics of Apator Group,
- ongoing and periodic supplier assessments (supplier audits),
- training for employees in the area of purchasing and cooperation with suppliers.

3. Risk of conflict of interest

Preventive action:

- dissemination (among staff and managers/supervisors) of knowledge/awareness of potential conflict situations and training in this respect,

- absolute observance of legal regulations, provisions of the "Good Practices of WSE Listed Companies" and internal regulations (Regulations of Supervisory Boards, Regulations of Management Boards),
- relevant provisions in employment contracts/cooperation contracts.

4. Risk of manipulation of (financial) data

Preventive action:

- implementing the highest standards of corporate governance in order to pursue a transparent and effective information policy,
- having the financial statements externally audited,
- consciously shaping investor relations and providing the environment with reliable information on the Group's activities, realised, among others, through:
 - running an investor service,
 - publishing current and periodic reports,
 - organising conferences for the press, investors and analysts,
 - ongoing meetings with investors and analysts,
 - the action of the press officer,
 - cooperation with an investor relations agency,
 - operation of the Audit Committee that supports the Supervisory Board of Apator SA in matters concerning individual and consolidated financial reporting, internal control, risk management and cooperation with statutory auditors.

5. Risk of non-compliance with the law

Preventive action:

- operation of the compliance team,
- action of the internal auditor,
- internal audits of procedures for legitimacy and process compliance,
- implementation of rules on reviewing and accepting contracts,
- database of model contracts and mandatory clauses,
- general conditions of sales and purchase contracts,
- financial audits,
- compliance trainings,
- contractor verification procedures.

Human rights risk*

1. Risk of discriminatory actions within the organisation

Preventive action:

- employee training on ethics, company values, organisational culture and applicable law,
- promoting among employees the internal standards on reporting irregularities and provision of information and support.

2. Risk of abuse within the organisation and in relationships with partners

Preventive action:

- disseminating ethical attitudes and ethical behavioural patterns contained in the Code of Ethics and other documents within the Group and in individual companies,
- employee training on ethics, company values, organisational culture and applicable law,
- a system of internal control and systematic monitoring of respect for human rights within the organisation and in relations with partners,

- internal and external audits of the Group's compliance with regulations and processes.

* Excluding the risks in supplier/contractor relationships described in section: Anti-Corruption.

9.2. LABOUR RISK

1. Risk of epidemiological risk/coronavirus infection

In 2021, the actions of the companies within the Apator Group were focused on the protection of health of the employees in the face of the coronavirus pandemic, at the same time maintaining the continuity of operation of the companies.

Since the beginning of the pandemic the companies have implemented a number of internal procedures and rules to protect the health of employees and prevent the spread of COVID-19. Activities were continued in 2021 and included:

- in order to protect employees and contractors from the risk of infection, the companies have introduced additional personal protection measures (face masks, disposable gloves, hand and surface disinfectant) and temperature measurement of people entering the company (thermal imaging camera, thermometers),
- remote or hybrid working was introduced for most office workers,
- face-to-face meetings were replaced by video and teleconferencing and most business travels were suspended,
- changes have been made to working time schedules so that employees in different production departments start and finish work at different times. For the greater safety of the crew, working hours were periodically reduced. Similarly, changes were made to the timetable for breakfast breaks to prevent the employees from gathering in larger groups. Rigid rules also applied to those in changing rooms.
- systematic disinfection of changing rooms, all flat surfaces, doorknobs and handrails was introduced,
- instructions and procedures regarding the action to be taken in the case of suspicion of illness (if an employee shows symptoms of illness, they are voluntarily tested for the virus) were implemented,
- pedestrian routes and zones were designated and marked to prevent the spread of COVID-19, rules for the movement of shipping companies entering the premises were introduced, contactless collection of goods and other additional orders to protect the health of contractors and workers encountering them was made possible,
- at all companies within the Apator Group, reminding and awareness-raising educational campaigns in terms of hygiene principles, prevention of virus infection, recognition of symptoms and new procedures were carried out.

2. Staff availability risk (finding staff with the right skills and losing key staff)

Preventive action:

- strengthening and developing the HR function, implementing the HR programme for further business lines,
- sufficiently early planning of human resources (annual and multiannual employment plans),
- employer branding activities in the area of external recruitment (participation in job fairs, cooperation with higher education institutions, media presence, internship programs, apprenticeships) and internal recruitment,
- proper onboarding of the employee, training and clear assignment of responsibilities to the new employee,
- building and developing of employee competences and developing team management skills among managers and executives,
- building effective motivation systems (management by objectives system), appreciation of achievements and initiatives (system of periodic evaluation of competences),
- conscious and clear communication with employees.

3. Risk of non-compliance with the GDPR

Preventive action:

- adaptation of internal regulations and corporate documentation to the requirements of the GDPR,
- adapting the rules on data sharing and outsourcing,
- awareness-raising among employees, e.g. through training, internal publications,
- adapting information clauses and consents for data processing and storage to the requirements of the GDPR,
- adjusting the provisions of contracts with contractors to the requirements of the GDPR,
- validation of technical and ICT security features,
- internal audits for compliance with the GDPR,
- cooperation with specialised companies on the application of the GDPR requirements.

4. Risk of lack of identification with the organisation's culture

Preventive action:

- a remuneration system that encourages employee development and is based on clear criteria,
- Company Collective Agreements,
- trade union activities,
- enabling employees to receive feedback on their performance through the Periodic Competence Assessment System,
- promotion of corporate values and actions in line with the Code of Ethics and the organisational culture,
- consistently preventing and combating negative behaviour (discrimination, bullying, harassment),
- activities of a social nature that foster integration among employees and identification with the Group's culture.

5. Risks of unsafe working conditions

Preventive action - appropriate procedures for managing occupational risks:

- internal audits and evaluations of individual work stations in terms of occupational safety,
- technical equipment of work stations and work organisation in accordance with the requirements of legal regulations, including the Labour Code,
- organisation of work stations taking into account ergonomic principles,
- the use of protective equipment and technical working means that meet specified requirements,
- employing employees with qualifications and health and physical conditions appropriate to the requirements of the position,
- initial, periodic and follow-up medical examinations,
- initial and periodic training in occupational health and safety, job instructions, educational activities,
- activities of the Occupational Health and Safety Commission including, among other things, periodical reviews of working conditions, periodical assessments of the state of health and safety, formulation of proposals for improvement of working conditions,
- systematic monitoring of risk in the area of carried out work, internal audits,
- procedures to be followed in the event of an emergency, accident or breakdown, and of crisis situations (e.g. an epidemic).

9.3. INDICATORS IN THE FIELD OF NATURAL ENVIRONMENT

1. Risk of non-compliance with applicable laws and regulations, resulting in penalties/increased environmental charges

Preventive action:

- systematic monitoring of current legislation (amendments to existing legislation, new regulations) and its deadlines,
- monitoring of basic areas of activity of particular companies in the Apator Group in terms of compliance with binding regulations,
- adapting the Group's internal rules/regulations to changing legislation,
- reporting to the competent authorities and bodies responsible for environmental management,
- appropriate financial mechanisms to secure the financial means to make any required payments (fees, compensation) on time,
- employee training on environmental protection.

2. Risk of creating/increasing environmental impact in terms of: 1. the volume of consumption of raw materials, including non-renewable raw materials, 2. the volume of emission of pollutants (factors harmful to the environment) causing deterioration of the natural environment (air, water, soil, etc.)

Preventive action:

- continuous monitoring of environmental impacts as part of the Environmental Management System,
- an analysis of the environmental aspects at each stage of the value chain for the purpose of identifying the activities that may interact with the environment,
- taking environmental considerations into account when planning production processes and optimising them,
- implementation of solutions/technologies reducing the scale of the operational impact on the environment,
- implementation of metering systems to manage the consumption of electricity, water, heat, gas,
- environmental management system audits,
- annual reviews of the environmental management system.

9.4. SOCIAL ISSUES MANAGEMENT RISK

Social issues management risk*

1. Risk in relationships with customers

Preventive action:

- verification of the legality of contracts,
- training employees in customer service throughout the product life cycle,
- compliance with and training on the Code of Ethics,
- customer satisfaction monitoring,
- internal and external audits of the Group's regulations and processes.

2. Risk in relationships with local communities

Preventive action:

- cooperation and dialogue with NGOs and social partners,
- contracts governing cooperation with the social partners, confirmed by reports on the services provided,
- providing information about the projects in progress on an ongoing basis.

3. Reputational risk

Preventive action:

- adopting information policy in compliance with the “Good Practices of WSE listed Companies” and internal regulations; ensuring easy access to disclosed information for anyone, without discrimination, based on various communication tools,
- employee training on ethics, organisational culture and applicable law,
- periodic meetings of the Management Boards of individual Group companies with employees and effective internal communication,
- open, reliable communication, conducting effective marketing and PR activities.

* Risk in relationships with suppliers/contractors are described in the “Anti-Corruption” Chapter.

10. ABOUT THE REPORT

This report covers non-financial information concerning the Apator SA Capital Group for the period from 1 January 2021 to 31 December 2021. The report is a summary on non-financial information prepared in accordance with Article 55 (2b-2c) of the Accounting Act of 29 September 1994. In addition, the report takes into account selected indicators of the Global Reporting Initiative (GRI) reporting standard.

The previous report, presenting the activity of the Apator Group in the scope of non-financial data for 2020, was published on 28 April 2021.

Apator Group SA reports non-financial data in annual cycle. The report has not been subject to external verification.

The process of defining the content of the report and the structure of the report were developed based on four principles: stakeholder inclusion, materiality, sustainability context and completeness.

Data included in this report present economic, social and environmental activity of the entire Apator Group unless the report indicates otherwise.

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Signatures

28 April 2022

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signed with a qualified electronic signature

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28 April 2022

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