



ESG Report

Report on Non-Financial Information
of the Apator Group for 2022

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1. INTRODUCTION

Dear All,
Valued Stakeholders of the Apator Group,

For many entrepreneurs, 2022 has been a year of intense focus on maintaining business stability and profitability. This marked the third year of operating in an extremely difficult and unpredictable macroeconomic environment. On the one hand, crises are an excellent test of business model resilience and the ability to adapt and react in an agile fashion to counter difficulties, and on the other, they mobilise the team to focus on the most relevant areas, crucial for the survival of the business.

Coming out of a long period of pandemic restrictions, and then the year 2022, overshadowed by Russia's hostile intervention in Ukraine, we are wiser and stronger. In this challenging environment, the Apator Group focused its efforts on improving operational efficiency and restoring margins. This process is still ongoing — we continue to streamline our operations and automate manufacturing to better scale our business and ensure its stability and sustainable profitability. At the same time, we have not neglected to implement solutions to meet technological, climate and social challenges, including smart appliances, innovative ultrasonic technology, remote meter reading systems and advanced systems that can be used for predictive purposes and to reduce losses during the generation, transmission and distribution of utilities to end consumers. The Apator Group is also intensively developing technical solutions for the renewable energy sector.

The crisis has had its "upside", as it has led to a reorganisation of economic development towards a low-carbon economy. We have seen the launch of political and fiscal instruments for rebuilding economies, geared towards a "green transition", which are becoming an impetus for investment in sustainable projects and technologies. For companies like the Apator Group, the energy transition brings many new challenges but also enormous opportunities. This is where we see the prospects for further dynamic development, sources of innovation and inspiration for new models of operation.

The Apator Group has long been disclosing the effects of its policies in relation to social, HR, environmental, human rights compliance and anti-corruption issues, in line with current legislation, but also due to the high importance of these issues for our business partners, employees, shareholders and investors. Our commitments and objectives in the Environment, Social and Corporate Governance (ESG) dimension are set out in the Apator Group CSR Strategy, the horizon of which ends in 2023.

The year 2023 will therefore be a period of intensive work to operationalise the business strategy update announced last November but also to develop the principles of a new ESG strategy that is even more in tune with the environment's challenges, the upcoming new regulatory requirements and the growing expectations of our Stakeholders. For we are all aware of the crucial role of business in ensuring a safe, sustainable planet.

Management Board of Apator SA



2. About the Apator Group



nearly **2,400**
employees

over **60**
markets **across the**
WORLD

6 million
meters
delivered
to monitor the use
of water, heat, gas
and **ELECTRICITY**

more than **33%**
of revenues
earned by the Group
was thanks to
SALES of smart
solutions

with nearly
48%
of sales of
electricity meters
involving smart
devices

47%
of our SALES
are made
on export
markets

PLN 1,082
million
of **REVENUE**
generated

over **PLN 72**
million expended
on INVESTMENT
PROJECTS

3,400
suppliers
and partners

26 years of
presence
on the
GPW Stock
Exchange

2.1. OPERATIONS PROFILE AND BUSINESS MODEL

Apator forms an international group of manufacturers and distributors of metering equipment and systems, as well as suppliers of solutions supporting the operation of electricity, water and gas networks. The largest group of customers for these solutions are utilities companies.

The Apator Group is also expanding the offer for the renewable energy sector, IT systems for businesses and local authorities and automation and robotisation solutions for industrial companies.

We bring technologically advanced products and solutions to the market, including:

- a wide range of utility metering equipment: electricity meters, gas meters, water meters and heat meters, including smart solutions,
- remote utility reading systems,
- enterprise systems for managing utility consumption,
- specialised apparatus for the protection, monitoring and control of the electricity network,
- systems to support the management of utility distribution networks,
- solutions for the RES sector, including protection, controllers, electricity meters and control and monitoring systems for photovoltaic farms, wind farms or other renewable sources, as well as solutions for local energy management (targeted at energy clusters and cooperatives),
- energy storage to support balancing and stabilisation of grid operation,
- software solutions enabling business process optimisation (e.g. applications for asset or service team management);
- solutions and services for manufacturing process automation and robotisation.

Apator Group companies are market leaders both in Poland and in European markets. Apator is a renowned and recognisable European brand in the area of solutions for the modern power, gas and water and sewage sectors.

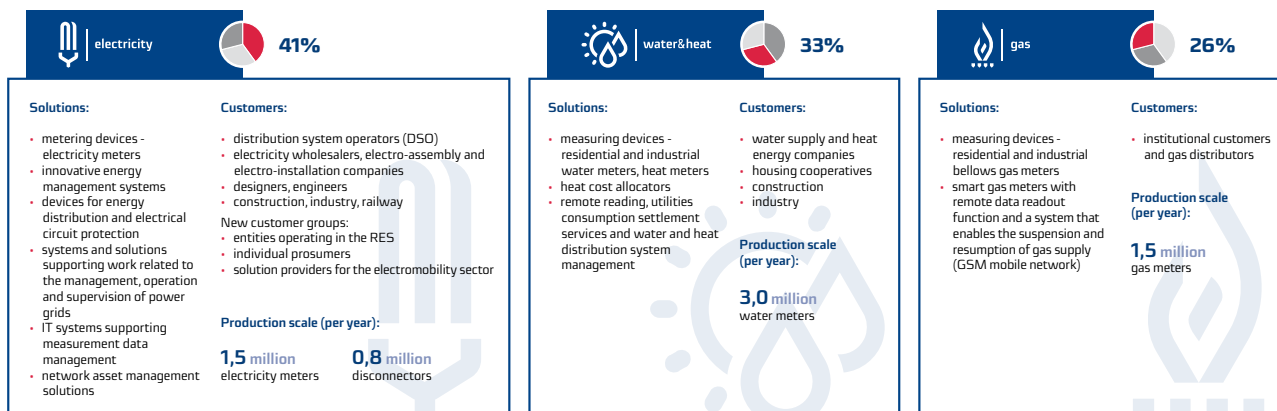
Nearly half of the Group's revenue comes from exports, with solutions and products distributed to more than 60 countries worldwide. The largest markets in 2022, apart from Poland, included Germany, Czechia, Belgium, Romania, Spain and the UK.

The parent entity of the Apator group of companies is Apator SA with its registered office in Toruń.

Apator SA makes strategic decisions regarding the Group's development and coordinates the implementation of the Apator Group's strategy, as well as initiating strategic group projects, and supporting financial management, controlling, corporate governance, IT, HR and promotion activities.

Business model

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



2.2. BUSINESS STRATEGY

In Q3 2022, Apator Group's strategy was reviewed and updated, mainly due to significant disruptions in the external environment between 2020 and 2022 (starting with the COVID-19 pandemic and ending with Russia's invasion of Ukraine).

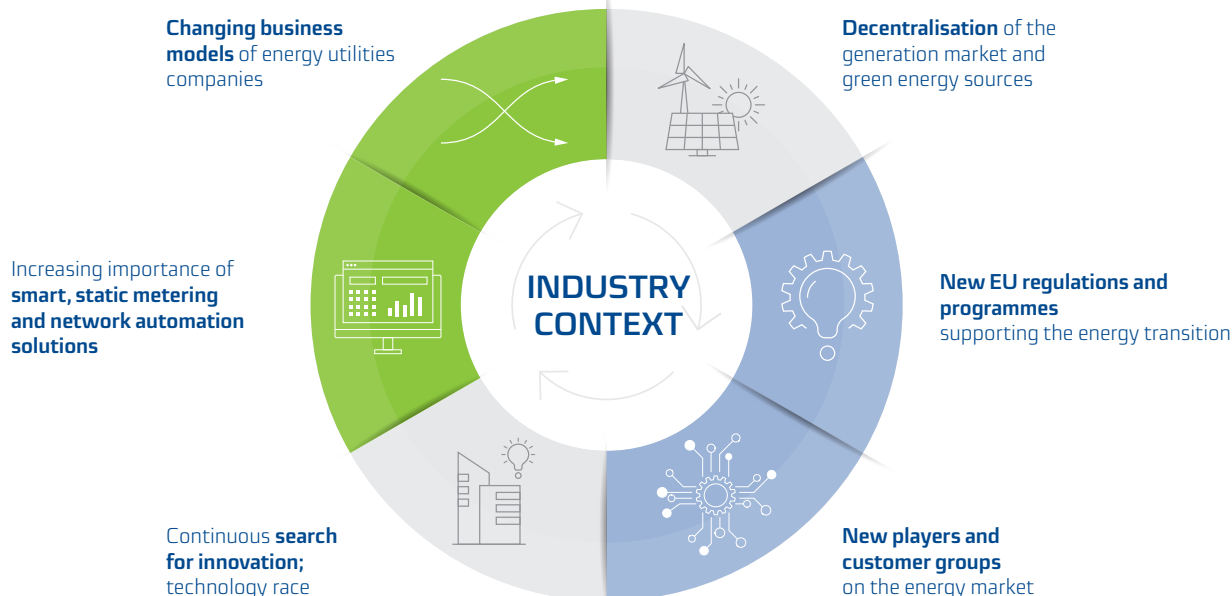
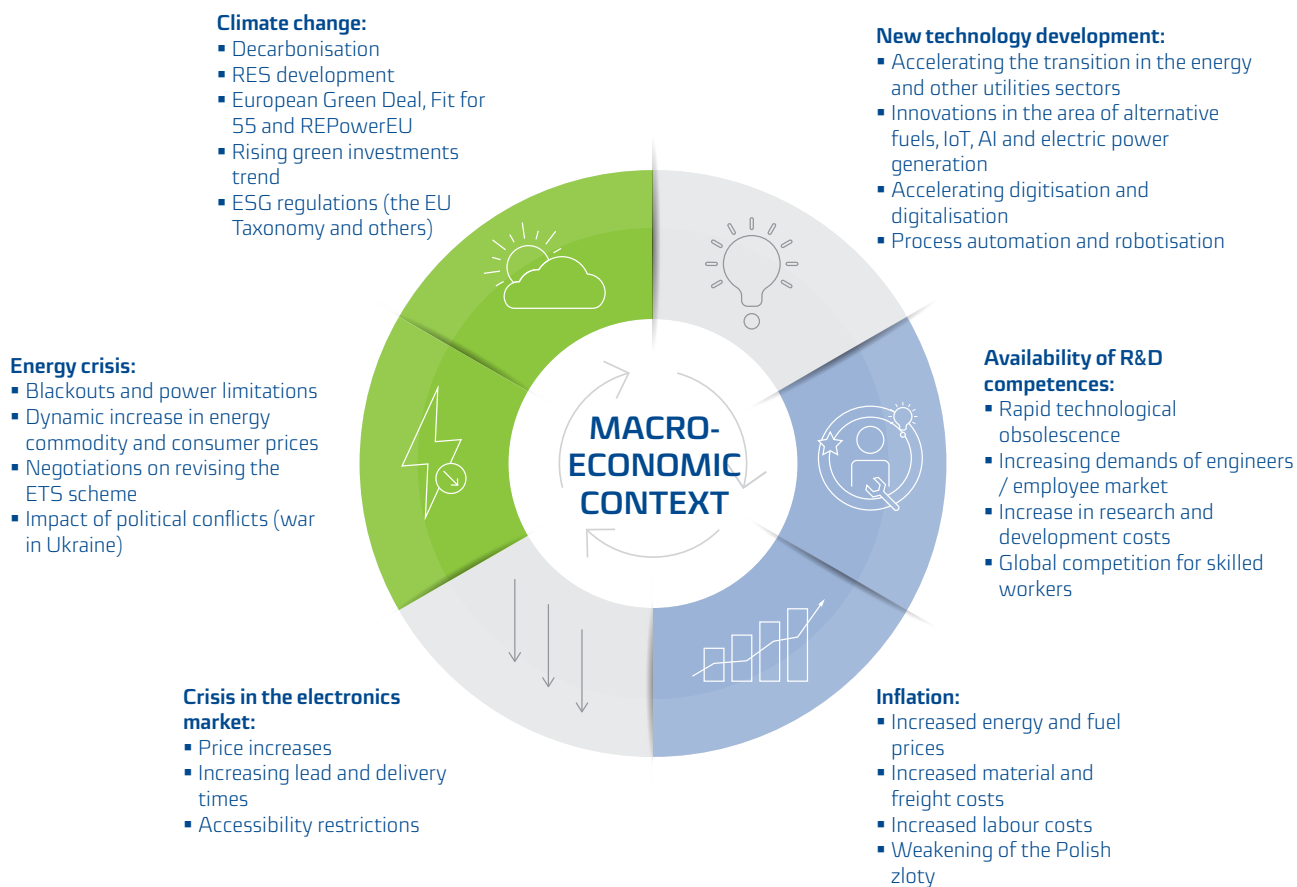
The horizon of the current updated business strategy of the Apator Group covers the years 2023–2025. The business strategy update was also driven by the new challenges of accelerating the energy transition, including:

- a radical increase in energy and fuel prices forcing an increase in efficiency of their use, diversification of fuels, dispersal of energy sources, acceleration of RES development and modernisation of the electricity grid,
- a shift away from Russian gas,
- a package of EU regulations related to the green transition of the European economy: the Fit for 55 and Re-PowerEU programmes and the accompanying programme funds.

In view of the above factors, the Apator Group decided to modify the adopted strategic objectives and reformulate the Group's mission and vision, which now more strongly support the rapid energy market changes aiming at the transition from centralised, fossil fuel-based energy generation to a more sustainable distributed energy system of the future, based on "clean" energy generated locally, increased self-consumption of energy from RES and more economical and effective management of energy and other media.

The Group's primary customers are still those operating in the utilities sector (electricity and gas distribution system operators, district heating and water and sewerage companies). The "traditional" customers are joined by new groups: local energy communities, clusters, municipalities, industrial plants and prosumers, for which Apator prepares dedicated solutions and products under more than a dozen new strategic initiatives. Technical solutions offered under the Apator brand will support active and conscious participants in the energy market by offering them functional benefits and savings. Apator will thus support the decarbonisation, decentralisation and digitalisation of the Polish and European power sector (3D).

Factors affecting business strategy implementation in 2022



The impact of the war in Ukraine on the implementation of the Apator Group's business strategy in 2022

The year 2022 was a major test of resilience for business and brought unprecedented challenges to entrepreneurs. After a period of setbacks due to the persisting pandemic, the macro-environment was further destabilised as a result of Russia's armed aggression in Ukraine. This situation has not been without an impact on the level of the Apator Group's 2022 financial results and margins. Facing significant inflation, persistent problems with component availability and exchange rate volatility, the Group has consistently taken steps to further improve operational efficiency and make its pricing policy more flexible, which has partially mitigated the negative impact of the environment on results and margins. At the same time, intensive work was done to acquire new markets and customers for segments and products whose sales were reduced due to the termination of business ties with customers in Russia and Belarus.

As of the date of this report, the Apator Group continues to identify risks arising from the war in Ukraine; however, their level depends on the further development of the situation and its impact on exchange rates, prices of raw materials and other areas of operations. The 2022 sales revenues from the Russian, Ukrainian and Belarusian markets accounted for approximately 1.6% of the Apator Group's total sales. Since the outbreak of the war, the Group has ceased sales in the Russian and Belarusian markets. In terms of receivables from counterparties in at-risk markets, at the end of 2022, the share of receivables from the Ukrainian market was approximately 0.6% of the Apator Group's total value of receivables. The Group had no trade receivables from the Russian and Belarusian markets. In view of the above, the war in Ukraine has no significant direct impact on the financial results of Apator SA and the entire group of companies.

The energy crisis triggered by Russia's invasion of Ukraine accelerated the energy sector transition and triggered the launch of new EU policies and programmes aimed at making the EU economy less dependent on Russian raw materials and fuels.

As a result, the challenges of the conflict affecting Poland's eastern neighbour and the energy transition have brought new opportunities for the Apator Group, resulting from:

- pressure on efficiency in using water, energy, heat and gas,
- growing demand for RES sector technologies,
- accelerated digitisation and automation of business processes in all sectors of the economy.

In view of the challenges of the energy crisis, but also of the progressing climate change and the need to accelerate the energy transition process, the Apator Group has updated its 2023–2025 business strategy accordingly (for more information, see the "Business Strategy" chapter).

In financial terms, the Apator Group has undertaken the following commitments:

- We strive to increase our revenue and EBITDA through sustainable growth, assuming:
 - operations diversification — a business model based on 3 segments,
 - participation of major stakeholder groups in the financial resources of the Apator Group.

Operations scale and financial indicators of the Apator Group

Sales revenue by segment	2022	2021	Change	YOY dynamics
	thousand PLN	thousand PLN	thousand PLN	%
Electricity segment	439,511	375,043	64,468	117.2%
Gas Segment	281,342	269,627	11,715	104.3%
Water & Heat Segment	360,939	295,413	65,526	122.2%
Total revenue	1,081,792	940,083	141,709	115.1%
domestic market	571,450	497,696	73,754	114.8%
exports	510,342	442,387	67,955	115.4%

Basic financial data	2022	2021	Change	YOY dynamics
	thousand PLN	thousand PLN	thousand PLN	%
Sales revenue	1,081,792	940,083	141,709	115.1%
Sales profit	45,090	48,740	-3,650	92.5%
Operational activity profit	31,340	94,801	-63,461	33.1%
EBITDA	87,067	150,573	-63,506	57.8%
Net profit	7,205	63,336	-56,131	11.4%
Equity	539,148	551,275	-12,127	97.8%
Long-term liabilities	45,174	71,501	-26,327	63.2%
Short-term liabilities	457,725	376,484	81,241	121.6%
Total assets	1,042,047	999,260	42,787	104.3%
Gross remuneration (including charges)	240,150	228,783	11,367	105.0%
Income tax	8,710	21,908	-13,198	39.8%
Current income tax	9,019	24,929	-15,910	36.2%
Deferred income tax	-309	-3,021	2,712	-
Rate of Social Insurance Fund contributions*	37,557	38,333	-775	98.0%
Rate of contributions to other funds (National Disabled Persons Rehabilitation Fund (PFRON), Guaranteed Employee Benefits Fund)*	3,161	3,205	-45	98.6%

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

2.3. CSR STRATEGY

The Apator Group CSR strategy was developed in 2019 and published in 2020, and its time horizon ends in 2023. It is closely related to the business operations of the Apator Group and supports the fulfilment of the Group's business objectives. Due to the updating of the business strategy assumptions and also the CSR strategy horizon coming to an end, the document will undergo a thorough review and revision in 2023 to adapt it to the business challenges, new regulatory requirements and the expectations of the Group's Stakeholders.

The Apator Group's responsibility in the area of ESG, as well as its obligations towards customers and business partners, and internal declarations, establishing objectives and rules of conduct within Apator Group, are defined by:

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

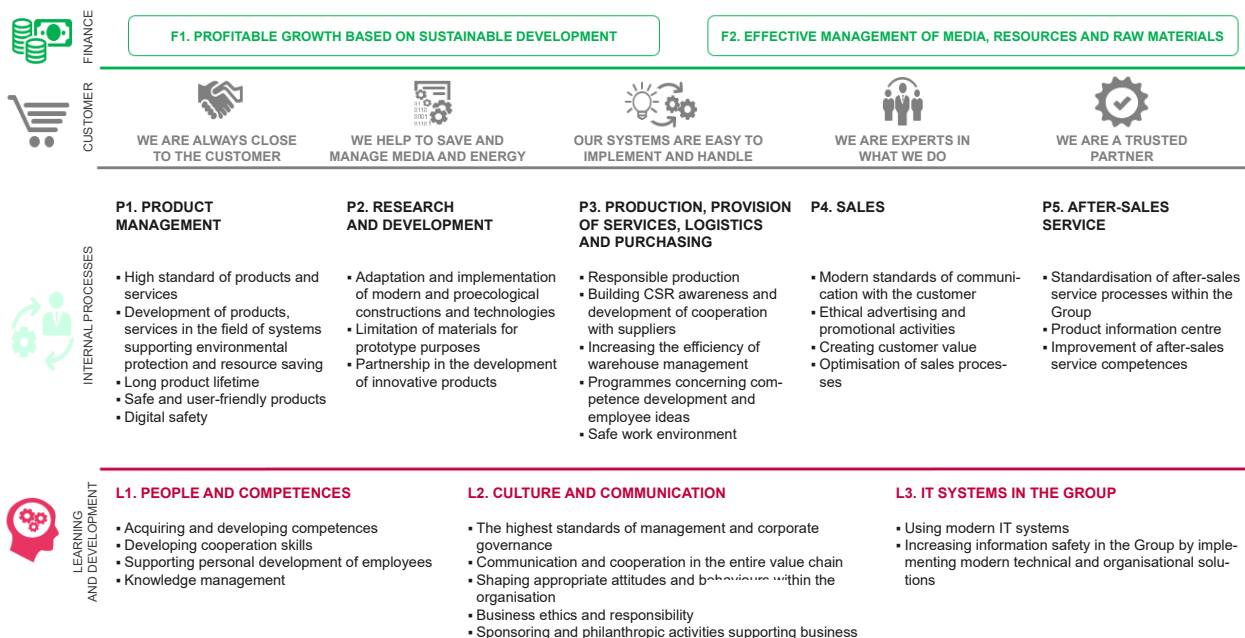
Further, the assumptions of the Apator Group CSR Strategy in force as of 2022 include:

- Recommendations and good practices for reporting non-financial data,
- 2021 Best Practice for GPW Listed Companies,
- The 2030 Agenda for Sustainable Development, adopted by the UN in 2015.

CSR strategies map

The Apator Group CSR Strategy identifies 4 dimensions: Finance, Customer, Key Processes and Learning and Development.

Within each of these four dimensions, leading priorities, commitments, key initiatives and metrics have been identified.



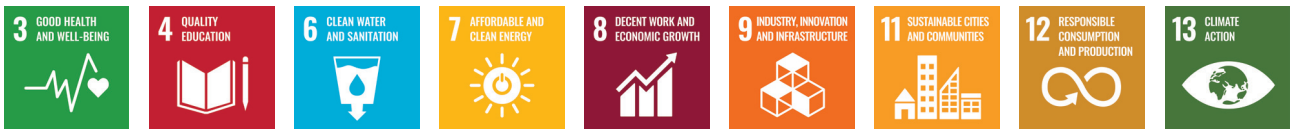
The commitments in each dimension, the key initiatives and the quantitative and qualitative indicators assigned to them are presented in the individual chapters of this report.

UN Sustainable Development Goals

The so-called 2030 Agenda, a UN resolution adopted by 193 UN member states, including Poland, represents a global commitment to work towards a better world in which a balance between economic, social and environmental aspects will be achieved. The 2030 Agenda defines 17 Sustainable Development Goals (SDGs) to which governments and the wider economic environment should be committed.

In defining the Apator Group CSR Strategy's objectives, we have taken into account the UN Sustainable Development Goals, which are relevant to the specificity of the operations and the challenges faced by the industries in which the Group operates.

Sustainable Development Goals pursued by the Apator Group



One of the key programmes implementing Agenda 2030 at the EU level is the European Green Deal, a new growth strategy to transform the EU into a fair, inclusive and prosperous society with a modern, knowledge-based, resource-efficient and competitive economy with no net greenhouse gas emissions by 2050, which would protect, preserve and enhance the EU's natural capital while also safeguarding citizens' health and well-being against environmental risks.

The Apator Group's contribution to the implementation of Agenda 2030 and the related EU climate and energy policy is as follows:

Objectives

Providing the market with solutions and technologies to support the efficient and sustainable use of electricity, water, heat and gas.



Developing technological solutions for the renewable energy sector.



Developing technological solutions for utility distribution network operators to enable effective distribution network management (to ensure network reliability and energy security and improve the quality indicators of electricity supply to DSO customers, among other things).



Developing a portfolio of products and services for businesses and local authorities (cities, municipalities) to support energy efficiency and sustainable asset management.



The Apator Group also contributes to other Agenda 2030 objectives in the following way:

Objectives

Each year, the Apator Group invests in the development of new products and innovations, offering innovative solutions to customers in Poland and abroad and sharing technical expertise with them. It develops industrial infrastructure at home and in other European countries where its affiliates operate, building new capacity and automating manufacturing lines.

8 9 12

The Group employs approximately 2,400 people at its manufacturing facilities in Poland and elsewhere in Europe and works with a wide range of local and regional suppliers and subcontractors. It adheres to high ethical standards while promoting team member development, decent working and collaborative conditions, as well as employee and co-operator health and safety.

3 8

The Apator Group places a strong emphasis on the cyber security of the solutions provided and actively carries out awareness campaigns, with Apator Group experts sharing their technical knowledge to make Polish power grids more secure.

4 7 8 9

Apator Group experts are active members of industry organisations; technological partnerships have also been established, and new technologies are being developed with other Polish companies in the ICT sector, particularly for effective and secure telecommunications and metering data transmission.

4 8 9 11 12

CSR strategy implementation

In planning and implementing their business and non-business activities, Apator Group companies take into account the objectives and commitments set out in the CSR Strategy Map and cascade them onto the objectives set for the boards and managers of individual companies. These objectives and commitments are closely linked to the companies' business strategy and day-to-day operations (including initiatives and strategic and operational metrics).

A summary of the fulfilment of the CSR objectives and commitments of Apator Group companies serves as the basis for drawing up the consolidated annual Report on Non-Financial Information of the Apator Group.

The various dimensions of CSR activity have been assigned sets of quantitative and qualitative indicators, which have been developed based on:

- regulatory requirements, in particular the Act on Accounting (implementing the Non-Financial Reporting Directive, NFRD) and the EU Taxonomy Regulation,
- Management System strategic and operational measures and performance indicators (including ISO 14001, 9001, 45001),
- good practices and recommendations, including The Non-Financial Information Standard (SIN) and the Guidelines for ESG Reporting (2021 Best Practice for GPW Listed Companies).

Other items taken into account in this regard include:

- stakeholder map and materiality analysis in relation to reporting aspects according to the Global Reporting Initiative standard for the Apator Group (developed during a workshop session held with the management),
- UN guidelines in relation to the 2030 Agenda goals.

2.4. STAKEHOLDERS

For the Apator Group, the key Stakeholders are customers, business partners, suppliers, as well as institutions cooperating with the companies, and social partners (the so-called external stakeholders); however, the internal stakeholders — employees of Apator Group companies — are by no means less important. The Apator Group aims to understand well the needs and expectations of all stakeholders and to meet them, acting in the good interest of the Group and respecting the capital of its shareholders.

In their activities, Apator Group companies interact with various groups of stakeholders and build relationships based on effective, mutually-beneficial cooperation and trust. The year 2022 saw a return to direct communication with Stakeholders after a long period of the pandemic. Most meetings, trade fairs and conference events returned to their traditional on-site form.

Stakeholder group	Communication objectives	Forms of communication	Basis of identification
Key stakeholder groups			
Investors, stock exchange analysts, business media journalists	Reliable and honest communication and reporting on the current state of the group of companies — in accordance with the requirements, regulations and good information circulation practices for companies on the regulated market.	Current reports; financial statements; conferences; meetings; newsletters; website; Facebook and LinkedIn profiles; press releases in the form of interviews and articles; day-to-day communication with journalists.	As a GPW-listed company, Apator SA prioritises building relationships with capital market participants.
Customers	Collaborating on optimising the customer's business; developing technologies and solutions; exchanging/sharing technical knowledge; familiarising customers with products and terms and conditions of commercial cooperation.	Face-to-face meetings; trade fairs; conferences; training sessions; newsletters; website; product promotional materials; Facebook and LinkedIn profiles.	The Apator Group of Companies pursues its business objectives by providing customers with solutions and products that meet their expectations and needs.
Employees	Communicating the organisation's goals and values; providing ongoing information on the company's condition and financial performance, key organisational and personnel decisions and changes, as well as social activities. Building a common organisational culture.	Manager and executive meetings; department/office meetings; awareness campaigns; group's internal magazine "Flesz Apatora" (The Apator Flash); newsletters; website; Facebook and LinkedIn profiles. Depending on the practices in a given company, there are also meetings between Management Boards and employees, a website for employees and a PA system at Apator SA.	The Apator Group of Companies fulfils its business objectives thanks to the commitment and competencies of its employees.
Suppliers	Sharing knowledge and communicating mutual expectations for efficient operations and effective cooperation.	Regular meetings and presentations; audits; website; Facebook and LinkedIn profiles.	The Apator group of companies fulfils its business objectives by choosing reliable partners that meet certain quality requirements, taking into consideration the pricing requirements.
Technology partners	Cooperating and sharing lessons learned in the development of new solutions and technologies.	Meetings; presentations; joint communication in the media and at industry and business events.	The Apator Group develops new solutions and technologies for its customers at its own R&D offices, but also through cooperation and knowledge exchange with technological partners.

Stakeholder group	Communication objectives	Forms of communication	Basis of identification
Other stakeholder groups			
Government and regulators, industry organisations, financial institutions	Activities to shape and develop the smart metering/smart grid market; promoting efficient solutions and technologies. Working to develop cyber security standards.	Participation in consultation meetings, conferences, symposia; actions targeted at associations and industry organisations.	The Apator Group operates in accordance with the requirements of law and morality, sharing knowledge and good practices for the development of new technologies and effective management of utilities.
Media	Consciously shaping the company and brand image by informing the market environment about the company's activities.	Press materials and releases; industry press articles; press conferences; website; Facebook and LinkedIn profiles.	The Apator Group of Companies works with industry, specialist and local media, exchanging expert knowledge, promoting its products, showcasing the effects of its business and non-business activities and shaping the company/brand image on the market.
Local authorities (local governments, counties, municipalities)	Communicating to ensure effective cooperation and organisation's development in line with local community needs and local government expectations.	Face-to-face meetings; participating in local events; website; Facebook and LinkedIn profiles.	Apator Group companies operating in the area subordinate to local governments cooperate with local authorities to ensure the successful development of businesses and local communities.
Social institutions, non-profit organisations, artists, athletes, social environment	Working together to implement worthwhile community initiatives.	Ongoing project collaboration; conferences and meetings; website; Facebook and LinkedIn profile.	Apator Group companies enter into business and non-business relationships with local institutions, supporting valuable initiatives and donating to organisations that carry out social missions.
Scientific community, public education centres, research institutes	Exchanging knowledge and experience; strengthening cooperation and implementing joint scientific and development projects; popularising science; showcasing company activities.	Ongoing project collaboration; participating in conferences and meetings.	Cooperation between the scientific community and business is conducive to the development of both the company and science and serves as a stimulus for advancements in new technologies and products. Apator Group companies recruit employees among university students and graduates.



3. GOVERNANCE

Corporate governance

At the Apator Group, the overriding value is **responsibility**, which means full compliance with the applicable law, but also with internal procedures and regulations. The Group enforces and promotes ethical principles in all aspects of its operations and builds relationships with its Stakeholders based on integrity and partnership.

2019–2023 CSR strategy commitments

The Apator Group has made the following commitments in the LEARNING AND DEVELOPMENT dimension:

- Like in the case of ethics, our overriding value is responsibility, meaning full compliance with the applicable law, but also honesty in our relations with others.

Apator SA has undertaken to comply with the principles of corporate governance, i.e. "2021 Best Practice for GPW Listed Companies", introduced by Resolution No. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange dated 29 March 2021. The Company complies with most principles set out in the Best Practice document except the following:

- 2.1, 2.2 and 2.11.6 — due to the lack of measurable targets and deadlines for achieving adequate parity with regard to the diversity policy regarding the Management Board and the Supervisory Board,
- 4.1 — no possibility for shareholders to participate in the General Shareholders Meeting by means of electronic communication (e-meeting).

For more information on how the company applies the principles set out in "2021 Best Practice for GPW Listed Companies", please visit www.apator.com, Investor Relations -> Corporate Governance.

3.1. FUNDAMENTALS OF ORGANISATIONAL CULTURE

3.1.1. Mission and vision

The Apator Group invariably strives to maintain its position as a European leader in hardware and software solutions for Smart Metering and Energy Management. The Apator Group continues to develop solutions that enable effective management of natural resources and support innovative energy companies in meeting the challenges of the energy transition.

The mission of the Apator Group is to disseminate advanced technologies to a broader group of recipients which, apart from the utilities sector, include entrepreneurs and the public. The Apator Group wants to create tomorrow's solutions for active and conscious market participants who care about the environment, the planet and future generations, supporting them to self-generate, manage and share green energy and save natural resources.

The motto of the Apator Group is:

Green technology
for your business and home

3.1.2. Company values

The company values of the Apator Group are the basis for shaping the organisational culture. They are a signpost in everyday operations, a reference point for decisions made and a guideline of how the employees of Apator Group companies should work, what they should be guided by and in which areas they ought to be particularly committed, as well as of how to cooperate and communicate.

The introduction of company values at the Apator Group was accompanied by an extensive awareness campaign. This included the creation of "Wartościaki" (Valuers), characters embodying individual company values which are now present in the company space and appear in various communication activities. All newly hired employees are introduced to the company values, and the entire team commits to promoting these values through their attitude and conduct in daily work.

Values at the Apator Group



3.2. MANAGEMENT STRUCTURE

3.2.1. Management principles at Apator SA and the Apator Group

Apator SA is a joint-stock company, the parent entity of the Apator Group. According to the Polish Code of Commercial Companies, the organs of a public limited company are the General Shareholders Meeting, the Supervisory Board and the Management Board.

Structure of Apator SA authorities as of 31 December 2022



A detailed description of the corporate governance framework is available in the Report of the Management Board on the activity of Apator SA in 2022. It includes, among other things:

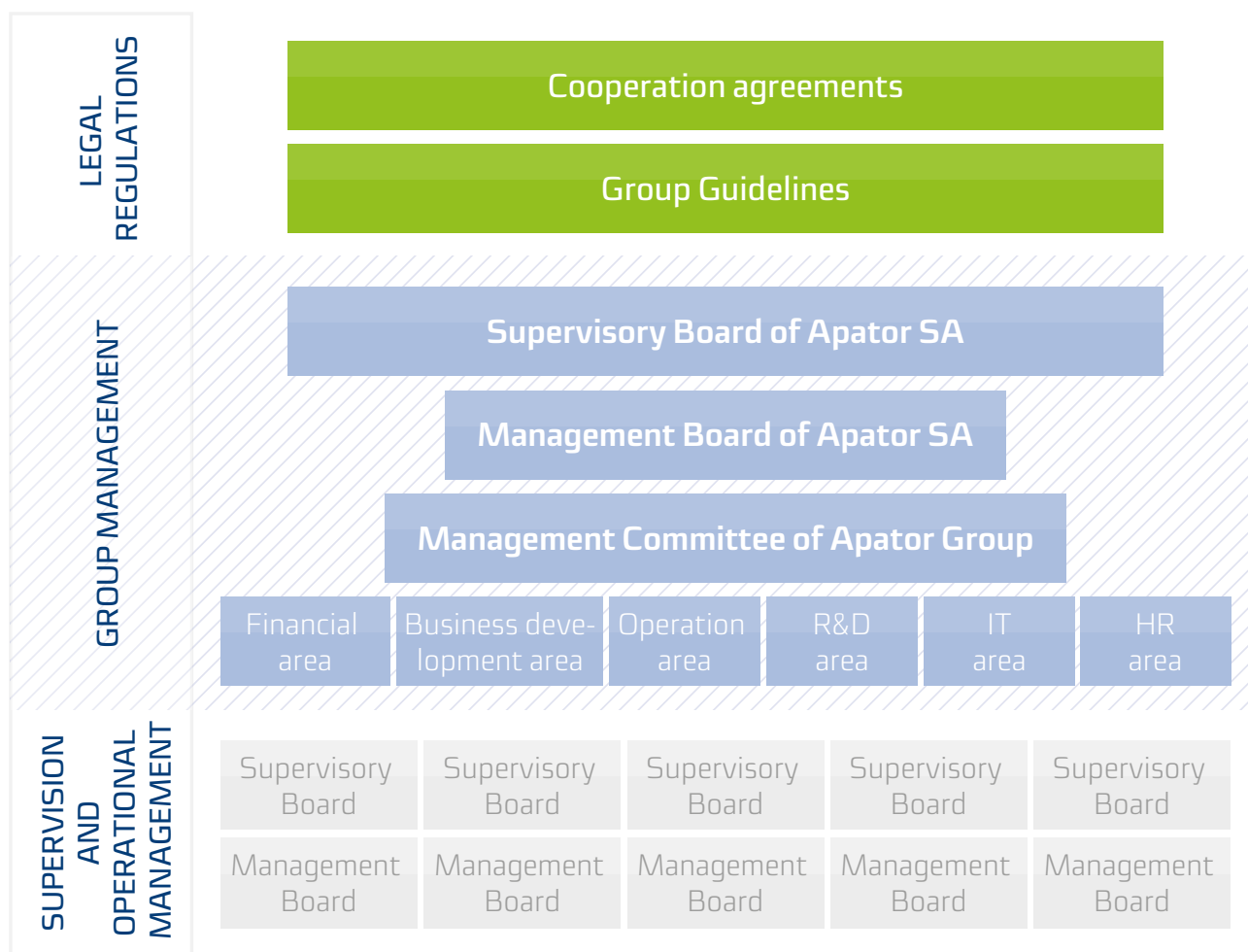
- description of the activities of the supervisory and management bodies,
- information on the experience, competencies and degree of independence of the members of the supervisory and management bodies,
- information on powers, duties and manner of appointment of supervisory and management bodies at Apator SA,
- auditor selection procedures,
- information on the remuneration policy applicable to Management Board and Supervisory Board members.

For the full document, please visit www.apator.com, Investor Relations -> Corporate Governance.

Unified corporate governance applies in all Polish companies of the Apator Group of Companies. Corporate governance takes place through:

- personnel changes on the Management Boards and Supervisory Boards,
- internal regulations in the form of group guidelines, which are established by cooperation agreements,
- activities of committees established within the Apator Group,
- internal audit,
- shared functions (including finance and controlling, HR, IT, IR communication and promotion).

Management system at the Apator Group



Group guidelines

The documents establishing group guidelines standardise key processes and introduce common operating principles at Apator Group companies. These concern such areas as:

- managing the strategy of the Apator Group,
- Apator Group Code of Ethics,
- compliance,
- CSR strategy,
- insurance and umbrella credit facilities,
- communication principles,
- sponsorship policy,
- product quality and lifetime,
- contract listing principles,
- after-sales service,
- fleet management,
- Group asset optimisation,
- electricity purchasing rules.

Further, there are sets of guidelines in force at the Apator Group that introduce standards of operation in the form of:

- information guidelines (on confidential information, regulations in companies' corporate documents, etc.),
- financial guidelines,
- area-specific guidelines (on purchasing, IT, environment, marketing and promotion).

As of 2022, two group committees were active at the Apator Group:

- Financial Committee — responsible for such things as the analysis and assessment of the current financial situation of Apator Group companies, presenting forecasts for subsequent periods in relation to the approved budget, as well as analysing the regulatory environment in terms of changes and their relevance,
- Management System Officers Committee — responsible for improving management systems at the Apator Group through their integration in selected areas.

Integrated Management System

Apator Group companies operate in accordance with an Integrated Management System covering policies on:

- quality management,
- environmental management,
- health and safety management,
- information security.

Management Systems are tailored to the specific operations of individual companies. The Group's domestic companies that carry out manufacturing operations comply with the following standards:

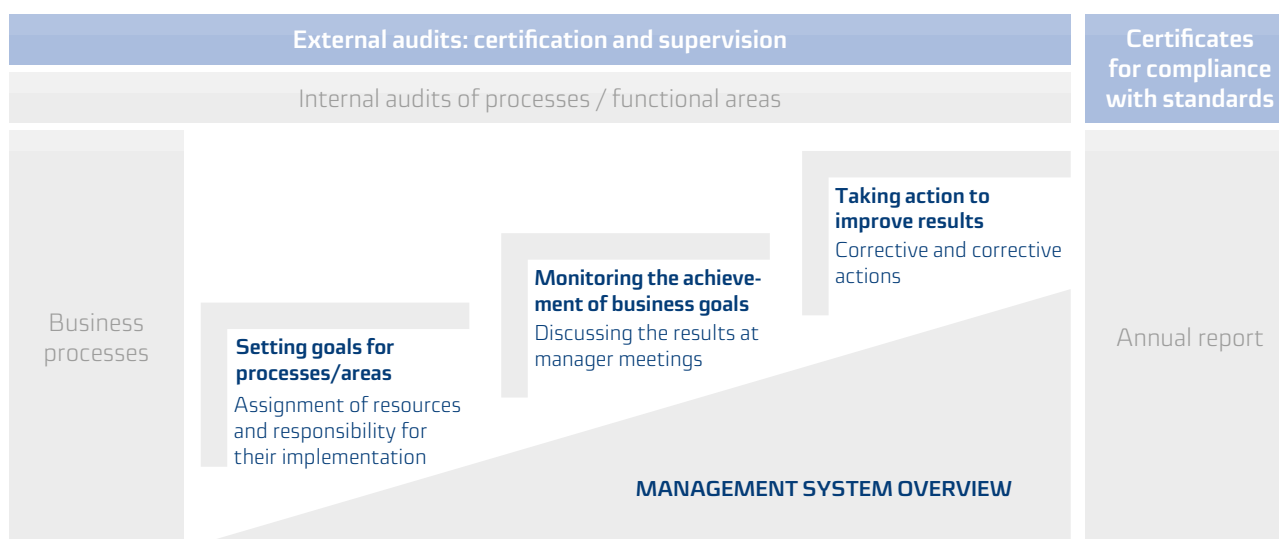
Standard type	Apator	Apator Metrix	Apator Powogaz	FAP PAFAL	Apator Telemetry
PN-EN ISO 9001:2015	X	X	X	X	X
PN-EN ISO14001:2015	X	X	X	X	X
PN-ISO 45001:2018	X	X	X	X	X
PN ISO/IEC 27001:2013	X	X			X

Integrated Management System policy at Apator SA

The Integrated Management System covers all key areas of the company's operations: quality, environment, health and safety and information security. System integration allows processes, procedures and operating practices to be made more consistent, resources to be better planned and, as a result, the organisation's efficiency to be continuously improved.

Integrated management system policy			
GOALS OF QUALITY MANAGEMENT SYSTEM	GOALS OF THE ENVIRONMENTAL MANAGEMENT SYSTEM	GOALS OF THE INFORMATION SECURITY MANAGEMENT SYSTEM	GOALS OF THE OCCUPATIONAL SAFETY MANAGEMENT SYSTEM
ISO 9001	ISO 14001	ISO 14001	ISO 14001
<ul style="list-style-type: none"> Financial goals Goals of the sales process Goals of the purchasing process Goals of the production process, including quality indicators Objectives of the human resources management process 	<ul style="list-style-type: none"> Waste management Media management Energy intensity Water consumption 	<ul style="list-style-type: none"> Availability of critical systems Incident management 	<ul style="list-style-type: none"> Accident

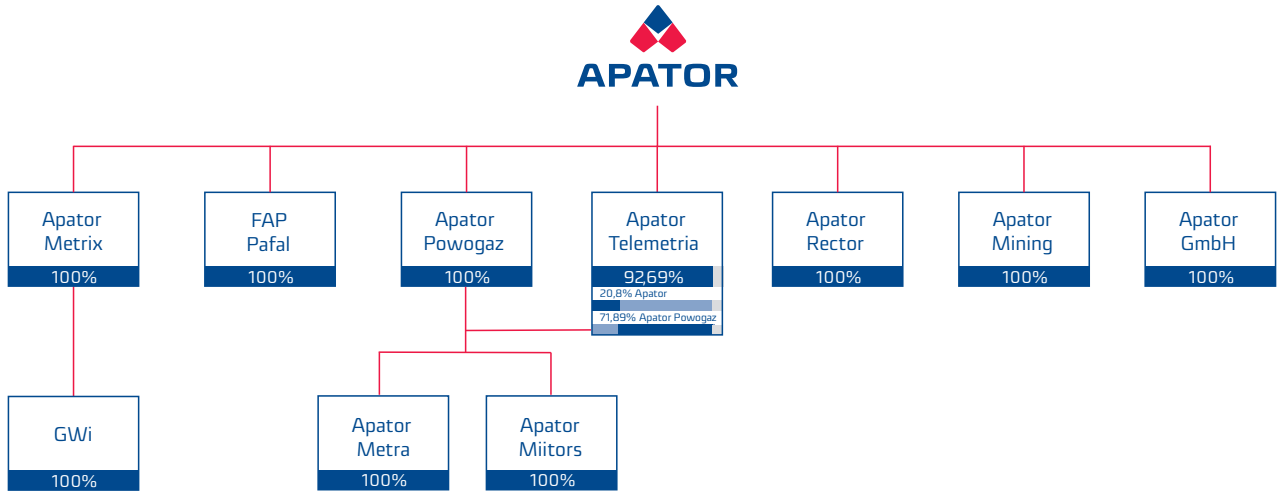
The diagram below shows the elements of the Apator SA management system:



Similar Integrated Management Systems have been implemented at Apator Powogaz and Apator Metrix.

3.2.2. Structure of the Apator Group

The structure of the Apator Group as of 31 December 2022 is as follows:



Main manufacturing facilities in Poland



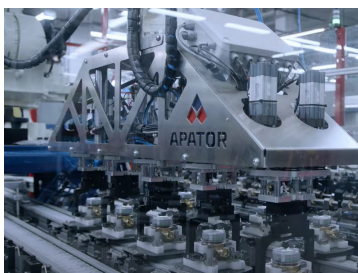
Ostaszewo near Toruń

Production of electricity meters and switchgear



Łódź

Production of automated protection systems and telemechanics



Jarzyski near Poznań

Production of water and heat meters



Tczew

Production of gas meters



Słupsk

Systems and devices for remote reading

3.3. APATOR GROUP CODE OF ETHICS

The **Apator Group Code of Ethics** is a set of overriding principles setting the framework for business conduct. It contains examples of good practices and guidelines that apply in business relations with customers, suppliers and business partners and serve as the basis for cooperation within the Group in contacts between team members.

The Apator Group Code of Ethics is reviewed and updated regularly. The most recent edition of the Code came into force in April 2021. It has been modified in order to:

- bring its provisions into line with current legislation,
- meet GPW's recommended compliance standards, in particular, concerning:
 - anti-corruption,
 - giving and receiving gifts,
 - whistleblowing and whistleblower protection system,
 - sponsorship and donation policy,
 - compliance management, training and audits in the aforementioned areas,
- adjusting provisions to match market practices and expectations,
- adapting to the needs of the organisation.

The Apator Group Code of Ethics has been subjected to internal verification by a legal counsel, selected managers and Management System Officers at Apator Group companies. The Apator Group Code of Ethics is available in Polish and English at www.apator.com.

In 2022, ethical clauses were introduced to contracts with business partners (suppliers, subcontractors), based on which the contractual parties undertake to comply with the Apator Group Code of Ethics. The next review and update of the Code of Ethics are scheduled for 2023, in connection with the planned update of the ESG Strategy (i.e. the current Apator Group CSR Strategy 2019–2023).

3.4. KEY CORPORATE GOVERNANCE POLICIES

3.4.1. Anti-corruption and anti-bribery policy

Apator Group companies pledge to operate to act in accordance with the applicable law, to uphold high ethical standards and to pursue a zero-tolerance policy for any manifestations of corruption. The Group systematically analyses the potential corruption risks that may arise in the ongoing activities and applies countermeasures to reduce the likelihood of corrupt conduct.

Actions in this respect are specified by the **Apator Group Code of Ethics**, which establishes the overriding principle that **the Apator Group does not accept any conduct that violates impartial business decision-making**. Among other things, this means that Group employees are not allowed to accept or offer material benefits that could influence business activities and decisions.

The Apator Group prohibits any and all kinds of corruption, including:

- giving, promising to give, offering or soliciting a gratuity in the form of payment, gifts, trips or any other benefits in order to obtain or thank someone for obtaining a business advantage,
- accepting gifts, trips, invitations or other benefits or promises to receive them from a third party (subject to exceptions set out in the Apator Group Code of Ethics),
- using company funds for private purposes or personal gain and knowingly mismanaging company assets in breach of generally accepted principles,
- giving or promising to give an intermediary a financial or personal benefit in exchange for intermediation, e.g. supporting the selection of a given supplier, contractor or service provider,
- nepotism, cronyism — favouring relatives, relations by affinity or colleagues.

Other crucial components of the anti-corruption system at the Apator Group include:

- unambiguous and transparent operating procedures that are known and available to both Group employees and customers and business associates,
- monitoring all processes for the possibility of corruption risks and analysing the risk of corrupt conduct,
- raising awareness among Group employees by enhancing the organisation's culture, streamlining internal communication and improving incentive systems,
- building ethical leadership related to internal communication, promoting ethical attitudes, reinforcing Apator's image of an ethical organisation,
- targeted employee education activities on ethics and anti-corruption.

The principles of the anti-corruption policy apply to all employees of the Apator Group, as well as its management and supervisory bodies, and co-operators and business partners acting on behalf of Apator Group companies.

Executives are required to take a leading role in creating an organisational culture in which corruption will not have a chance to exist and will be treated as a strictly prohibited phenomenon.

Each Apator Group employee has a duty to prevent, report and identify cases of corruption. The way of handling any reports of corrupt conduct is set out in the Group's Guidelines — see "Identification of Legal Requirements and Compliance Management". The Apator Group Code of Ethics also presents the path for reporting violations and transmitting possible questions or for employees to share ethical concerns.

Protecting whistleblowers' identities

At Apator Group, a whistleblowing system has been established that enables employees, co-operators, contractors and partners, including business partners and anyone performing any activities on behalf or for the benefit of Apator Group companies to provide information and report violations in a confidential manner, with the system ensuring anonymity to protect whistleblower identity.

Three defence lines model

The model introduces uniform principles for the division of roles and responsibilities at the Apator Group in terms of functional internal control, risk management and compliance, as well as a common set of techniques and tools. This ensures compliance with the obligations under the "2021 Best Practice for GPW Listed Companies" but, above all, allows risks in all business areas, including the risk of corruption and bribery, to be minimised and effectively eliminated. For more details, see: Risk management at the Apator Group

3.4.2. Human rights policy

The Apator Group strives to create an environment of work and cooperation with the business community **in which human rights are unquestionably respected and, with this in mind, implements practices to prevent circumstances that could lead to human rights violations.**

All Apator Group entities comply with Polish and international law in this area and act in accordance with the highest standards defined in internal documents. The most important of these are: Apator Group Code of Ethics, Personnel Strategy, CSR Strategy and Work Regulations of individual companies.

The Group's commitments to respecting human rights cover the following areas:

- Employees — all employees are treated with respect irrespective of their position, sex, age, nationality, ethnicity, sexual orientation, family situation, disability, or political and religious views. Apator Group companies comply with all applicable legislation on employment conditions, improve human resources management processes and ensure a friendly workplace atmosphere. They also combat mobbing and discriminatory practices.
- Contractors — employees of Apator Group companies undertake to respect and promote human rights in their relations with suppliers, customers and business partners. This cooperation is conditional, among other things, on the business partners' compliance with ethical principles and health and safety standards.
- Shareholders — Apator SA operates in such a way as to secure the interests of the company shareholders. It also places great importance on providing shareholders with reliable and up-to-date information on the current situation of Group entities and on events that have a potential impact on the Group's results.

Equal opportunities and mutual respect

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

- establishing and terminating employment relationships,
- terms and conditions of employment,
- promotion,
- access to training to improve professional qualifications.

Equal treatment means not discriminating directly or indirectly in any way, irrespective of sex, age, disability, race, religion, nationality, political views, trade union membership, ethnicity, religion, sexual orientation, or of whether the employment is for a finite or indefinite time, full-time or part-time.

Workplace diversity

Due to the specific nature of their operations on the public tenders market, Apator Group companies periodically increase employment in the manufacturing area with the help of a flexible workforce agency to handle larger order volumes. Among the temporary workers hired for this purpose are both Polish nationals and foreigners (primarily from Eastern Europe). Regardless of the form of employment, work in similar positions is remunerated according to the same rules. Depending on the extent of other benefits offered by the employer during the year, all employees receive Christmas gifts and participate in team-building events. The company strives to ensure proper adaptation and a good working atmosphere for foreigners — this has included preparing information materials in Ukrainian and Russian and regular meetings to support employees and clarify any uncertainties.

The Apator Group has not developed a standalone Employee Diversity Policy. The basis for action in this area is the provisions of the Apator Group Code of Ethics, Personnel Strategy, CSR Strategy and the Work Regulations of individual companies. All Apator Group employees are subject to uniform rules concerning development opportunities and the remuneration and bonus system, which is closely linked to employee tasks, commitment and results.

- As of 2022, the share of women at the Apator Group was 47% of total employees compared to 44% in 2021.
- The proportion of the Apator Group's foreign employees increased from 1.8% of total employees in 2021 to 3.0% of total employees in 2022.
- People with disabilities accounted for 2.8% of total employees at the Apator Group (compared to 2.6% in 2021).

For more information on our efforts to ensure that employee human rights are respected, including gender pay equity indicators, see SECTION 5 — chapter: Employee relations.

Diversity in supervisory bodies

In accordance with the "2021 Best Practice for GPW Listed Companies", Apator SA has developed a diversity policy for the company's governing bodies and key management positions; however, it does not include measurable targets and deadlines for achieving appropriate parity.

The composition of the Supervisory Board results from decisions taken by the General Shareholders Meeting, whereas that of the Management Board is determined by the Supervisory Board of the respective company. The Apator Group recognises the growing importance of creating a diverse working environment. Accordingly, in appointing company bodies and managers, the competent authorities seek to ensure comprehensiveness and diversity, particularly in terms of education, age, work experience and gender. Nonetheless, due to the specific character of the industry and the technical nature of the business, the decisive aspect here is, first and foremost, the relevant competencies and professional background required for a particular position.

Indicators related to prevention of corruption and bribery and respect for human rights

Anti-corruption and anti-bribery	2022	2021
Reported cases of corruption and bribery	0	0
Apator Group companies assessed in terms of corruption risk*	10	11
Percentage of Apator Group companies assessed in terms corruption risk	100%	100%
Value of donations to political parties and institutions of a similar nature	0	0

Respect for human rights	2022	2021
Reported cases of discrimination/mobbing/intimidation etc.	0	0
Group entities assessed for risk of human rights violations	10	11
Percentage of Group entities assessed for risk of human rights violations	100%	100%

*The summary does not include Apator Mining (non-core business). To maintain data comparability, the 2021 figures were additionally adjusted by excluding data concerning INDA and Teplovodomer, which ceased to be members of the Apator Group in 2022 (this applies to data in all tables in this report).

3.4.3. Data security and protection policy

Pursuant to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, the Apator Group has introduced numerous internal regulations to establish security policies related to the protection of personal data and other information in ICT systems.

Information security

The Apator Group's Information Security Management System is part of the Integrated Management System and covers the establishment, implementation, operation, monitoring, maintenance and improvement of information security. At Apator SA, a Warsaw Stock Exchange-listed company, which is the parent entity of the Apator Group of Companies, information security is deemed a priority and the details of the information security process are specified in the Information Security Procedure. The Procedure details the principles of information management and the process in question, in particular:

- Characteristics of the information processing area
- Information classification
- Information asset management and inventory principles
- Handling of security incidents
- Risk management methods
- Actions to ensure continuous operation of the information security system
- Information security areas
- Process monitoring and improvement methods

In 2022, Apator SA and Apator Metrix renewed their ISO 27001 certification — the audits found the system effective and deemed the information security rules and internal regulations transparent and adequate.

Personal data protection

Considering the nature, scope, context and purposes of data processing and the risk of infringement of rights or freedoms of natural persons, characterised by varying probability and threat severity, as well as to ensure the processing of personal data in accordance with the applicable law, Apator SA (ADO) has established the Personal Data Protection Policy, which is addressed to everyone employed at Apator SA or authorised to process data on its behalf.

The policy specifies in particular:

- authorisations and information obligations,
- personal data outsourcing and sharing principles,
- handling data protection incidents,
- methods of securing personal data,
- employee training,
- data subject rights and their exercise,
- action by the Data Protection Officer.

Training

Refresher training on data protection was held in 2022 and was attended by about 70 Electricity segment employees.

ICT security

Apator Group companies have implemented system-wide instructions regarding ICT security. They set out detailed procedures and modus operandi to ensure due diligence in processing personal data in compliance with the applicable law and bolster the company's digital security. In particular, they specify:

- ICT infrastructure management rules,
- access control, including physical and environmental security, permission management process, cryptographic security policy, password policy, clean desk and clear screen policy,
- software management, including software security, change management, system monitoring and supervision, principles of information systems audits,
- personnel security, including staff responsibilities and qualifications, staff training,
- ICT environment continuity, including backup rules (business continuity plan defined in an additional detailed instruction),
- IT security exception management,
- risk assessment and mitigation,

- ICT security incident management (additional detailed instruction),
- third-party access security (additional detailed instruction).

The rapid development of technology, the exponential growth of generated and processed data (which poses a serious challenge to systems, especially backup systems) and the need to provide direct IT support across numerous Apator Group facilities raises many new challenges related to cyber security. The Apator Group has introduced the Group Guideline "Optimisation of cyber security at the Apator Group", which aims to determine the scope of actions to be taken by the Group's management boards to verify the level of IT infrastructure security. The Guidelines also introduce a plan for consistent actions to bolster the Group's cyber security.

Further, the Guidelines set out a detailed range of activities on:

- penetration testing of IT infrastructure,
- a series of employee training courses,
- continuous monitoring of incoming and outgoing internet traffic,
- verifying e-mail account compliance with the least functionality principle,
- verifying and modifying the Active Directory structure.

The outcomes of the Guidelines actions will be verified by an independent external audit firm.

The year 2022 saw the following Guidelines actions:

- system penetration testing and a mock phishing campaign for employees,
- quality testing of the group website security,
- a series of employee training sessions in cyber security (attended by 179 employees at Apator Powogaz and 399 at Apator SA).

Numerous security enhancement measures were also implemented, including physical and system security, IT tool development, the expansion and upgrade of the current infrastructure, access control and many more.

Information security indicators

Information security indicators*	2022	2021
SLA (solving IT incidents according to assumed SLA limits)	91.0	93.0
Critical IT systems availability indicator**	95.7	99.0

* applies to Apator SA

** The indicator refers to the ability to log on to selected critical systems (relating to key operational processes) — there were no system failures in 2022 and the slight reduction in the indicator value was due to maintenance reasons; the indicator remains at an acceptable level for the company.

3.5. OPERATION OF THE COMPLIANCE SYSTEM

3.5.1. Description of policies and modus operandi

The principles of the compliance system are specified in the Group Guideline "Identification of Legal Requirements and Compliance Management". Activities in this area are aimed at:

- ensuring that business operations carried out by Apator Group companies comply with the applicable law and ethical principles and procedures included in the Apator Group Code of Ethics,
- increasing the legal awareness of employees and preventing criminal acts or taking other illegal actions,
- protecting Apator Group companies against the risk of legal sanctions resulting from illegal actions of employees or companies and against loss of good reputation of the companies,
- supporting employees in identifying legislation affecting their activities and in implementing legal obligations into internal procedures,
- defining the modus operandi for handling breaches, as well as whistleblower protection rules.

The Apator Group has established a Compliance Team tasked with:

- supporting employees and managers in identifying planned or enacted legal acts affecting the activity of Apator Group companies and distributing information to the relevant Apator SA companies or organisational units,
- supporting employees and managers in the implementation of legal requirements into the internal procedures of individual companies or group guidelines,
- supporting auditors in the verification of adaptation (implementation) measures,
- investigating reported cases of abuse.

During regular meetings, the Team analyses new or amended legislation, identifies its impact on the Company and the Group and then distributes this information to the relevant people in the organisation.

Reporting violations

The Group Guideline "Identification of Legal Requirements and Compliance Management" specifies how to report legal violations. If any violations are identified in the activities of an organisational unit or company, each employee is obliged to report this. Legal violations may also be reported by colleagues, contractors and other company stakeholders.

Violations can be reported by:

- e-mail to: compliance@apator.com,
- in writing to the Apator SA Plant in Ostaszewo, with the following note: "attn. Director of IRC",
- using dedicated on-site boxes available at Apator Group companies, labelled "reports of violations / to the Supervisory Board of Apator SA"

The following methods are used to investigate violations at the company:

- employee interviews (explanatory meetings),
- institutional internal control,
- internal audit.

Reports are reviewed by the Compliance Team and, depending on their nature, information is provided to the Management Board or Supervisory Board of the relevant company, including a detailed description of the report/issue and a deadline by which explanations must be provided (position on the veracity of the report, description of the reasons for non-compliance, proposed actions).

At least once per six months at its meeting, the Supervisory Board of Apator SA reviews all notifications from the last six months together with the description of verification actions taken and, if justified, also corrective actions.

Confidentiality is assured to anyone who reports legal violations. Only the Compliance Team has access to the whistleblower's data.

No person may suffer any negative consequences in connection with a report made, whether directly or indirectly. In particular, making a report cannot be the basis for employee termination or changing working or pay conditions to less favourable ones.

The performance of the system and the Compliance Team is reviewed annually by the Supervisory Board of Apator SA under the "Internal Control, Risk Management and Compliance System Effectiveness Evaluation".

3.5.2. Activities and results

The following activities were carried out as part of the compliance system in 2022:

- Monitoring and communicating legal changes:
 - monthly updates on current legal developments,
 - rights and duties of the Supervisory Boards,
 - corporate and holding company law,
 - public procurement law,
 - key environmental legislation,
 - Polish Deal.
- Internal documents and regulations:
 - Compliance Team activities,
 - group regulations update,
 - proposed amendments to guidelines, regulations and instructions,
 - updating the lists of powers of attorney and proxies.
- Legal support, including:
 - reviewing and drafting of contracts,
 - preparing legal analyses,
 - participating in negotiation processes,
 - legal services for shareholders' meetings and Supervisory Board meetings,
 - interpreting legislation and providing legal advice.
- Internal training
 - changes in the law, internal regulations, conclusion of contracts,
 - training for Supervisory Boards, Management Boards and employees.

3.6. RISK MANAGEMENT AT THE APATOR GROUP

3.6.1. Description of policies and modus operandi

Risk management at the Apator Group aims to ensure that all relevant risks are identified, analysed and controlled on an ongoing basis. Risk management is implemented based on the three defence lines model and the uniform principles and methodology stemming from the international standard ISO 31001. At the individual Group companies, risk management is an integral part of their management systems and continues to be supervised by the parent company.

The risk management policies adopted at the Group include risk controls broken down into:

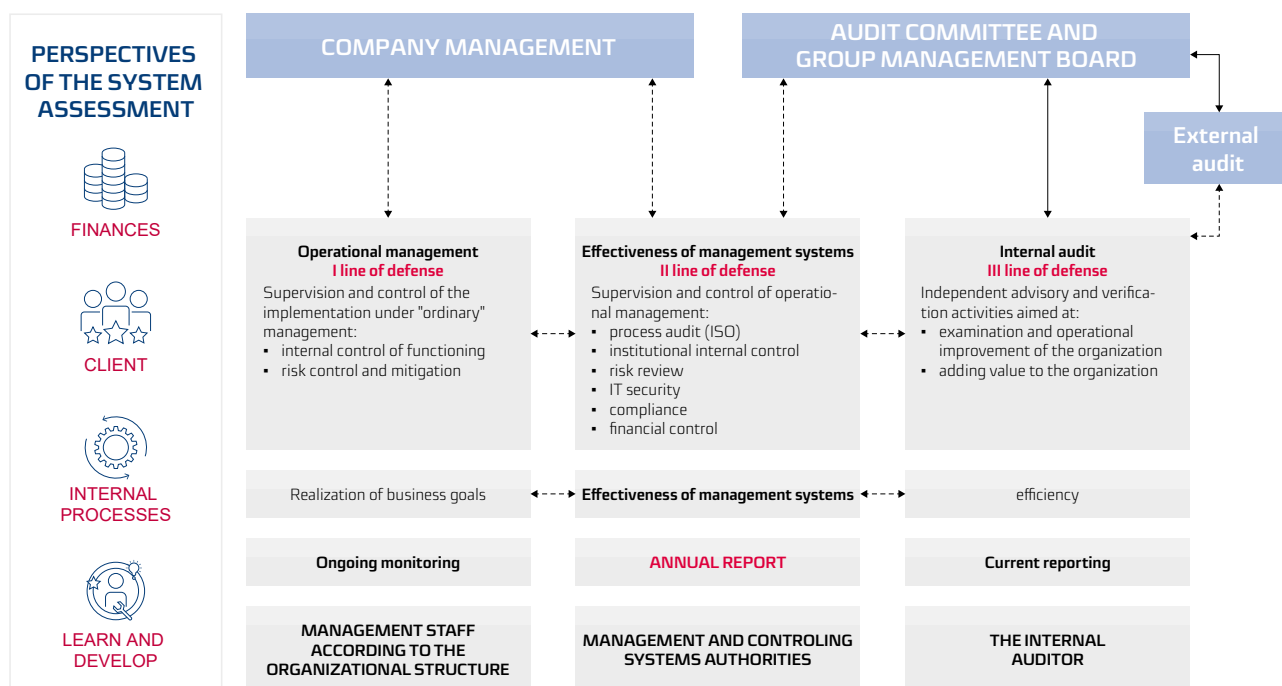
- financial management risk,
- strategic risk related to the development and value creation of the Apator Group,
- operational risk, including day-to-day performance, legal compliance, occupational health and safety, information security and environmental protection.

The principles of risk management are defined in the Group Guideline "Risk Management Process at the Apator Group". The Guideline introduces uniform principles for the division of roles and responsibilities in terms of functional internal control, risk management and compliance and a common set of techniques and tools across the Group.

Risk control structure:

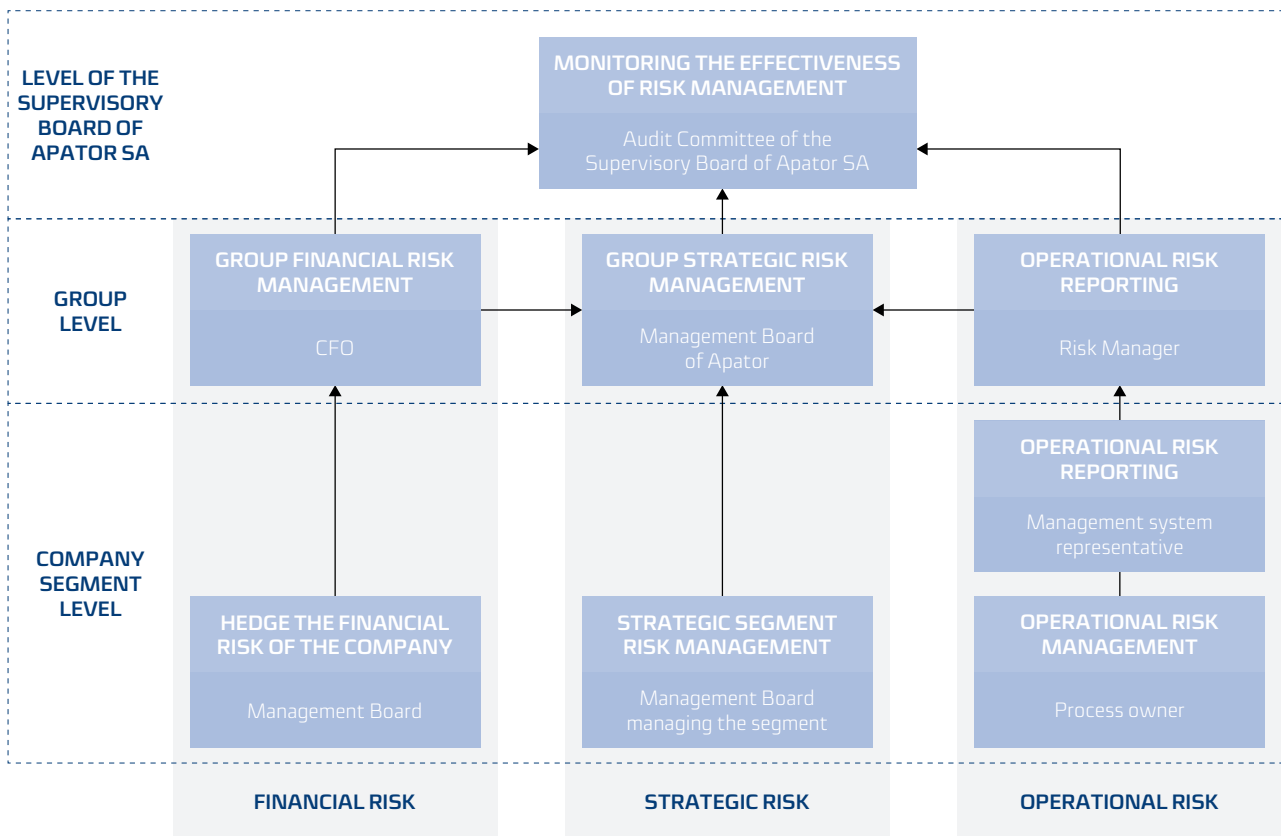
- 1st line of defence — represents the supervision and control exercised as part of managerial and management functions (operational management),
- 2nd line of defence — consists in verifying the correctness of operations and compliance with internal and external regulations by dedicated units,
- 3rd line of defence — independent verification and advisory activity carried out by the internal auditor, aimed at improving the operational performance of the organisation and adding value to it.

The diagram below shows the approach to assessing the effectiveness of the internal control, risk management and compliance system at the Apator Group:



THREE LINES OF DEFENSE

The diagram below shows the scope and responsibility for risk management at the Apator Group:



A regular risk review takes place once a year — its coordination is the responsibility of the Management System Officers. Officers at a given company update risk registers and prepare a company risk report, which, after approval of the company Management Board, are submitted to the company Supervisory Board and the Chairman of the Apator Group's Management System Officers Committee.

The Risk Manager updates the Group risk register and prepares the Group risk report, which is submitted to the Management System Officer at Apator SA.

Once a year, the Risk Manager works with the Management System Officers to prepare a report on operational risk across the entire Apator Group, which is submitted to the Apator SA Management Board and the Audit Committee of the Apator SA Supervisory Board.

Internal audit

The internal audit at the Apator Group is based on a Group Guideline that regulates the basic principles of internal audits and the competencies and scope of powers of the Internal Auditor.

Principles of Internal Audit at the Apator Group:

- the Internal Auditor is authorised to carry out the following audits at the Apator Group companies: financial, operational, system, IT, compliance or any other audit ordered by the Audit Committee,
- the Internal Auditor reports directly to the President of the Management Board of Apator SA, the Audit Committee and the Apator SA Supervisory Board, the Apator SA Director of IRC, as well as the President of the Management Board and the Supervisory Board of the audited Company,
- based on recommendations of the Audit Committee, the Apator SA Supervisory Board may appoint or dismiss the person in charge of the Internal Audit function and change their remuneration,
- the Audit Committee monitors audit independence,
- the Internal Auditor prepares an internal audit report that presents, in a clear, fair and concise manner, the findings and conclusions of the internal audit and makes recommendations,
- the Auditor submits the entire audit report along with recommendations to the Apator SA Supervisory Board and the part of the report concerning the given company to the Supervisory Board and the President of the Management Board of the company in question.

- Once the recommendations have been implemented, those responsible send a brief communication to the Internal Auditor on their completion,
- By 31 March each year, the Internal Auditor prepares and submits to the President of the Management Board of Apator SA and the Apator SA Supervisory Board a summary report on the audit for the previous year together with the information on the actions taken at the companies,
- At least once a year, the Internal Auditor and the Management Board present their own assessment of the effectiveness of the internal control, risk management and compliance systems to the Supervisory Board.

3.6.2. Activities and results

Activities carried out in 2022:

- risks were reviewed in line with the Group Guideline,
- the Internal Auditor carried out four internal audits. Further, the Auditor supported the Apator SA Management in three investment projects and prepared two ad hoc analyses,
- As part of the audits carried out in accordance with the 2022 plan adopted by the Supervisory Board, the following issues were analysed:
 - course and prospects of the "Relocation of Apator Powogaz SA" investment project — relocation carried out on time; additional costs were incurred that could not have been predicted before deciding to relocate,
 - MES implementation at Apator SA — the investment project schedule and budget were found to be exceeded.

The Auditor's conclusions served as the basis for the Supervisory Board recommendations made to the Management Boards of Apator SA and Apator Powogaz SA.

3.7. Non-financial risks

Risk and hazard factors related to business activities are described in detail in the Report of the Management Board on the activity of Apator SA in 2022. The summary presented in this report covers risks related to the so-called non-financial, i.e. social, area of the Apator Group's activity, comprising ethics, workplace and environment, as well as social environment relations.

3.7.1. Corporate governance/ethics risks

Anti-corruption and anti-bribery risks

1. Risk of (employee) abuse

Preventive actions:

- disseminating ethical attitudes and ethical conduct models contained in the Code of Ethics and other documents across the Group and at individual companies,
- employee training in the areas of ethics, organisational culture and corporate governance,
- unambiguous definition and promotion of knowledge about applicable procedures in the event of abuse among employees;
- internal control system and systematic monitoring to identify potential abuse,
- internal and external audits of Group regulations and processes.

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

Preventive actions:

- compliance with the law,
- promoting principles (ethics, integrity, partnership) for building relationships with partners based on mutual trust and mutual benefit in all aspects of company operations,
- clearly defined criteria for assessing and selecting business partners,
- establishing cooperation with suppliers who offer performance guarantees,
- obliging suppliers to read and comply with the Apator Group Code of Ethics,
- day-to-day and periodic supplier assessments/audits (temporarily suspended due to pandemic restrictions),
- employee training in purchasing and cooperation with suppliers.

3. Risk of conflict of interest

Preventive actions:

- Dissemination (to staff and managers/supervisors) of knowledge/awareness of potential conflicts and training in this area,
- strict compliance with the law, the provisions of the "2021 Best Practice for GPW Listed Companies" and internal regulations (Supervisory Board Regulations, Management Board Regulations),
- relevant provisions in employment contracts/cooperation contracts.

4. Risk of (financial) data manipulation

Preventive actions:

- implementing the highest standards of corporate governance to pursue a transparent and effective information policy,
- external auditing of financial statements;
- consciously shaping investor relations and providing the environment with reliable information on the Group's activities carried out through such means as:
 - running an investor relations website,
 - publishing current and periodic reports,
 - holding conferences for media, investors and analysts,
 - regular meetings with investors and analysts,
 - press officer activity,
 - working with an investor relations agency,
 - Audit Committee activities supporting the Apator SA Supervisory Board in matters concerning separate and consolidated financial reporting, internal control, risk management and working with statutory auditors.

5. Risk of non-compliance with the law

Preventive actions:

- actions of the Compliance Team,
- actions of the Internal Auditor,
- internal audits of procedures for legal compliance and process compliance,
- implementation of contract review and acceptance rules,
- database of model contracts and mandatory clauses,
- general conditions of sales and purchase contracts,
- financial audits,
- compliance training,
- contractor verification procedures.

Human rights risks

1. Risk of discriminatory actions at the organisation

Preventive actions:

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

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

Preventive actions:

- disseminating ethical attitudes and ethical conduct models contained in the Code of Ethics and other documents across the Group and at individual companies,
- employee training in ethics, company values, organisational culture and applicable law,
- internal control system and systematic monitoring of human rights compliance within the organisation and in relations with partners,
- internal and external audits on compliance with Group regulations and processes.

3.7.2. Labour risks

1. Risk of staff availability (finding staff with the right skills and losing key staff)

Preventive actions:

- strengthening and developing the HR function, implementing the HR programme for further business lines,
- early human resources planning (annual and multi-annual staffing plans),
- employer branding activities in the area of external recruitment (job fairs, working with universities, media presence, internship programmes, apprenticeships) and internal recruitment,
- proper employee onboarding and training; clearly defining the scope of responsibility of the new hires,
- building and developing staff competencies and developing team management skills among managers and executives,
- building effective motivation systems (Management by Objectives); recognising achievements and initiatives (Periodic Competence Assessment System),
- informed and clear communication with employees.

2. Risk of non-compliance with the GDPR

Preventive actions:

- adapting internal regulations and corporate documentation to the GDPR requirements,
- adapting data sharing and outsourcing rules accordingly,
- awareness-raising for employees, e.g. through training, internal publications,
- adapting data privacy notices and personal data processing and storage consent forms to the GDPR requirements,
- adapting contractual provisions with contractors to the GDPR requirements,
- validating technical and ICT security features,
- actions taken by the Data Protection Officer,
- internal GDPR compliance audits.

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

Preventive actions:

- a remuneration system that is conducive to staff development and based on clear criteria,
- Corporate Collective Labour Agreements,
- trade union activities,
- enabling employees to receive feedback on performance through the Periodic Competence Assessment System,
- promoting company values and actions in line with the Code of Ethics and the organisational culture,
- consistently counteracting and combating negative conduct (discrimination, bullying, mobbing, harassment),
- social measures to foster employee integration and identification with the Group culture.

4. Risk of unsafe working conditions

Preventive action — appropriate procedures for managing occupational risks:

- internal health and safety audits and assessments of individual workstations,
- providing workstations with technical equipment and work organisation compliant with the legal regulations, including the Labour Code;
- setting up workstations taking ergonomic principles into account,
- using protective measures and technical resources that meet specific requirements,
- employing staff with qualifications and health and physical conditions appropriate to the requirements of the job,
- initial, periodic and follow-up medical examinations,
- initial and periodic health and safety training, job instructions, educational activities,
- activities of the Health and Safety Committee, including regular reviews of working conditions, regular health and safety assessments, making proposals for the improvement of working conditions,
- systematic monitoring of working area risks; internal audits,
- procedures in the event of an emergency, accident, failure or crisis (e.g. an epidemic),

- procedures for handling increased morbidity caused by viral infections,
- preventive and awareness-raising education campaigns on hygiene rules, prevention of virus infection, recognition of symptoms and procedures in place.

3.7.3. Social risks

Social risks

1. Risks in customer relations

Preventive actions:

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

2. Risks in local community relations

Preventive actions:

- working and maintaining dialogue with NGOs and social partners,
- agreements on cooperation with social partners, confirmed by reports on the services rendered,
- keeping abreast of ongoing projects.

3. Reputational risk

Preventive actions:

- maintaining an information policy in line with the "2021 Best Practice for GPW Listed Companies" and internal regulations; ensuring easy and non-discriminatory access to disclosed information for anyone, via various communication tools,
- employee training in ethics, organisational culture and applicable law,
- cyclical meetings of the Management Boards of the various Group companies with employees and effective internal communication,
- open, transparent communication; effective marketing and PR activities.

3.7.4. Environmental risks

1. Risk of non-compliance with applicable legislation, resulting in fines/increased environmental charges

Preventive actions:

- systematic monitoring of existing legislation (amendments to existing legislation, new regulations) and deadlines,
- monitoring the core business activity of Apator Group companies for compliance with applicable regulations,
- adapting the Group's internal rules and regulations to changing legislation,
- reporting to the competent authorities and institutions responsible for environmental management,
- adequate financial mechanisms to secure funding for the timely payment of any fees or damages,
- employee environmental protection training.

2. Risk of creating/increasing environmental impacts in terms of: 1. raw material consumption volume, including non-renewable raw materials; 2. pollutant (environmentally harmful agent) emission volume causing deterioration of the natural environment (air, water, soil, etc.).

Preventive actions:

- continuous environmental impact monitoring as part of the Environmental Management System,
- analysing the environmental aspects at each stage of the value chain to identify activities that may affect the environment,
- taking environmental considerations into account at the manufacturing process planning and optimisation stages,
- implementing solutions/technologies that reduce the environmental impact of the company operations,
- implementing metering systems to manage electricity, water, heat and gas use,
- environmental management system audits,
- annual reviews of the environmental management system.



4. SOCIAL

4.1. EMPLOYEE RELATIONS

Apator Group companies operate in the technology and industrial sector, coordinating the full value chain from research and development of new solutions to their manufacture at the Group's own companies and industrial plants to the distribution of products and services on the market.

Implementing new technologies and building an advantage in a highly competitive market requires investing **in human, intellectual and relationship resources**, which are the sum of the Group's accumulated expertise, experience and specialised team competencies, developed and proven operating procedures, intellectual property (patents, trademarks, etc.), manufacturing technologies and long-lasting relationships with customers, suppliers and technology partners.

At the Apator Group, company operations are based on creating a friendly, **development-oriented workplace** and **shaping the organisation's culture around the company values** of responsibility, development, collaboration and agility. The priorities in the employee relations area concern:

- improving human resources management processes,
- implementing tools to support employee development,
- building team commitment, loyalty and motivation.

Ensuring employee safety is a key element in creating a good workplace. Apator Group companies have developed the necessary procedures and are taking subsequent measures to eliminate accident hazards and minimise the harmful workplace factors affecting employees. In special circumstances (e.g. during an upsurge in viral infections), additional steps are taken to ensure employee health and safety, as well as safe cooperation with contractors, shippers and business partners.

4.1.1. Employment structure at the Apator Group

At the end of 2022, the Apator Group employed 2,408 employees, 47% of whom were women and 53% men.

Employment indicators, including employment form

Employment at the Apator Group*	2022	2021	YOY dynamics [%]
Annual Work Units [AWU**], including:	2,274.2	2,340.2	97%
those covered by Collective Labour Agreements	1,417.1	1,299.1	109%
Employment at the end of the year [persons], including:	2,408	2,356	102%
women	1,132	1,044	108%
men	1,276	1,312	97%

Employment at the end of the year [persons], including:

1. Full-time positions	2,370	2,323	102%
women	1,111	1,028	108%
men	1,259	1,295	97%
2. Part-time positions	38	33	115%
women	,21	16	131%
men	17	17	100%
Employment at the end of the year [FTEs], including:	2,397.0	2,349.3	102%
women	1,126.2	1,043.3	108%
men	1,270.8	1,306.0	97%

Employment at the end of the year [FTEs], including:

1. Indefinite term contracts	1,893.3	1,933.6	98%
women	816.5	820.3	100%
men	1 076.8	1,113.3	97%
2. Fixed-term contracts	468.8	380.5	123%
women	290.8	214.0	136%
men	178.0	166.5	107%
3. Probationary period contracts	35.0	35.2	99%
women	19.0	9.0	211%
men	16.0	26.2	61%
Employment at branches other than the companies' headquarters [FTEs]	87.0	58.5	149%

* Excluding employees on maternity leave and leave under maternity leave conditions, as well as on paternity, childcare or parental leave, and vocational education leave.

** AWU — Annual Work Units, i.e. the number of full-time equivalent (FTE) employees working at or on behalf of a given enterprise during the entire reference year.

*** To maintain data comparability, the 2021 figures were adjusted by excluding data concerning INDA and Teplovodomer, which ceased to be members of the Apator Group in 2022 (this applies to data in all tables in this report).

Employment indicators including diversity indicators: gender breakdown, employment of people with disabilities, employment of foreigners

Employment of persons with disabilities	2022	2021	YOY dynamics [%]
Persons with disabilities employed			
year-end status [persons]	67.0	62.0	108%
annual average [persons]	66.8	56.4	118%

Employment of foreigners	2022	2021	YOY dynamics [%]
Nationals of the company's country of residence employed			
year-end status [persons]	2,337.0	2,314.0	101%
annual average [persons]	2,222.3	2,302.4	97%
Number of foreigners employed			
year-end status [persons]	71.0	42.0	169%
annual average [persons]	52.3	39.0	134%

Changes in employment during the year, turnover rate

Changes in Apator Group employment	2022	2021	YOY dynamics [%]
New hires recruited during the year [persons], including:			
manufacturing workers	374	245	153%
non-manufacturing workers	284	135	210%
Employees dismissed during the year [persons], including:			
manufacturing workers	262	239	110%
non-manufacturing workers	160	137	117%
voluntary quitting	294	252	117%
involuntary quitting, including:	128	124	103%
retirement/pensions	45	47	96%
Turnover rate [%]*	17.5	16.0	110%

* Turnover rate calculated using the following formula: (Number of quittings during the year [persons]/Employment as at the year's end [persons]) *100

4.1.2. Description of policies and modus operandi

Labour rules within the Group's individual companies are governed by generally applicable laws (including the Labour Code) and internal procedures, instructions and regulations, including **Work Regulations** and **Corporate Collective Labour Agreements**.

The Personnel Policy of the Apator Group plays a key role in determining the approach to managing employee issues at the Group level. **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)**, play a supplementary role in defining employee policy standards.

The basic rights and obligations of the employer and the employee are specified by the provisions of the work regulations in force in all domestic companies of the Apator Group. They contain the regulations required by law concerning: the organisation of work, the conditions of being on the premises of the workplace during and after work, employees' equipment (including, e.g. personal protective equipment, work clothing and footwear), the working time system and schedule, as well as the reference periods, nighttime, pay frequency and amount, work permitted and prohibited for women; the list of jobs permitted for young workers, obligations concerning health and safety at work, methods of confirming attendance and justifying absences from work.

The work regulations in the companies of the Apator Group also include:

- the rules of equal treatment of employees,
- the rules of the internal anti-bullying policy.

Any employee has the right to report violations of the work regulations to the persons in charge (General Director, heads of divisions, heads of organisational units) or to the employee's immediate superior. Notices shall be processed promptly, no later than 14 days from the date of submission.

In 2022, no breaches of work regulations were reported in the Apator Group. For more information, see SECTION G.

The objectives of the HR business strategy.

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

2019–2023 CSR strategy commitments

In terms of LEARNING AND DEVELOPMENT, the Apator Group has made the following commitments:

- Closer to the employee - we invest in people, development of their competences and work environment through:
 - improving relations with employees
 - ensuring health and safety at work
- We improve the organisational culture and communication and take care of the good image of the Apator brand by:
 - Implementing new IT tools supporting the digitalisation of business processes, cooperation within companies and the Apator Group as well as information security
 - improving communication

Development of competences in the Apator Group

The competency model implemented in the Apator Group companies is a coherent system describing a set of all competences required in the organisation at various positions together with the expected level of their fulfilment, allowing employees to perform tasks effectively. It relates to knowledge, skills and personality traits.

The competency model forms the basis of HR processes:

- recruitment and selection of job applicants,
- creating an employee evaluation system,
- training needs analysis,
- evaluation of the effects of conducted training,
- shaping career paths,
- deciding on personnel changes in companies.

Each position has been assigned a competency profile, i.e. sets of competencies with specific levels of fulfilment required for specific positions, thanks to which employees know exactly what is expected of them. The competency matrix also includes indicators and measures to assess the level and progress in acquiring a given competency. The competence levels are the basis for the annual employee appraisals.

The key competences of employees in the Apator Group are based on four corporate values. These, in turn, were transferred to a set of managerial and functional competences.

Key competences based on values of the Apator Group

1 RESPONSIBILITY

Awareness of business objectives and commitment to their implementation, a focus on achieving and increasing the company's results, respect for the capital entrusted, care for the tools and workplace, honesty and respect in relations with others, keeping the word given to customers and associates, reliability and commitment in the implementation of tasks and duties, attention to the quality and timeliness of the tasks performed, delivery of products in the quantity, quality and time required by customers, compliance with the rules and procedures.



AGILITY 2

Openness to changes, the ability to intelligently and efficiently adapt our activities to the needs of the customer, market and organisation, active implementation and communication of changes, predicting the consequences and assessment of undertaken or planned actions, flexibility of action taking into account financial and efficiency goals and the conditions of the organisation's functioning, the ability to argue and build acceptance for change.

3 DEVELOPMENT

Willingness to undertake challenges, proactively seeking new markets, solutions, products or improvements, following market and technological trends, constantly looking for unique solutions that build the organisation's competitive advantage and grow the business, implementing breakthrough innovations, attention to efficiency and cost-effectiveness of operations, effective management of resources, proactive approach, creativity and courage, thinking outside the box, translating concepts into specific solutions and action plans, updating and developing knowledge and competences, willingness to learn, curiosity and a broad view of business and interpersonal relationships.



COOPERATION 4

Openness to the needs of the external and internal customers, building relationships based on trust and respect, supporting others, partnership approach to relationships with others, openness to other points of view, ability to work in a team and collaborate to achieve the organisation's goals, willingness to compromise, ability to communicate and be open to feedback, breaking down barriers and 'silos', sharing knowledge, personal culture and empathy in relationships with others, building 'team spirit'.

Remuneration system

In accordance with the Personnel Policy implemented in companies within the Apator Group, the remuneration system for employees at particular positions is based on market benchmarks (pay scales based on market median) and closely connected with tasks, commitment, results achieved by the employee and their seniority. The companies take care of the transparency of this process.

The basis of the remuneration policy is an implemented competence matrix with a map of positions and clearly defined criteria for the evaluation, promotion and remuneration of employees. These tools minimise the risks of possible inequalities. The bonus system, on the other hand, depends on the degree of achievement of the set goals.

Employee training

Creating an inspiring place for professional development and an environment that unlocks an employee's energy requires a structured approach to the organisation of training that includes the planning and applying processes as well as funding rules. Apator Group companies have developed and implemented their own procedures for the organisation of employee training.

The operation of the companies within the Apator Group is based on the support of the development of employees in many fields, among others through:

- the organisation of compulsory training courses necessary for the performance of professional duties (initial and periodic training),
- the organisation of specific training courses linked to the development of the employee's professional competences,
- funding for learning foreign languages,
- training aimed at improving soft skills,
- funding for education and university studies,
- support for the employee's personal development.

Employee training courses 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 employee's personal development needs and specific requirements in terms of hard and soft skills are established. The scope and budget of training depends on the financial situation of a given company.

Onboarding

One of the tasks of the human resources management process is the correct adaptation of the employee to the workplace. A new employee's first steps in the company, a good introduction to their new responsibilities and familiarisation with the organisational culture not only help to build a positive image of the company, but above all translate into greater involvement and motivation of the new employee in the tasks performed.

Employee adaptation programmes are aimed at new hires, those changing jobs and those returning to work after an extended break of at least six months. Each company within the Group implements them according to its own rules, adapting the activities to the character and needs of the company in question.

Depending on the type of position, employees go through an onboarding process in several stages, the aim of which is to introduce them to the key issues of functioning in the organisation and at a given position. The companies' internal onboarding policies define the duties, responsibilities and rights of the people in the organisation (HR departments, immediate superiors and internal trainers). Each newly hired employee undergoes a multi-stage series of meetings, during which they receive a full range of information about the company, is shown around and introduced to selected departments with which they will have contact, participates in mandatory training courses (in addition to health and safety and position training courses, also in the necessary IT systems and processes), and receives a welcome gift from the company.

Employee fringe benefits

Depending on the specificity of their operation and the needs of their employees, Apator Group companies offer their employees a number of various benefits, including:

- benefits under the Company Social Benefits Fund (e.g. allowances and loans, holiday co-financing, additional holiday benefits, etc.),
- group insurance,
- subsidies for private medical care,
- organising vaccinations on site,
- co-financing for a sports card,
- funding for education,
- co-financing of sports activities,
- access to language learning platform (Apator SA and Apator Powogaz),
- access to digital library (Apator SA),
- subsidies to commuting (Apator Powogaz),
- subsidies to meals and hot drinks (Apator Powogaz),
- company cars for private use (for selected positions).

All employees employed by the companies (i.e. full-time positions for an indefinite period of time, fixed-term contracts, part-time positions or contracts for a trail perios) receive full access to benefits.

4.1.3. Activities and results

Competency development and employee training initiatives.

In 2022, a number of development initiatives were carried out in companies of the Apator Group, including:

Six Sigma training

Organised by Akademia Białego Kruka (White Raven Academy), the training at Apator SA covered the following topics:

- implementation of the DMAIC project under the guidance of a mentor,
 - learning to become proficient at using the DMAIC methodology,
 - changing the way of thinking and acting in process improvement - numbers, data, facts as a basis for decision-making,
- 11 people took part in the training.

TD Agile Project Management Foundation

The training is completed with an exam for Apator SA employees, and covers the following topics:

- Philosophy, principals and project variables,
- Preparing for project success,
- DSDM process,
- People - roles and responsibilities in DSDM,
- DSDM products,
- Key practices - prioritisation and Timeboxing,
- Life-cycle planning and control,
- Other practices: Facilitated Workshop, Modelling and Iterative Development.

5 people took part in the training.

TWI (Training Within Industry)

Continuation of the training cycle at Apator SA, during which emphasis is placed on training new operators and managing their development according to established standards. This professional group has a very significant impact on manufacturing scheduling, product quality and profitability of the company. In the next phase, a training room is planned to be set up (so-called DOJO), where employees will be able to practise the acquisition of new competences in a test environment (off the manufacturing line) under the watchful eye of the trainer. 26 people took part in the training.

Training for compliance with IPC 610A at Apator SA (relates to the quality standard for electronic circuit assembly) - 2 people took part in external training completed with a certificate. Based on the acquired knowledge, employees have created educational materials and conduct internal training for other employees of the electronics manufacturing department on the pcb assembly standard.

Other specialist training at Apator SA:

- Wave soldering training for engineers and operators - wave soldering is a common industrial method for fast and efficient soldering of components on printed circuit boards. 7 people took part in the training.
- Forklift Operator training completed with UDT (Office of Technical Inspection) exam. 11 people took part in the training.

Other activities:

Apator SA successively takes measures to standardise work in switchgear assembly departments, to increase awareness of the employees, to introduce new operators efficiently and to perform operations in a strictly defined sequence. For this purpose, "LEGO" type workplace instructions were prepared - in the form of simple drawings/diagrams and short video materials. They were displayed at each manufacturing station on monitors (as part of the MES system).

Talent Review Process

In Apator Powogaz, a cyclical process called Talent Review Process is carried out, which provides the basis for analysing the ways of attracting and retaining talents within the organisation. The aim is to identify and effectively manage key employees, satisfy their ambitions in terms of development and develop succession plans in order to ensure the necessary competences to achieve the goals of the company's business strategy.

Leadership programme

As part of the improvement of managerial competences in the operational area, a Leadership programme was launched at Apator Powogaz in 2022, which includes a series of workshops for managers and foremen. The training was preceded by a diagnosis of the participants' managerial competences; in the next stage, employees will broaden their knowledge of competences and skills crucial for team management (including leadership, team management, conflict resolution and others). 36 employees take part in the training.

Blaut Academy

Workshop at Apator Rector on management, leadership, building a pro-efficiency organisational culture, non-financial motivation and building strong and effective teams. The series of training sessions was designed to address all the needs of the team members, related to the quality of functioning and organisational culture of the company. 3 teams took part in the series of training sessions: Project Management Team (7 people), Operational Management Team (8 people), Architecture Team (12 people).

AgileBA Foundation

The training course shows a description of the Business Analyst's role in the world of agile project management and the tools used in their daily work. The aim of the training held at Apator Rector was to learn about the assumptions of the AgilePM (Agile project management) methodology, the issues related to business analysis according to AgileBA, obtaining information on how to use business analysis in specific phases of the agile project life cycle. 4 people participated in the training.

Scrum Master

The training was aimed at familiarising Apator Powogaz employees with techniques and tools of workshop work and aspects of facilitation and coaching. The aim of the training was to prepare for the effective implementation and management of SCRUM in the organisation and to increase the effectiveness of teams. 10 employees took part in the training.

Training in customer complaint correspondence

During the training, Apator Rector employees learnt step-by-step how to respond to complaints, learnt about good practices and discussed specific examples. They also learnt what mistakes to avoid in written communication with customers and how to speak in a language that is tailored to the recipient, while maintaining courtesy, empathy and an individual approach to each customer. The participants gained knowledge and skills in the field of:

- rules and standards for the preparation of a written response to complaints,
- developing effective principles for responding to letters of complaint,
- assertive refusal of a complaint,
- controlling the participants' and their customers' emotions in complaint letters,
- presentation of templates, examples, analyses.

7 people from the Service Department took part in the training.

Training in Utility Networks in ArcGI

During the training, the employees of Apator Rector learnt about the following topics:

- implementing Utility Network solutions and adding rules to accurately model the connectivity and relationships between data objects,
- the use of a standard workflow for creating and editing network objects and components, while maintaining data integrity,
- carrying out network flow tracking to identify the source of interference and affected customers,
- creating and providing a diagram for the dynamic visualisation of the network.

4 people took part in the training.

UX training

During the training, the employees of Apator Rector learnt about the usability of websites from the user's point of view and gained knowledge in the field of User Experience, Application and Service Design, and Product and Service Design. After completing the training, the participants: are familiar with all the work involved in designing a product and service that satisfies users and customers; can design a product aimed at positive perception, design customer satisfaction, design applications for mobile devices, design desktop applications; select and applies the most favourable product design methodologies and techniques; formulate conclusions on the basis of research and test results, conducts research and appropriately selects tools depending on the phase of the project.

12 people took part in the training.

PRINCE2 FOUNDATION

Continued training for the employees of Apator Rector in project management methodology. Participants learn the basic rules of this methodology, including how to manage risk, quality and supervision. They also learn how to increase their chances of achieving success and their business goal. The training prepares participants for certification. 2 people took part in the training.

Safety training

A series of training courses for Apator Rector developers aimed at introducing topics related to: REST API security, a practical introduction to the OWASP Top Ten, advanced web application security and Frontend web application security. 8 developers took part in the training. In addition, 1 person was trained in the formal and legal aspects of personal data processing in accordance with the requirements of the GDPR and the PDPA (Personal Data Protection Act).

E-learning training package on IFRS at the EY Academy of Business

The objective of the training was to acquire skills in the practical application of International Financial Reporting Standards, to learn about the possibilities of shaping accounting policies in accordance with IFRS and the impact of selected policies on the financial statements, as well as to

familiarise people analysing and preparing financial statements with the current updates and requirements of IFRS. The training was attended by 6 people from the Accounting, HR and Payroll Department of Apator Rector.

Digital library for employees

In order to support personal development, employees of Apator SA were given access to a digital platform containing 60,000 e-books and 4,500 audiobooks. Employees were able to use a library full of books on a variety of topics including collections on business, development, law and language textbooks. In 2022, approximately 270 people actively used the platform.

Employee Ideas Programme

Each year, Apator encourages its employees to be creative and take the initiative at their position as part of the Employee Ideas Programme, which has been running for years. Employees have the opportunity to submit improvement suggestions not only at their position, but also throughout the workplace. If an idea is accepted and implemented, an employee can expect to be paid according to the criteria for evaluating ideas. The assessment takes into account: impact on quality, impact on productivity, innovation, savings, OSH, environmental protection, communication and workflow. An additional incentive for employees are annual awards in the categories of best team and best idea.

Results of the 2021/2022 edition of the Employee Ideas Programme:

- Deadline: 1 September 2021 to 31 August 2022.
- Number of submitted ideas: 11
- Number of implemented ideas: 11
- Number of active teams in 2021/2022 season - 6
- Total savings for ideas in 2021/2021 season - PLN 42,000

Employer branding

As part of the activities to promote the employer brand, Apator Group companies took part in the following initiatives:

- job fair as part of the 13th Toruń Career Days under the patronage of the Mayor of the City of Toruń,
- Zone days at Jan and Jędrzej Śniadecki University of Technology in Bydgoszcz,
- Graduation Day at Poznan University of Technology,
- as part of the #PodglądamyKariery series - an action organised by the Career Office Career Office of the Lodz University of Technology - an interview with a graduate of the Electronics Department at the Lodz University of Technology, Krzysztof Kluszczyński, Automation Director at Apator SA, was published. Young people had the opportunity to learn, among other things, whether the choice of university is important for professional development, why it is worth having a job while being a student and what determines our lasting relationships with other companies.

Knowledge sharing

The primary form of knowledge sharing is ongoing communication between employees and teams (operational meetings, exchange and sharing of information and materials on company cloud platforms). Moreover, additional initiatives were undertaken at the level of the entire Group and individual companies, e.g.

- organisation and sharing of materials from e-learning training courses concerning solutions of the Apator Group,
- sharing knowledge gained from other training courses (internal e-learning platforms),
- organisation of internal workshops - sharing knowledge on trends, markets, technologies, competition and more,
- reports from trade fairs, conferences and industry symposia attended by employees,
- reports from working groups within industry organisations,
- articles in the company magazine, newsletters, broadcasts on the company radio (Apator SA) and other activities as part of educational campaigns for employees.

Internal workshops

Internal workshops are held in the form of strategic reviews and internal conferences devoted, among other things, to the analysis of the situation on the market, the most interesting trends in the industries in which Apator Group companies operate and the discussion on the most important challenges faced by the Group in the context of technological and regulatory changes. In order to broaden the spectrum of topics and to be open to new ideas, external experts including representatives of technology companies, business partners and scientists from universities of technology are also invited to an open discussion.

Development of internal e-learning platform

As part of the e-learning platform launched at Apator Rector, a wide range of training courses were made available to employees, such as:

- concerning the applications provided by the company to its customers,
- soft training courses (e.g. personal effectiveness, mobbing, the power of appreciation),
- training courses on the systems the company uses (e.g. JIRA).

All Apator Rector employees have access to the platform.

In turn, as part of substantive support, employees of Apator Powogaz have access to materials and training courses on the e-platforms: for accounting, controlling and personnel departments - Expert4you e-learning and training platform, for lean manufacturing specialists - Lean Academy, for R&D departments - PluralSight.

Development initiatives for job applicants

Apator SA organised a three-module course for people who want to gain knowledge in the preparation of machines for work and are interested in mechanics and technology of manufacturing details. The course for machine setters was an opportunity to gain new, practical skills, and the company offered an employment contract and support in obtaining and financing further technical qualifications for the best participants.

Shaping organisational culture

Communication with employees

The purpose of communication activities in the Apator Group is to keep the employees informed about current situation of the companies, financial results, significant changes, perspectives and planned activities, as well as initiatives and events concerning the activity of the entire Apator Group.

Communication with employees of the Apator Group companies takes various forms:

- meetings of employees with the companies' Management Boards - usually held on a regular basis and the purpose of these meetings is to discuss the company's performance, ongoing projects, plans for the coming months and current organisational topics,
- meetings of executives and managers with the Management Board - held on a weekly and monthly basis respectively,
- newsletters with an overview of the most important events,
- webinars and newsletters dedicated to the presentation of new products on offer,
- articles and news published in the company magazine "Flesz Apatora",
- ongoing information activities through the communication channels available in a given company (e.g. through advertisements in HRsys, boards and posters, animations on TV screens or broadcasts on the company radio).

Value streams and one point lessons

Value stream meetings are organised in the manufacturing companies to exchange information and resolve quality and process issues on an ongoing basis. The meeting is chaired by the department manager or process engineer, while the participants are foremen and, depending on the needs, quality inspectors. Meetings are held daily in each manufacturing department and usually last about 15 minutes.

One of the ways of preventing non-conformance from occurring is training under the so-called one point lesson (OPL) at Apator SA, and the so-called Quality Control Alert (QC Alert) at other manufacturing companies. Meetings are held on an ongoing basis. The foremen familiarise the employees with the existing non-compliance and present a solution to the problem. Employees are required to read the guidelines and recommendations and apply them in their work.

Integration of employees

Each of Apator Group companies implements its own initiatives for the integration of employees that are adapted to the nature of a given team. All the actions taken are aimed at building a friendly workplace and employee engagement. Examples of activities implemented in Apator Group companies:

- company-wide integration meetings (e.g. an integration trip for the employees of Apator Rector combined with lectures on communication in teams) or team meetings (in Apator SA, special integration budgets at the level of teams were implemented in 2022 - the employees met in their divisions and departments so that their positive relations would translate into good atmosphere and higher effectiveness of cooperation within teams),
- celebrating popular holidays (e.g. St. Nicholas Day, Women's Day, Fat Thursday), which are an opportunity to build a positive team atmosphere and remind employees, through a small treat or gift, that the company remembers about them. Apator Rector team also celebrated Developer's Day, Rectorian's Day, as well as Women's Day and Boy's Day. The companies also added Appreciation Day to their calendars, which takes place every year on the 5th of March,
- numerous social campaigns that involved employees: collecting donations for the hospice, actively helping Ukrainians (collecting donations, clothing, food). Apator Rector was involved in helping children from care centres under "Anioły Dzieciom" ("Angels for Children") campaign (Easter gifts). What is more, help was organised for a hospital under "Paczka dla Szpitala" ("Gifts for Hospital") campaign - educational gift sets (puzzles, games, books, colouring books, toys) were given to children staying in the hospital in Zielona Góra, and "Zapełnij worek Świętego Mikołaja" ("Fill Santa's sack") campaign - Christmas packages were prepared for children from the Educational Care Facility in Zielona Góra.
- collection of food for animals from shelters, e.g. collection of food for Gienia - a bear from the Poznań Zoo adopted by Apator Powogaz. The Apator Rector team was also involved in supporting a Zielona Góra shelter for homeless animals as part of the "Dog's Kennel" initiative,
- involvement of company teams in charity runs and other sporting events. For example, the Apator Powogaz team took part in the Poland Business RUN. A team of five ran a distance of 4 km wearing T-shirts with the Apator Powogaz logo to support a charity action aiming to purchase prostheses and wheelchairs, and rehabilitation services for those in care of the Poland Business RUN foundation. Moreover, as many as four Apator Rector teams took part in the 2.5 km Wine Harvest Run, with five people opting for the individual 10 km run,

- organising environmental actions at Apator Rector: World Recycling Day, Flower Exchange, Good Practice for the Earth, World Bike-to-Work Day,
- organising company sports tournaments, e.g: FIFA tournament and Squash tournament at Apator Rector,
- organising other company events at Apator Rector, e.g. Variety Day ("themed" snacks twice a month), Fruit Day and others,
- organising a toys, games and books fair on Saint Nicholas Day — Apator SA employees brought functional, undamaged things they no longer needed to give to others. They also had a chance to pick something off the shelf to bring joy to their loved ones. The initiative was guided by the slogan: "We give things a second life".

Apator Rector was awarded in the 5th edition of the "Socially Sensitive Business" contest. The competition aims to showcase the good practices of Lubuskie Voivodeship companies which work for the benefit of the local community, including by cooperating with social economy actors (foundations, associations, social cooperatives) to create common value. The "Socially Sensitive Business" contest is organised by the Collegium Polonicum Foundation, which has operated in the field of social activism for more than 15 years and is currently the leader of the Social Economy Support Centre.

4.1.4. Indicators in the field of: Workplace

Training and staff development

Employee training	2022	2021	YOY dynamics [%]
Total training budget [thousands of PLN]	1,456.2	1,332.2	109%
Training budget per employee [PLN]	640.3	569.3	112%

Management skills development programmes	2022	2021	YOY dynamics [%]
Persons who have benefited from the company's financial support for:			
1. postgraduate studies	7	6	117%
2. MBA programmes and studies	4	11	36%
3. other	4	10	40%

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

- The ratio of the lowest to the highest remuneration (excluding Management Board members) at the Apator Group's domestic companies ranged from 10.7% to 20.6% in 2022.
- The lowest remuneration ranged from 100.0% to 127.4% of the national minimum wage.

Gender Pay Gap (GPG) — the gender pay gap index (excluding the employee salary grades), i.e. the difference between the average gross hourly pay rate of men and women expressed as a percentage of the average gross hourly pay rate of men, ranged from 20.6% to 92.4%.

For individual employee salary grades, the GPG ratios at the Apator Group's domestic companies were as shown in the tables below.

Gender Pay Gap — worker positions	2022	2021
Apator SA	15.3%	17.3%
Apator Metrix	36.4%	44.9%
Apator Powogaz	22.0%	27.8%
FAP PAFAL	35.4%	13.1%
Apator Rector	-	-
Apator Telemetry	33.0%	22.0%

Gender Pay Gap — non-worker positions, managerial positions	2022	2021
Apator SA	3.7%	24.5%
Apator Metrix	0.9%	9.0%
Apator Powogaz	-19.7%	-16.6%
FAP PAFAL	42.4%	38.1%
Apator Rector	2.2%	-3.9%
Apator Telemetry	26.1%	19.0%

Gender Pay Gap — non-worker positions, non-managerial positions	2022	2021
Apator SA	37.3%	37.4%
Apator Metrix	18.9%	24.1%
Apator Powogaz	29.7%	-16.5%
FAP PAFAL	60.1%	-16.4%
Apator Rector	32.2%	24.9%
Apator Telemetry	51.8%	31.9%

- As of 2022, the share of women at the Apator Group was 47% of total employees (in 2021 it was 44%). The share of women's average pay to men's was 51.1% as of 2022 (2021: 59.4%).

Due to the nature of operations of specific Apator Group companies (manufacturing companies, distribution companies, ICT technology segment enterprises), there are some disparities in the GPG indicator. These result from such things as a significant share of higher-remunerated engineering and technical positions (according to the competence matrix) being occupied primarily by men across the Group companies. Apator SA believes that the necessary variation of remuneration resulting from employee skills and qualifications required for specific positions does not constitute discrimination. The Group applies transparent, fair, consistent and non-discriminatory remuneration policies.

Other Diversity indicators

- Foreign nationals accounted for 3.0% of the Apator Group's total employees in 2022 (1.8% in 2021).
- People with disabilities accounted for 2.8% of total employees at the Apator Group (compared to 2.6% in 2021).

Freedom of association and collective bargaining

Average annual number of employees (AWU), including:	2020	2021	2022
1. those covered by Collective Labour Agreements [AWU]	1,354.8	1,299.1	1,417.1
2. those not covered by Collective Labour Agreements [AWU]	1,068.6	1,041.1	857.1
Total [1+2]	2,423.4	2,340.2	2,274.2

* AWU — Annual Work Units, i.e. the number of full-time equivalent (FTE) employees working at or on behalf of a given enterprise during the entire reference year.

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

Medical packages	2022	2021
Employees using optional medical packages	993	698
Company expenses related to subsidising employee medical packages [thousands of PLN]	514.5	575.5

4.2. OCCUPATIONAL HEALTH AND SAFETY

Ensuring workplace health and safety is one of the priorities of the Apator Group. Apator Group companies comply with high Occupational Health and Safety management standards, working to eliminate accident hazards and reduce OHS risks, limiting employee exposure to harmful workplace factors, and ensuring consultation and participation of employees and their representatives in OHS management.

4.2.1. Description of policies and modus operandi

The basis for action in the area of Occupational Health and Safety is strict compliance with the applicable law. Further, selected Group companies have implemented an Occupational Health and Safety Management System according to the PN-ISO 45001:2018 standard. A number of internal procedures and instructions also govern the ways in which OHS objectives are met.

The Apator Group strives to ensure the health and safety of its employees, continuously working towards improving workplace safety

and working conditions, as well as implementing solutions to prevent workplace accidents, occupational diseases and near misses. The activities implemented to this end include:

- hazard identification and risk assessment for each job,
- initial, periodic and follow-up medical examinations, protective measures, initial and periodic OHS training,
- setting up workstations in line with current legislation and ergonomic principles; introducing modern technological lines and equipment to improve productivity and minimise employee workload,
- monitoring of working conditions by Occupational Health and Safety Committees,
- separating, marking and preparing workstations, transport routes and fire-fighting equipment,
- monitoring identified risks.

OHS process planning and improvement is carried out through an annual plan of objectives and targets, and the way in which these are implemented and monitored is determined by the relevant procedures.

4.2.2. Activities and results

The year 2022 has seen Apator Group companies undertake a wide variety of OHS activities, including organisational, educational and technical ones.

Selected initiatives taken at Apator SA in line with the slogan of "Zero tolerance for near miss behaviour":

- reviewing and updating the rules for familiarising workers with safe working documents and hazardous material safety data sheets,
- updating system documentation, including the register of legal requirements,
- providing pre-medical first aid training to 89 people as part of raising staff first aid awareness. Steps have also been taken to set up a Rapid Response Group,
- organising OHS awareness meetings for 4 employee groups: workers; administrative/office employees; management; engineering/technical employees,
- the "Worker Safety Improvement" project was implemented as well, aiming to:
 1. raise awareness among employees of health, safety, first aid and fire safety issues through talks held at production departments, thematic broadcasts and other communication activities (charts, broadcasts, TV animations),
 2. train management staff through e-learning.

Moreover, OHS procedures, instructions and guidelines at the Apator Group were centralised, and model documents were prepared.

Technical and organisational projects to improve the safety of Apator Metrix employees:

- Improving the technical safety of machinery:
 - modernising the control and measurement system for 3 leak-testing tubs,
 - modernising the control and safety systems of a PH-40 press and adapting it to use new tools (Fluvius),
 - modernising HK1 and HK7 presses,
- Auditing the effectiveness of corrective measures —verifying the solutions implemented following workplace accidents and near-misses occurring between 2010 and 2021, including auditing the sites of workplace accidents, drawing conclusions and implementing corrective measures.

Apator Powogaz has launched a programme to improve OHS and fire safety conditions, which includes:

- introducing regular safety meetings for managers in charge of individual areas,
- organising evacuation drills during all work shifts,
- continuing the "5 Minutes for Safety" programme,
- introducing regular OHS reviews with managers in charge of individual areas and creating a review plan for the calendar year,
- organising an employee competition on health and safety knowledge,
- updating occupational risk assessment documentation,
- setting up a first aid room,
- purchasing a defibrillator and holding first aid training courses.

Other OHS activities undertaken at Group companies:

- evacuation drills,
- OHS training courses, including:
 - fire protection,
 - pre-medical first aid,
 - training for new hires: onboarding general OHS training, on-the-job training,
 - periodic training,
 - occupational risk assessment training,
- carrying out training courses for FAP Pafal SA and Apator Rector employees, allowing them to obtain SEP (Association of Polish Electrical Engineers) electrical qualifications,
- Apator Group companies promote healthy lifestyles for employees by subsidising medical care and sports cards.

4.2.3. Occupational Health and Safety indicators

Number and type of accidents

Occupational Health and Safety	2022	2021	YOY dynamics [%]
Workplace accidents, including:	15	40	38%
minor accidents	15	40**	38%
moderate accidents	0	0	-
major accidents	0	0	-
fatal accidents	0	0	-
Accident frequency rate*	6.6	17.1	39%

* Frequency rate calculated using the following formula: (Number of accidents during the year/Annual Work Units [AWU])*1000. The number of accidents and the accident frequency rate calculated on its basis take Polish Grupa Apator companies into account.

** Due to different methodologies for qualifying workplace accidents in the UK and Poland, the vast majority (33) of the workplace accidents shown in the 2021 statement were related to the UK-based GWi company. The year 2022 saw the company significantly reduce the scope of its manufacturing activities, and as a result, only 2 accidents were recorded.

Occupational Health and Safety training (applies to manufacturing companies)

Occupational Health and Safety training	2022	2021	YOY dynamics [%]
Trained employees [persons]	1,549	1,609	96%
Training hours	7,888	5,784	136%

Employee complaints in the scope of health and safety (by production and administrative staff)

Employee complaints	2022	2021
Health and safety complaints reported by employees, including:	0	0
1. administrative staff	0	0
2. manufacturing workers	0	0

4.3. CUSTOMER RELATIONS

The objectives of the Apator Group business strategy are determined from the perspective of customers, whose expectations and needs determine the direction of R&D activity and development of the product range of Apator Group companies.

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

- **we are always close to our customers,**
- **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 trustworthy partner.**

Apator acts as an industry advisor, working closely with its customers to develop solutions that meet their needs and market trends. In doing so, it draws on its many years of experience and technical expertise acquired through cooperation in the energy, water and gas sectors, but also in the new information technology and industrial automation sectors.

Apator Group customers



electricity



water&heat



gas

Traditional customer groups:

- electricity distribution companies/operators of electricity distribution systems
- electricity wholesalers, electrical assembly and electrical system companies and designers
- construction, industry and railway companies

New customer groups

- a wide range of RES sector stakeholders, including PV and wind farms, energy clusters and cooperatives and energy storage,
- individual prosumers using renewable energy sources for their own needs, solution providers for the electromobility sector.

- a large, dispersed group of customers: water supply, thermal energy companies, housing cooperatives, construction and industry.

- institutional customers and gas companies.



4.3.1. Description of policies and modus operandi

Apator Group companies operate in the specialised sector of power engineering and industry, where the proper identification of customer needs and their subsequent translation into design, development and construction change activities is of paramount importance. The product range is developed based on an analysis of current customer needs, while development and construction work is consulted directly with customers (through dedicated key account contacts). Apator Group companies provide substantive support by organising training and presentations for customers and providing technical after-sales support.

CSR strategy commitments

In terms of key processes, the Apator Group has undertaken the following commitments:

- Being closer to the customer and green energy — we advise our customers and help them manage their utilities efficiently, thus contributing to saving the Earth's natural resources. Our products are easy to use and safe for users and the environment.

Key initiatives:

- promoting and implementing solutions tailored to current and future market needs, promoting energy efficiency and addressing 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 pro-environmental designs 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

These objectives are pursued through:

- developing modern products and implementing innovations, including increasing smart solution sales and expanding the product range for the RES sector — performance indicators: capital expenditure (CAPEX); share of sales of individual product groups (product mix analysis),

- building customer relations — performance indicators: implementing the promotional communication and PR plan; regular customer satisfaction surveys,
- ensuring product quality and effective sales and after-sales service — performance indicators: sales and after-sales service analysis,
- strategy objective monitoring; strategic initiative implementation reviews.

4.3.2. Activities and results

Innovation and new solutions

The Apator Group focuses on the development of technologically advanced solutions, mainly in the field of smart metering devices and systems, power grid automation, control and supervision, as well as solutions for distribution networks of all utility media, i.e. electricity, gas, water and heat.

Under its business strategy, the Apator Group's development priorities include:

- development of smart metering solutions — smart metering devices and remote utility reading systems for energy, water, heat and gas meters,
- implementation of RES sector solutions — a wide portfolio of protection, control and execution devices, as well as software applications for RES energy management.

New business opportunities for the Group are related to Poland's rapidly growing renewable energy sector and the increasing pressure for more economical, efficient use of electricity, gas, water and heat. The European economy is transitioning towards climate neutrality, hence the increasing role of green technologies and investment projects. On the other hand, the rapid increase in the price of energy raw materials and utilities is stimulating the search for solutions to improve energy efficiency, allowing companies and local authorities to reduce their operating costs.

Manufacturing process automation and robotisation have become yet another area of innovation for the Apator Group. Activities in this area are led by the Apator Metrix Robotisation and Automation Department, which renders services to Apator Group manufacturing companies while offering solutions to external customers. Companies across Poland seek solutions and technologies to increase their productivity, cut down on production costs and ensure high and repeatable product quality.

The Apator Group develops solutions at its own R&D offices, specialising in innovative product, system and service development, and works with other entities under technological partnerships.

Smart metering for efficient utility management

One of the greatest challenges facing modern societies is to reduce the waste of energy, water, heat and gas. Smart power grids and water, heat and gas networks enable control over the volume of utilities used and more rational consumption in industry, business and households. The Apator Group is developing a range of smart devices (including innovative metering solutions based on ultrasonic technology), remote utility reading systems and advanced systems that can be used for predictive purposes and to reduce losses during utility generation, transmission and distribution to final customers.

Green technologies

Today, the Apator Group is one of the largest suppliers of prosumer bi-directional electricity meters (with and without remote communication) used in PV micro-installations, as well as specialised apparatus for connecting and protecting electrical circuits at solar farms. The Group has also implemented numerous solutions to manage energy flows in internal systems and grids featuring PV generation and integrating distributed PV energy sources into a modern large-scale power grid.

Solutions developed by the Group for the RES sector include:

- fuse switch disconnecter (e.g. smartARS pro PV),
- safeguards — BELplus OZE, microBEL CVFPL 014,
- solar farm station controller — SPV RM,
- solar farm power guard — SPV SM,
- electricity meters (e.g. smartESOX pro),
- solar and wind farm monitoring systems (EKTIN PV and EKTIN WT),
- large-scale energy storage.

Customer meetings

Relationship building with customers is traditionally based on individual meetings and expert consultations, as well as industry events used to showcase innovative products. We also invite customers to visit the Apator Group's manufacturing facilities, which allows them to learn more about our technological achievements and manufacturing resources. Following the period of pandemic austerity, 2022 saw many industry events return to their traditional formats and scales, enabling a greater presence of Group companies at trade fairs and technical conferences than in the last 2 years.

Trade fairs

In 2022, Apator Group companies took part in the following trade fairs:

- E-world Energy & Water 2023 Essen (June 2022) — showcasing a range of metering solutions, i.e. electricity meters, water meters, heat and gas meters and utility reading systems,
- Metering Days in Fulda (October 2022) — showcasing a range of metering solutions dedicated to the German market,
- Energetics Fair in Lublin (November 2022) — showcasing energy distribution and control solutions, as well as RES monitoring and energy storage solutions,
- ENLIT Europe in Frankfurt (November/December 2022) — showcasing energy, gas, water and heat smart metering solutions,
- WOD-KAN International Fair of Machines and Equipment for Water Supply and Sewage Systems in Bydgoszcz — showcasing water and heat meters and reading systems,
- Caucasus Build in Tbilisi (May 2022) — showcasing Water and Heat segment products as part of an economic mission at the invitation of the Polish Investment and Trade Agency,
- IFAT Munich (May/June 2022) — addressing waste and raw material management, as well as water and environmental protection in the broadest sense,
- Mostra Convego Expocomfort in Milan (June 2022) — an HVAC&R industry event — showcasing water and heat solutions and systems,
- Kazbuild Almaty 2022 (September 2022) — at the invitation of PAIH (Polish Investment and Trade Agency), Apator Powogaz participated in the fair as one of five exhibitors from Poland.

Conferences and training

Apator Group companies share their technical expertise at industry conferences and present the functionalities of new solutions and products through customer training, animations and product presentations.

Customer training

Examples of training for Apator SA customers include courses on Apator product functionalities for employees of electricity distribution companies, led by technical support specialists. Training can be provided on-site or remotely, according to customer requirements. A total of 12 training courses attended by around 200 people were held in 2022.

Activity at selected industry conferences:

ENERGIA PL Conference

4th edition of the conference on energy in Poland. The main theme of the conference was prosumer energy storage and all aspects related to it, such as:

- legal regulations, revenue models, market development potential for energy storage,
- prosumer energy storage — overview of technologies and solutions,
- energy storage facilities with an integrated Energy Management System,
- PV inverters with energy storage support — functionality analysis based on real system testing,
- energy communities using the example of a housing cooperative,
- contemporary energy systems for municipalities.

At the conference, the Product Development Manager at Apator SA gave a lecture entitled "PV inverters with energy storage support — functionality analysis based on real system testing". Conference patrons included: Ministry of Economic Development and Technology, Ministry of Climate and Environment, Marshall of the Świętokrzyskie Voivodeship, Mayor of Kielce, Voivodeship Fund for Environmental Protection and Water Management in Kielce, Polish Chamber of E-mobility Development, Union of Polish Voivodeships and Union of Polish Counties.

Forum of Polish Towns

The Forum of Polish Towns is a two-day meeting of local government officials, as well as state administration and business representatives, organised to support smaller towns in optimal development and preserving their socio-economic functions.

The panel discussion featured the Apator SA RES Business Development Manager, with the lecture topic being: "Social energy and energy cooperatives — striving towards energy self-sufficiency of LGUs, energy planning and management".

Cooperating with the Ministry of Climate and Environment on a smart grid promotion programme

Pursued by the Ministry of Climate and Environment, the "Smart Grids. Development of smart power grids in Poland" project aims to raise awareness of the benefits of modern metering technologies — smart remote reading meters and smart grid solutions — in the energy sector. The subject of the project workshops led by a group of Apator SA experts was, among other things: "Storage as a grid stabiliser — control of power quality parameters".

Product safety and quality

The management policies implemented at the Apator Group manufacturing companies set out the following quality management priorities: all activities are aimed at meeting customer expectations, increasing operations efficiency at Apator Group companies and ensuring product competitiveness through continuous improvement of the main processes and by systematic implementation of technological innovations to improve the products offered.

The Apator Group's operating standards in the scope of product safety and quality are defined by the Group Guideline "Product Quality and Lifetime". It obliges each Group company to implement internal instructions and procedures for:

- regular reviews of legal and normative requirements for manufactured products,
- regular reviews of market requirements concerning the life cycle of manufactured products,
- product lifetime and guarantee periods,
- defining a list of components critical from a functionality and availability standpoint for all products,
- defining internal acceptance requirements for critical components,
- defining design requirements for functionally- and cost-optimised product disposal, disassembly and recycling (easy dismantling into fractions corresponding to separate waste codes),
- instructions for introducing substitutes and alternative sources of supply,
- verifying product lifetime, confirmed by functional ageing tests and MTTF/MTBF calculations at the certification stage as well as during day-to-day production,
- defining a list of regular tests similar in scope to a type test and creating a schedule of periodic tests for manufactured product types,
- defining internal acceptance requirements to be met by products before their marketing.

To assess the effectiveness of process implementation, each company must carry out an internal quality management audit once a year to verify its design, certification, and research and testing process.

Product quality control

Product quality control covers the entire value chain, from component quality testing to the finished product to complaint handling and customer services. Process management stages:

- inspecting deliveries,
- organising the quality control process,
- inspecting products,
- handling non-conforming products,
- rules for providing maintenance, guarantee and post-guarantee services.

The organisation of the quality control process includes such things as:

- value stream meetings and single-topic lessons to address quality and process issues,
- scheme for handling quality and process problems,
- ways of monitoring the quality control process to improve it and prevent non-conformities.

The companies' quality control processes are governed by dedicated internal instructions. The companies monitor the effectiveness of the quality management process and improve it accordingly as part of quarterly and annual Management Systems reviews. At monthly managers' meetings, process results are discussed, and the causes and costs of poor quality are analysed to develop solutions and prevent internal complaints.

Apator Group companies endeavour to eliminate the risk of product defects, and all cases of non-compliance are thoroughly analysed to eliminate potential future problems. Complaint analyses are presented during the regular discussions of process goals and performance indicators.

The rules for providing warranty and post-warranty services are specified in internal instructions. Pathways for the receipt of claims and post-warranty services (by phone, email or dedicated platform) are defined. Service staff and Customer Service Centre e-mail addresses and phone numbers are available at www.apator.com. The standard deadline for handling complaints is 14 business days from the date the products are received by the recipient company unless otherwise specified in the contracts concluded with the given customer. The companies monitor sales and after-sales service performance indicators.

Certification

Products offered by the Apator Group are CE-marked, which means they comply with the harmonised requirements specified in EU legislation.

Moreover, measuring devices are subject to the following mandatory certification:

- MID certifications for all types of electricity meters, heat meters, water meters and gas meters,
- MessEV certifications for selected types of electricity meters (German market),
- MIR certifications for selected gas meters destined for the UK market (UKCA).

The conformity assessment process for products subject to Directive 2014/32/EU (MID, MIR and MessEV) is detailed in the relevant internal procedure and detailed internal instructions.

Devices equipped with radio communication must comply with standards under the Radio Equipment Directive. Certain types of equipment (e.g. concentrators) must comply with standards according to the Electromagnetic Compatibility (EMC) Directive. Products marketed by Apator comply with MID, EMC, RED and LVD (Low Voltage Directive) requirements for electrical equipment.

Operations at the Apator SA laboratory

As a leading European manufacturer of measuring and switchgear equipment, Apator SA markets products compliant with the latest international standards, as well as harmonised standards and directives of the European Union, i.e. MID, EMC, RED and LVD.

To ensure compliance, the company cooperates with the best institutes and notified bodies, i.e. NMI, CSA, PTB, GUM, VDE, SLM, CMI, IMQ, TECNALIA, DNVGL, BBJ-SEP.

Cooperation with such a wide range of international institutes and notified bodies is ensured by Apator's in-house laboratory, which employs experienced engineers and designers.

The laboratory is equipped with high-end measuring equipment, which is used for such things as:

- metrology validation,
- electromagnetic compatibility testing,
- environmental and ageing testing,
- automatic and manual software testing,
- mechanical testing,

for compliance with MID, EMC, RED and LVD.

The laboratory is regularly upgraded with state-of-the-art measurement equipment.

Product cyber security

The requirements for evaluating IT digital systems and devices are set out in ISO 15408, an internationally recognised framework standard for assessing information technology (digital) product capabilities and security features. The framework requirements set out in the standard are called Common Criteria (CC). For specific product classes, e.g. smart energy meters, dedicated national bodies develop detailed requirements called Protection Profiles (PP). Once a national PP has been approved, product manufacturers choose a certification path that is in line with the PP profile and then independently certify the product according to their safety level of choice (typically EAL2 or EAL3 in the case of meters) through a certified laboratory.

Poland has yet to establish a national Protection Profile for smart meters. Apator SA has proposed and promoted a system for admitting smart meters to the Polish market that also takes into account the issue of cyber security and national supplementary specifications.

Apator SA has extensive experience in the manufacture of electronic metering equipment, dating back to the mid-1990s. It was the first company on the market to offer digitally secure prepayment meters and electronic converters for heat meters.

Among other things, Apator carries out the following activities under close scrutiny:

- firmware design and processing procedures,
- encryption security,
- key storage/generation,
- server security and prepayment code generation.

The company has not recorded any major incidents involving security breaches of metering equipment to date.

4.3.3. Indicators in the field of: Customer

Closer to the customer and "green" energy — promoting and implementing solutions tailored to current and future market needs, promoting energy efficiency and addressing technological, climate and social challenges

Smart solutions, RES solutions	2022	2021	Change	YOY dynamics
	thousand PLN	thousand PLN	thousand PLN	%
Sales of smart solutions, including smart meters, gas meters*, water and heat meters, software solutions	358,895	292,090	66,805	122.9%
Sale of RES solutions, including smart meters, switchgear and RES hardware	36,258	23,733	12,524	152.8%

* including smart gas meters offered under an OEM formula

Product social responsibility — using modern, environmentally friendly designs and technologies, long product lifetime, striving for faultlessness and offering effective after-sales service.

1. Development of modern products and implementation of innovations

Investment projects, R&D activities	2021	2020	Change	YOY dynamics
	thousand PLN	thousand PLN	thousand PLN	%
CAPEX investment expenditure, including:	72,273	90,661	-18,388	79.7%
tangible fixed assets	48,179	68,469	-20,290	70.4%
intangible assets	24,094	22,192	1,902	108.6%
CAPEX investment expenditure, including:				
increase in capacity/efficiency, replacement	19,657	11,984	7,673	164.0%
R&D, new products	28,774	33,459	-4,685	86.0%
IT, other	23,842	45,219	-21,376	52.7%
Operating costs of research and development (R&D) offices not included in CAPEX	30,380	24,552	5,827	123.7%
Average annual number of R&D employees [AWU*]	174.1	161.9	12.2	107.5%

* AWU — Annual Work Units, i.e. the number of full-time equivalent (FTE) employees working at or on behalf of a given enterprise during the entire reference year.

2. Customer satisfaction

Due to the specific nature of operations of Apator Group companies in particular business segments (i.e. diverse customer groups and geographical markets, as well as a broad portfolio of solutions and services offered), Group companies carry out customer satisfaction surveys on their own based on the scope and frequency they have specified themselves.

COMPANY	CUSTOMER SATISFACTION
Apator SA	<p>No customer satisfaction surveys were carried out in 2022</p> <p>Information on customer satisfaction was collected during day-to-day business contacts, regular meetings with customers and trade fairs and conferences.</p> <p>The biggest challenge of 2022 was meeting delivery deadlines — problems in this area were mainly related to the unavailability or delays in the supply of components needed to manufacture products.</p> <p>Measures to increase customer satisfaction</p> <p>Improving the planning process and operational communication by concentrating information exchange in the ERP system.</p> <p>Customer audits — no customer audits were carried out in 2022</p>
Apator Powogaz	<p>Customer satisfaction — 80%</p> <p>The 2022 target was to raise OTD (on-time delivery) to 75%; this target was not met due to problems with component availability on the market.</p> <p>Customer audits — no customer audits were carried out in 2022</p>

COMPANY	CUSTOMER SATISFACTION
Apator Metrix	<p>Customer satisfaction — 98%</p> <ul style="list-style-type: none"> ▪ Increase satisfaction with cooperation, quality and warranty service to 100%, ▪ Maintain a satisfaction with on-time delivery of 95% ▪ Customer service satisfaction score — 95% <p>Customer audits — 7 supplier audits were carried out in 2022</p>

3. Efficient sales and after-sales service — Speed of service (average complaint handling time for manufacturing companies)

Sales and after-sales service	Speed of service (average time to resolve complaints in days)	
	2021	2021
Apator SA	16	24
FAP Pafal	14	12
Apator Metrix	26	27
Apator Powogaz	6	10
Apator Telemetria	20	27
Apator Metra	18	19

4.4. WORKING WITH SUPPLIERS

The Apator Group performs its business objectives in close cooperation with a wide range of business partners, including suppliers of raw materials and materials used in manufacturing processes, as well as co-operators performing contractually specified services for Apator Group companies.

Working with suppliers is conditional on the professionalism of their services, the expected quality and price of the products supplied, as well as labour safety practices, environmental standards and ethics.

Apator Group companies use a group-wide database of suppliers and co-operators, which contains basic information on suppliers and co-operators of particular companies and is updated quarterly by the Apator SA Supplier Development Department.

A supplier is an entity engaged in supplying materials, components, goods or services to an Apator Group company.
A co-operator is an entity involved in some phase of a manufacturing process, including of construction components, for products manufactured by an Apator Group company.

4.4.1. Description of policies and modus operandi

Business relations with customers, suppliers and business partners are guided by the provisions of the Apator Group Code of Ethics. Detailed principles of working with Apator Group suppliers have been specified in the Group Guideline "Cooperation Between Apator Group Companies and Co-operators and Suppliers", which is binding for all Apator Group manufacturing companies.

The Guideline determines how the operational processes of purchasing and cooperation are organised, in particular:

- criteria for the selection, qualification and regular evaluation of partners,
- production process organisation requirements,
- methods of auditing and visiting processes,
- methods of communicating the results of qualification and evaluation, the results of supplier/co-operator audits and the findings of the visits,
- methodology for estimating supplier/contractor risks.

General principles for working with suppliers:

- When working with suppliers and co-operators, Apator Group companies strive to conclude a cooperation agreement, observe internal procedures and use appropriate tools for service and communication with partners,
- The purchasing strategy mainly focuses on selecting reliable partners that meet certain quality criteria, taking into account price requirements,
- Apator Group companies pursue a competitive and open purchasing policy while taking care to comply with the established ethical principles,
- Particular importance is given to respecting intellectual property rights, both in relation to the rights of partners and to the rights of Apator Group companies themselves,
- Clauses on anticorruption, personal data protection and compliance with the Apator Group Code of Ethics are used in contracts with partners,
- Contracts concluded with partners also include supplier and co-operator work safety clauses concerning employee and environmental safety,
- Business partners are acquainted with the operating standards in force at the Apator Group. The Group responds to any breaches of the law and the established rules of cooperation,
- Striving to support their local environment as far as possible, Apator Group companies try to seek and use the services of domestic suppliers and co-operators.

The supplier management system includes supplier evaluation and qualification tools as well as supplier audit programmes. The system takes into account ESG issues (the audit questions cover health and safety, human rights compliance and environmental aspects, among other things).

The requirements applied by the company to suppliers and co-operators must take into account ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 27001:2013 requirements, even if the supplier/co-operator does not yet have a system in place that complies with these standards.

Product safety rules applicable to suppliers

Suppliers of the Apator Group are obliged by the contractual provisions to ensure that the supplied products, materials, components and hazardous substances comply with the specification provided by the Ordering Party and that any requirements for use, precautions or other protective measures have been communicated and transferred to the Ordering Party so that the items delivered do not pose a threat to its employees or the environment.

Further, suppliers must ensure that transport packaging and the packaging method and materials used for unit and bulk packaging do not pose a risk during logistics operations (unloading, transport, storage) at the customer's premises.

Safety rules in relations with business partners

In accordance with the Management Policy based on the PN-ISO 45001 standard (Health and Safety Management System), Apator Group companies undertake a commitment towards co-operators that processes to be performed by co-operators do not pose a threat to their employees as long as the rules provided during technical discussions, in information materials, OHS instructions, safety data sheets, DTRs, etc., as confirmed by a written protocol signed by the parties to the contract, are complied with.

At the same time, contractors must guarantee that any of their employees working for Apator Group companies have proper qualifications, evidenced by such documents as licences or certifications, confirming the training they have received.

In the case of factors that may adversely affect employees, processes or the environment, the cooperation parties undertake to provide information, instructions, procedures and safety data sheets for hazardous substances related to the given order before commencing work.

4.4.2. Activities and results

The last three years have seen Apator Group companies operate in an unstable macro environment, facing high inflation and disrupted supply chains. These factors have negatively impacted existing structured supply chain management while motivating operational teams across all companies to effectively manage supply chain risks and take a more flexible, agile approach to supplier relationship management.

Programme for the Development of Cooperation with Suppliers

Supply chain risks are managed through such things as:

- introduction of regular S&OP meetings,
- introduction of internal weekly risk analysis and geopolitical review meetings,
- interacting with suppliers in their development work, e.g. as part of quality improvement programmes (8D, 5W),
- organising regular teleconferences, and since Q4 2022, regular supplier meetings.

In 2022, Apator SA has taken the following actions:

- delivery times have been updated in the system to include a contingency margin due to the ongoing war in Ukraine and the post-pandemic economic challenges,
- a focus has been placed on analysing potential dual-sourcing and alternative suppliers; verification is underway,
- new procedures have been implemented for working with suppliers.

Due to the difficulties associated with the ongoing pandemic and the unstable macroeconomic and political circumstances, most Apator Group companies chose not to conduct supplier audits in 2022.

The exception was Apator Metrix, which audited seven suppliers in 2022 (including one foreign supplier). All audited suppliers scored high on the audit, with an average of more than 8 points out of a possible 10. The audit identified areas for supplier improvement.

4.4.3. Indicators in the field of: Suppliers

Apator Group companies carry out responsible manufacturing and optimise stock management while prioritising development and cooperation with suppliers, especially those operating in the local and domestic environment.

Suppliers	2022	2021	YOY dynamics [%]
Total suppliers, including:	7,235	6,680	108%
1. Co-operators (service providers), including:	3,353	2,777	121%
domestic	3,106	2,543	122%
foreign	246	231	106%
indirect imports	1	3	33%
2. Other suppliers, including:	3,882	3,903	99%
domestic	3,067	2,956	104%
foreign	811	922	88%
indirect imports	4	25	16%
Purchasing			
Share of purchases from domestic suppliers in total purchases [%].	70.7%	67.8%	-

4.5. INDUSTRY ENVIRONMENT

Group entities are active members of industry organisations and participate in working groups and consultations on legal regulations and technical standards. Apator Group experts share their knowledge of new technologies, market trends and challenges related to such things as the dynamic transition in the energy sector, the increasing share of RES in the system and the implementation of smart grid and smart metering.

4.5.1. Description of policies and modus operandi

Apator Group companies take an active part in the development of technological standards and legislative solutions for the power, gas and water and sewage sectors. Experts are involved in a number of industry organisations and working groups developing recommendations for legal solutions concerning the industries in which the Apator Group operates.

Current list of organisations in which Apator Group companies are members is prepared in the form of the Group Guideline "Membership of Apator Group Companies in Organisations"; said list includes the description of the subject matter of activity of the organisation and indicates the persons who coordinate the cooperation on behalf of the company in terms of formal and technical aspects. Cooperation with industry organisations is carried out on the basis of agreements and contracts.

The principles for activities in the scope of industry cooperation are also set out in the Code of Ethics of the Apator Group. The overriding principle is to act in accordance with the law, and all opinions and recommendations of the Group's experts are provided in accordance with the formal rules applicable to the given process.

Activities in selected industry organisations

Polish Chamber of Commerce for Electronics and Telecommunications

The aim of the organisation is to cooperate with legislative, executive and regulatory authorities by participating in the processes of preparing and issuing opinions on draft legislation and evaluating the functioning of the law, in particular concerning the electronics, electrotechnical and telecommunications sectors. Apator is active in the Smart Grids Section; experts are involved in the activities of working groups, where they participate in public consultations of legal acts concerning the energy sector, propose solutions to technical and legal problems and prepare specifications and recommendations.

Chamber of Commerce for the Gas Industry

The Chamber was established by entities operating in the gas industry in order to represent the economic interests of its members in their dealings with state, local and social authorities, scientific and economic institutions as well as foreign authorities and institutions. Its aim is to integrate the community of natural and legal persons connected with the gas industry, promote modern technical and economic knowledge and collaborate in preparation of programmes for the development of the gas industry. It has 167 member companies connected with the gas industry.

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

The idea behind the agreement is for business and government administration to work together to build a value chain for the Polish photovoltaic industry. The signatories of the letter, including Apator SA, undertook to take joint actions aimed at developing the photovoltaic market in Poland, preparing recommendations on the best standards and technologies, including a Good Practice Catalogue for the PV industry, creating a database of local manufacturers and products and searching for methods to strengthen the position of Polish manufacturers in the PV sector.

Polish Energy Storage Association

The PESA works towards development of green energy, energy efficiency and energy storage facilities. Within the Association, Apator provides cooperation for the development of distributed energy and the energy storage industry in Poland. Experts from Apator SA take part in consultations and topic-specific conferences coordinated by the PESA. Moreover, Tomasz Łątka, Member of the Management Board of Apator SA, has been appointed to the Programme Council of the PESA and within it shares his expert knowledge and participates in the development of industry recommendations for governmental and non-governmental institutions concerning the directions of development of the RES sector in Poland.

National Chamber of Energy Clusters

The NCEC works towards development of green energy, energy efficiency and energy clusters. Apator SA joined the Chamber in order to jointly support the energy transformation, taking into account the dynamically developing renewable energy sources. Cooperation includes, among others, participation of experts from Apator SA in conferences organised by the NCEC.

In 2022, Apator Group companies were members of or cooperated with the following national and international organisations:

- Prime Alliance – an organisation dedicated to development and promotion of communications standards, products and systems for use in energy grids
- Standard Transfer Specification Association – an organisation dedicated to development and implementation of an open standard with a global reach, the purpose of which is to enable data exchange between all components of a prepayment system, regardless of their manufacturer
- OSGP Alliance – the aim of this association is to promote the adoption of the Open Smart Grid Protocol (OSGP) for smart grid deployment
- DLMS User Association – this organisation has developed and is improving the protocol and data model standard for modern energy meters (DLMS), which is dominant, among others, in Europe
- UCA International Users Group – giving opinions on new versions of the CIM standards
- Polish Chamber of Commerce for Electronics and Telecommunications
- Association of Polish Electrical Engineers
- Polish Committee for Standardisation
- Association of Stock Exchange Issuers
- Polish Energy Storage Association
- National Chamber of Energy Clusters
- Regional Energy Conservation Agency in Toruń
- Executive Club
- Forum for Supporters of the Distributed Network Protocol – a forum for the exchange of experience related to the DNP protocol
- Oracle Poland
- Microsoft Sp. z o.o.
- IBM Ireland Limited
- ESRI Poland
- AQUA – Association Européenne des Fabricants de Compteurs d'Eau et d'Energie Thermique – standardisation and exchange of manufacturing, technological and legal experience in the field of water and heat meters
- DVGW – German Technical and Scientific Association for Gas and Water – a forum for the exchange of experience on gas and water market innovations and standards
- Lora Alliance – standardisation and large-scale deployment of Low-Power, Wide-Area Networks, i.e. LPWANs, through development and promotion of the LoRaWAN open standard
- IAF (Industry Advisory Forum at the CEN-CENELEC) – supervision of patent applications
- Aqua Thermal Energy – an association which inspires scientific and technical projects
- Association of Polish Mechanical Engineers and Technicians
- Polish ISO 9001 Forum Club
- Polish Waterworks Chamber of Commerce
- Greater Poland Chamber of Commerce and Industry
- Chamber of Commerce for the Gas Industry
- Scientific and Technical Association of Engineers and Technicians of the Oil and Gas Industry
- Farecogaz – Association of European Manufacturers of Gas Meters
- Figawa – Federal Association of Companies in the Gas and Water Industries
- OMS – Working Group (Open Metering System)
- Polish Centre for Accreditation
- ZVEI (Zentralverband Elektrotechnik und Elektronikindustrie e.V.) – an organisation which provides access to technical specifications for smart metering solutions

Sharing expertise in the market

Apator is a well-known and nationally recognised expert in the energy industry, and therefore takes an active part in debates and meetings that integrate energy sector participants. Apator's experts take part in debates and editorial projects and provide expert commentary as part of editorial activities concerning the energy, water and sewage and gas sectors, share their experience regarding the implementation of technological innovations and export activities and promote the idea of economic patriotism.

Activities in this area are described in the "Customer relations" chapter. Other examples of initiatives undertaken in 2022:

- **Voice of the experts at the 36th EuroPOWER & RES POWER Energy Conference**

Apator was a participant at the 36th edition of the EuroPOWER & RES POWER Energy Conference. The aim of the event was to have a broad discussion about the most current challenges and issues affecting the energy sector in Poland and the CEE region. Tomasz Łątka, Member of the Management Board of Apator SA, took an active part in the debate titled "Renewable energy in Poland", which addressed, among others, issues concerning the regulatory and systemic changes necessary to enable further dynamic development of the RES sector, as well as new technologies which would make it possible to exploit the potential of renewable sources in the energy and heating industries.

- **Debate in "Rzeczpospolita", titled "Cyber security in the energy industry"**

The issue of cyber security in the energy industry was the subject of a debate held at the editorial office of "Rzeczpospolita", which was attended by representatives of technology suppliers for the energy industry, including the President of the Management Board of Apator SA. Participants highlighted a number of significant threats to the industry, such as the increasing number of hacking attacks, including on energy systems, which constitute a part of the critical infrastructure of the state. There was also a discussion about the potential risk of a cyber attack in relation to the large-scale replacement of meters in Poland with smart devices (so-called rollout). One of the topics discussed was the lack of mechanisms in the Polish energy industry to protect against the threat of cybercrime (security audits/certifications, examinations and tests of devices with communications capabilities, lack of requirement to provide designs in tenders, etc.).

Cooperation with universities

Apator Group companies develop innovative technologies in cooperation with universities – they especially make use of the engineering knowledge, scientific achievements and laboratory facilities of technical universities.

In 2022, joint projects with the following universities were continued:

- **Pilot project for an industrial energy storage facility in Ochotnica, carried out in cooperation with the AGH University of Science and Technology in Kraków**

As part of a joint pilot project involving Tauron Dystrybucja SA, Apator SA and the AGH University of Science and Technology in Kraków, an innovative energy storage facility developed by Apator SA was installed and tested in Ochotnica Dolna (Lesser Poland Voivodeship). The aim of the project was to analyse the feasibility of stabilisation of a grid with a high proportion of prosumer RES installations through an energy storage facility with a dedicated grid stabilisation algorithm. Within the project, the AGH team was responsible for analysing the grid parameters at the connection point to the storage facility and the impact of the storage facility on improvement of voltage quality.

- **Cooperation with the Łódź University of Technology** – performance of research and development projects co-financed from EU funds. In 2022, the "Management of operation of a low-voltage distribution network, taking into account the active role of the prosumer" project was continued, with the aim of developing and implementing in the pilot space a new service for a modern electricity distribution network as well as a management system based on its use.

- **Cooperation with the Warsaw University of Technology** in the scope of technical consultations and development of subject matter and assumptions for joint projects. As part of the exchange of knowledge, an expert from Apator SA gave a presentation at the Faculty of Electrical Engineering of the Warsaw University of Technology concerning the pilot project for an energy storage facility carried out in Ochotnica Dolna at the Institute of Control and Industrial Electronics.

- **The Wrocław University of Science and Technology** received specialised mock-ups of smart energy meters supplied by Apator SA. They make it possible for students who use the PLC laboratory at the Faculty of Electrical Engineering to learn,

among others, about telecommunications techniques related to energy measurement and about power grid management systems.

- **Gdańsk University of Technology** – initiation of cooperation in the scope of heating systems.
- **Cooperation with the Nicolaus Copernicus University (NCU) in Toruń**
Apator cooperates, among others, with the Faculty of Physics, Astronomy and Applied Computer Science of the Nicolaus Copernicus University (NCU) and with the Aleksander Jabłoński Foundation operating at that University, whose goal is provision of direct support for scientists and development of scientific research, especially research oriented towards innovation. The cooperation with the NCU also resulted in a partnership in the scope of celebrations related to the 550th anniversary of the birth of Nicolaus Copernicus, after whom the University is named.

4.6. SUPPORTING COMMUNITIES

Social aspects are of key importance in the performance of business objectives of the Apator Group. Businesses do not operate in a vacuum, but are firmly embedded in local communities and rely on local infrastructure. Responsibility in relation to the social environment is understood as the contribution of companies and employees of the Apator Group to the local social fabric, support for initiatives organised in cities or regions where the manufacturing plants and companies of the Group are located.

4.6.1. Description of policies and modus operandi

In relations with communities, priorities are determined by the corporate values adopted by the Apator Group and the principles defined in the Code of Ethics, which constitute the reference point for the actions taken and attitudes adopted.

CSR strategy commitments

In terms of LEARNING AND DEVELOPMENT, the Apator Group has made the following commitments:

- Closer to the community – we support worthwhile initiatives in the fields of culture, education and sport and help those in need in our immediate environment.

The Apator Group consistently builds positive relationships with its immediate environment. Aware of the needs of the community, it co-finances the organisation of worthwhile events in the fields of culture, art, science and sport. The undertaken activities are local in nature, with potential national or international overtones. In addition to activities carried out at the central level, each company in the Apator Group commits funds to support worthwhile initiatives in its region – in a manner consistent with its financial capabilities.

- In terms of **charitable activities**, support is provided for social institutions and organisations working for the benefit of excluded people and pursuing specific social missions. The priority is to support local charities, hospices and welfare centres. In order to promote **employee volunteering**, companies also seek to involve employees in various social initiatives in the belief that everyone can have a real positive impact on their immediate environment.
- With respect to **sponsorship and social activities**, companies undertake a variety of activities, e.g. provision of sponsorship for educational activities (subject Olympiads) or scientific and cultural events.

The aim of sponsorship activities is to build brand recognition and proper brand perception. Detailed standards for carrying out sponsorship and philanthropic activities are set out in the **Sponsorship Policy of the Apator Group**. A company's financial involvement in sponsorship and philanthropic activities is always regulated by an agreement, and the performance of sponsorship services is confirmed by an activity report.

Apator Group companies do not get involved in projects that are political, religious, violate the law or generally accepted social norms, have a negative impact on the environment or damage objects of historical or artistic significance, as well as projects containing content that is discriminatory, racist, controversial or incites improper attitudes that could offend specific social groups.

4.6.2. Activities and results

Activity in the social aspect is adapted to the needs of the community on the one hand, and to the capabilities and resources of the companies on the other.

Sponsorship

In 2022, the Apator Group operated in a difficult and unstable macroeconomic environment, which directly affected the financial performance of the Group. For this reason, the scale of activity in terms of supporting the social environment was smaller compared to the pre-pandemic period.

Due to limited resources in 2022, Apator SA concentrated on supporting scientific and educational activities through provision of financing for initiatives carried out by the Nicolaus Copernicus University as well as business communities related to the company's activity profile.

- Polish Mathematical Society, Toruń Branch (prizes for the winners of the Józef Marcinkiewicz Mathematics Competition),
- Association of Polish Mechanical Engineers and Technicians (Toruń Branch),
- NCU, Faculty of Law and Administration, support for the 1st International Toruń Law Days "Law – Society – Democracy" event,
- NCU – support for the preparation of the World Copernican Congress,
- Association of Polish Electrical Engineers – support for the 40th General Meeting of Delegates of the Association of Polish Electrical Engineers.

Other initiatives:

- Gallery and Centre for Children's Artistic Creativity, support for the 21st International Competition of Children's and Young People's Artistic Creativity "Always green, always blue".
The main objective of the competition is to popularise environmental knowledge among children and young people, to make them sensitive both to the beauty and diversity of the surrounding nature and to problems related to protection of the environment, including civilisational threats, which is part of the mission of the Apator Group. The 2022 edition of the competition attracted 7,662 participants from around the world. Eighty individuals and three institutions were awarded prizes. The post-competition exhibition went to the manufacturing plant in Ostaszewo to introduce the children's work to the company's employees.

Financial support provided by other companies:

- Apator Powogaz – "Business Run" charity race,
- Apator Metrix:
 - Polpharma Starogard Sports Club,
 - FORGAZ Conference,
 - provision of financing for employees' participation in sports competitions.

Philanthropic activities

In 2022, Apator SA made donations to the following institutions:

- The More Beautiful World Foundation,
- Society of Friends of Children in Toruń,
- Social and Charitable Foundation "Helping the Family and the Earth" Hospice of Hope,
- Kuyavian-Pomeranian Regional Division of the Polish Scouting and Guiding Association – support for a Christmas Eve event for the residents of Toruń and preparation of 1,000 Christmas gifts,
- Polish Red Cross.

Apator SA provided particular support for the Social and Charitable Foundation "Helping the Family and the Earth" Hospice of Hope – both financially and through involvement of employees in helping those in the care of this institution. The Foundation has been operating in Toruń for 25 years and runs a Home Hospice for 50 children from the Kuyavian-Pomeranian Voivodship as well as a Nursing and Care Department with a Mechanical Ventilation Unit. Those in care of the institution include disabled children and young people, terminally ill patients as well as patients with cerebral palsy, genetic defects and oncological diseases. Some of the children were abandoned at birth or immediately afterwards. In 2022, Apator SA provided financial support for the Foundation, and also collected donations from employees for Christmas presents for the children in the care of the Hospice of Hope. Throughout the year, a plastic cap collection campaign was run for the Foundation.

Other employee volunteering activities are presented in the "Employee relations" chapter.

Philanthropic initiatives carried out by other Apator Group companies:

- Apator Powogaz:
 - adoption of a bear from the Poznań Zoo,
 - support for the Save the Fish Foundation,
 - accommodation for Ukrainian women – apartment fees,
 - Christmas fund-raiser for the Poznań hospice.
- Apator Metrix:
 - assistance for Ukrainian citizens,
 - support for robotics and programming classes for pupils of the Catholic School Complex in Tczew.
- Apator Rector:
 - purchase of sports equipment for the Jean de La Fontaine Educational Complex No. 1,
 - purchase of sports equipment for the ELEKTRONIK Vocational and Continuing Education Centre No. 2.

4.6.3. Indicators in the field of: Supporting communities

Impact on the environment	2022	2021	YOY dynamics [%]
Number of events/initiatives supported, including:	42	36	117%
sports events	31	33	94%
cultural events	3	1	300%
educational events	7	1	700%
other	1	1	100%
Expenditure on social activities [thousand of PLN], including:	317.6	325.4	98%
donations	65.7	65.6	100%
sponsorship	218.4	206.8	106%
other	33.5	53.0	63%



5. ENVIRONMENTAL - Impact on the environment

The spheres of influence of Apator Group on the environment and climate include:

- provision of products and solutions to support energy transformation, efficiency and resource conservation,
- compliance with regulatory requirements and environmental protection regulations related to the conducted activity,
- use of environmentally friendly construction and technology,
- responsible management of operations and manufacturing processes.

5.1. GREEN TECHNOLOGIES

The Apator Group conducts business activities in sectors of key importance to the climate and environment, working closely with the sector of distribution companies in the area of electricity and gas and a wide group of entities in the heat and water distribution sector. The group also offers solutions for customers outside the utilities sector - companies and industrial plants, local government units and a wide group of entities operating in the renewable energy sector.

Apator Group companies **provide products and solutions to the market allowing efficient management of electricity, gas, water and heat, stabilising the operation of the power grid and integrating unstable renewable sources into the power system.**

The Apator Group solutions to support efficiency and save resources:

- technically advanced devices for measuring all media, including precise ultrasonic measurement technology and remote media reading technologies (smart metering),
- ICT solutions to support the management of metering data and network assets,
- systems to support energy efficiency (e.g. energy management systems for industry, other businesses, municipalities and energy communities),
- technologies applicable to the RES sector (specialised switchgear and control and supervision systems, energy management systems for PV and wind farms) and solutions supporting the integration of renewable energy sources into the power grid (e.g. energy storage facilities with extensive grid stabilisation and balancing functions).

For further information on green technology and innovation, see SOCIAL -> Customer Relations.

5.2. MANAGEMENT OF ENVIRONMENTAL ASPECTS

Apator Group companies undertake commitments and actions to reduce the negative impact of their own activities on the environment and climate. Particular requirements apply to manufacturing companies which, due to the nature of their manufacturing activities, are obliged **to apply a number of legal provisions and obligations related to the certification of activities and products.**

In turn, the high standards implemented in the companies with regard to the efficient use of resources, raw materials and utilities make it possible to minimise the negative impact on the environment and also to improve the efficiency of their own operations. Companies use and implement new **technologies and processes that are optimised in terms of the consumption of raw materials and utilities, as well as the amount of pollution and waste.** The safety of workers, especially those who are directly involved in manufacturing processes and may be exposed to pollutants and hazardous substances, is our priority.

5.2.1. Description of policies and modus operandi

The priority of the Apator Group is to provide products safe for the user and the natural environment, while minimising the negative impact of manufacturing processes and other activities on the environment.

Management of the environmental area is carried out within the framework of 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 undertake additional obligations that arise from our high internal standards and our customers' expectations.

To protect the environment, it is the responsibility of the Group to:

- comply with the requirements of applicable provisions of law within the scope of environmental aspects specified in them, which include emissions of pollutants into the atmosphere, sewage or waste generated;
- responsible, economical use of resources in manufacturing processes and other activities, in particular:
 - conservation of natural resources and utilities,
 - sustainable waste management.

Environmental policy and internal regulations

Aparator Group companies have different activity profiles (manufacturing, service, commercial, research and development activities), therefore the management of the environmental area is adapted to the nature and scale of the impact of a given activity on the natural environment.

A certified environmental management system according to ISO 14001:2015 standard has been implemented in all Aparator Group companies engaged in manufacturing activity, whereas the activity in the context of environmental responsibility is also specified by a number of detailed internal regulations in force at individual Group companies. These include, e.g., electricity and utility management, waste management, environmental measurements, monitoring and analyses.

The environmental objectives are defined and implemented through:

- monitoring environmental aspects as part of the Environmental Management System (plan of objectives and tasks, annual reports on the system's operation) 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,
- 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 Aparator Group,
- raising employees' awareness and sensitising them to environmental issues (educational campaigns, collection of batteries and electronic waste, etc.).

The course of environmental processes at Aparator Group companies is systematically supervised and adjusted to changing technological and manufacturing processes and new legal requirements. Elements of the actions that may interact with the environment are identified in each process.

Aparator Group manufacturing companies strive to increase the level of process **automatisation** — each year they allocate significant investment funds for this purpose. Automation serves to streamline manufacturing 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 manufacturing waste (including elimination of hazardous waste), reduced consumption of utilities. Modernisation of manufacturing technology also affects the reduction of environmental inconvenience of implemented processes and supplied products.

None of the manufacturing 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 their potential negative impact on the environment.

2019–2023 CSR strategy commitments

In terms of key processes, the Aparator Group has undertaken the following commitments:

- **Product social responsibility i.e.:**
 - implementing modern and pro-environmental designs 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
 Activities and indicators are described under SOCIAL -> Customer relations

- **Closer to nature - conscious and responsible environmental management**
Key initiatives:
 - conservation of natural resources
 - maintenance of low emissions and sustainable waste management
 - optimisation/minimisation of negative environmental impact
- **Implementing responsible manufacturing and optimising materials management** 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
 - further process automation
 Activities and indicators are described under SOCIAL -> Supplier Relationships and Customer Relationships

5.2.2. Activities and results

Changes in the scope of infrastructure and technology are being successively introduced in individual manufacturing companies of the Apator Group in order to minimise the impact of their activities on the environment.

Product social responsibility

Every year, Apator Group companies place new or modified versions of products on the market. Each time products and processes are designed, designers and technologists develop the optimum variant for product manufacturing and for the process, taking into account environmental aspects, including energy, raw material and natural resource consumption

One of the mandatory steps in the process of designing new products (or modifications to existing products) is an assessment of the environmental friendliness of the design, which includes:

- list of materials and components comprising the product,
- determination of the end-of-life use of the material (proportion of material used, recycled and disposed of), justification for the choice of materials,
- the amount of consumed raw materials and energy,
- impact on air, land and water resources,
- amount of waste,
- raw material/material recycling in the manufacturing process,
- product lifetime,
- the treatment of used products, taking into account, among others, the issue of used packaging and other product components, such as batteries or electronic modules.

Optimisation of material management

Manufacturing companies of the Apator Group take a number of actions in the area of optimisation of manufacturing processes and material management in order to reduce the consumption of raw materials and materials and eliminate manufacturing waste.

Examples of actions taken in manufacturing companies:

- introduction of new static gas meter products built from fewer materials and components, with an increased proportion of recyclable materials,
- implementation of a process for returning waste (plastics) for manufacturing of electricity meters and switchgear in the form of regranulate, resulting in reduced raw material consumption in the manufacturing process and reduced waste (selected parts are made from 30-50% recycled material). The process does not reduce the parameters of the plastic, and therefore has no negative impact on the quality of the final product (which has been confirmed in laboratory tests),
- increase in the proportion of recycled materials in the manufacture of water meters – selected components are recovered from stripped water meters for reuse in the manufacturing process (with no negative impact on the quality of new products).

Closer to nature - conscious and responsible environmental management

In 2022, the companies took the following actions:

- consistent optimisation of manufacturing processes and successive replacement of worn-out, less efficient machinery and equipment*,

- caring for the proper operation of equipment, carrying out inspections and maintenance, keeping the equipment in good working order,
- carrying out separate waste collection at the site of waste generation,
- training employees in proper waste management before they start work and as part of regular training,
- storing waste in areas designated for this purpose at the site, in an orderly manner and in such a way as to prevent the contamination of soil and water,
- transferring waste for recycling to authorised recipients, including conclusion of contracts with organisations responsible for recovering packaging as well as electronic equipment and batteries, in order to comply with statutory collection levels for treatment, recycling and disposal of used portable batteries and electronic equipment placed on the market as well as statutory recovery and recycling levels for packaging waste placed on the market and imported,
- following consolidation of companies within the Electricity segment, the environmental management system was expanded to include new locations (Łódź, ul. Wołowa and Toruń, ul. Polna).

*Manufacturing companies of the Apator Group consistently automate manufacturing processes, which generates higher levels of energy consumption (energy necessary for operation of equipment – automatic machines), but also increases efficiency and repeatability of manufacturing, resulting in reduced energy consumption per product unit and optimisation on the side of material consumption.

Exchange of knowledge and experience

As part of regular meetings, ISO Integrated Systems Officers from the Apator Group exchange experiences and discuss further development of management systems in companies. In 2022, the meeting took place in June at the newly established Apator Powogaz plant in Jarzyski. It was also an opportunity to directly get to know the staff, the new infrastructure and equipment, the manufacturing processes in place and the manufactured products.

Apator SA with its own source of RES

In spring 2024, an industrial photovoltaic installation with a capacity of 500 kWp will begin supplying clean, green energy to the modern Apator plant in Ostaszewo near Toruń. On 9 March 2023, Apator SA signed a contract with the contractor for the project. The generation of energy from photovoltaics will help to decarbonise the plant's operations, and will also translate into savings related to electricity consumption in the company's activities. The PV plant will use a number of Apator-developed solutions for metering and control of energy from RES. It will also be a testing ground for completely new solutions for the renewable sources sector, which the company will also be able to offer to its customers

5.3. INDICATORS IN THE FIELD OF: ENVIRONMENT

Conservation of natural resources, raw materials and fuels

Energy consumption by source	2022	2021	YOY dynamics [%]
Total consumption of electricity [MWh]	11,048.8	11,803.2	93.6%
Total consumption of natural gas [thousand m ³]	1,563.8	1,554.5	100.6%
Total consumption of heat [GJ]	17,292.3	20,669.2	83.7%
Total consumption of fuels (oil, diesel, petrol, LPG) [t]	271.9	247.3	110.0%
Water consumption			
Total consumption of water [m ³]	18,291.0*	24,923.0	73.4%
Consumption of basic raw materials			
Total consumption of steel [t]	1,518.7	1,932.7	78.6%
Total consumption of plastics [t]	1,993.1	2,075.6	96.0%
Total consumption of copper [t]	623.1	698.5	89.2%
Total consumption of paints, varnishes, solvents [t]	109.0	76.2	143.0%

* The drop in water consumption was caused by relocation of Apator Powogaz from Poznań to Jarzyski near Poznań. The decrease in water consumption occurred as a result of a 2-month interruption in the company's activities (and therefore a reduction in water abstraction) due to relocation of the plant. In addition, it is a positive effect of a new social infrastructure at the newly established factory.

Energy consumption and productivity indicators for selected domestic companies of the Apator Group with a manufacturing profile of activities (and therefore with potentially the highest impact on the environment)

Energy consumption index [kWh/PLN 100 of sales revenue]	2022	2021	YOY dynamics [%]
Apator SA	1.19	1.53	77.3%
Apator Metrix	0.94	1.11	85.4%
Apator Powogaz	0.47	0.65	72.3%
FAP Pafal	3.52	2.21	159.0%
Apator Telemetry	0.42	0.30	139.0%

Productivity [kWh/AWU*]	2022	2021	YOY dynamics [%]
Apator SA	6,320.69	6,764.38	93.4%
Apator Metrix	4,927.06	5,100.22	96.6%
Apator Powogaz	3,345.26	3,968.01	84.3%
FAP Pafal	7,599.04	6,454.36	117.7%
Apator Telemetry	1,819.65	937.47	194.1%

*AWU – Annual Work Units, i.e. the number of employees converted into full-time equivalents employed within or on behalf of a given company during the entire reference year.

In the majority of the Group's manufacturing companies, energy consumption and productivity indicators improved (energy consumption per PLN 100 of sales revenue generated and per AWU was reduced). The exception is FAP Pafal, where absolute energy consumption in MWh is lower YOY, but due to significant reduction in revenue and scale of employment, the indicators in question are higher.

Maintaining low emissions and sustainable waste management

Waste generation/emissions	2022	2021	YOY dynamics [%]
Amount of waste generated [kg], including:			
hazardous waste	53,650.4	65,863.0	81.5%
inert waste	1,350,377.0	1,442,412.0	93.6%
Recycled waste [kg]	1,002,970.0	1,337,030.0	75.0%
Disposed waste [kg]	185,794.4	166,162.8	111.8%
Emissions to air			
Carbon dioxide emissions [kg]	1,315,409.5	1,376,227.6	95.6%
NOx emissions [kg]	2,056.9*	1,445.6	142.3%
SOx emissions [kg]	6.6	6.7	98.7%

* Increased NOx emissions stem from a larger scale of processing of plastics at Apator SA used for manufacturing of products and a new decision on permit for introduced emissions and particulates, which was accompanied by a measurement of emissions in accordance with the current model for calculation of indicators.

Optimisation/minimisation of environmental impact

Environmental charges	2022	2021	YOY dynamics [%]
Fees for the use of the environment [PLN]	137,582.0*	68,427.6	201.1%
Costs of disposal of manufacturing waste [PLN]	479,053.0	553,898.2	86.5%
Fees for recovery and recycling of packaging, electronics, batteries placed on the market [PLN]	246,555.1**	109,340.8	225.5%
Costs of physical and chemical analyses [PLN]	24,068.1	11,612.4	207.3%
Costs of water consumption and sewage disposal [PLN]	414,539.1	408,839.1	101.4%

* Increased fee for the use of the environment in manufacturing companies stems partly from a change in the manufacturing structure and an increase in the amount of chemicals purchased, but mainly from the adopted model for calculating emissions to air. In the previous years, the adopted model for calculating was based on average emissions from all chemicals, while the model adopted in 2022 was based on the maximum actual emissions from each chemical purchased in 2023. The new model guarantees greater reliability and credibility of data.

** Increased fee applies primarily to Apator and stems from an increase in the prices for recycling of packaging as well as an increase in the amount of packaging placed on the market (mainly from paper and cardboard) resulting from an increase in the volume of sales.

Environmental fines	2022	2021	YOY dynamics [%]
Amount of fines for negative environmental impact [PLN]	0.0	0.0	-

Carbon footprint and the scope of reported emissions for selected domestic companies of the Apator Group with a manufacturing profile of activities (and therefore with potentially the highest impact on the environment)

SCOPE 1 Carbon footprint [Mg CO ₂ /year]	2022	2021	YOY dynamics [%]
Apator SA	501*	258	194.3%
Apator Metrix	609	691	88.1%
Apator Powogaz	214	190	112.5%
FAP Pafal	364	446	81.8%
Apator Telemetry	37	50	75.4%

SCOPE 2 Carbon footprint [Mg CO ₂ /year]	2022	2021	YOY dynamics [%]
Apator SA	3,456	3,113	111.0%
Apator Metrix	1,643	1,757	93.5%
Apator Powogaz	986	1,180	83.6%
FAP Pafal	458	559	82.0%
Apator Telemetry	239	119	201.6%

SCOPE 1+2 Carbon footprint [Mg CO ₂ /year]	2022	2021	YOY dynamics [%]
Apator SA	3,957	3,370	117.4%
Apator Metrix	2,252	2,448	92.0%
Apator Powogaz	1,201	1,370	87.6%
FAP Pafal	823	1,005	81.9%
Apator Telemetry	277	168	164.4%

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

NOTE: The above indicators were calculated taking into account the selected Group companies (including all manufacturing companies) which, due to the nature of their activities, are subject to the environmental impact monitoring obligation

- **Indicators in the area of product responsibility and modern, environmentally friendly manufacturing technologies** are presented in the SOCIAL -> Customer Relationship section:
 - Development of modern products and introduction of innovations – capital expenditure (CAPEX) and operating costs of R&D offices
 - Automation of manufacturing processes – expenditure on automation of manufacturing processes and lines

5.4. CLASSIFICATION OF ACTIVITIES ACCORDING TO EU TAXONOMY

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter referred to as "Regulation 2020/852") introduced the obligation to disclose, in the consolidated statement on non-financial information, data on how and to what extent the conducted activities qualify as environmentally sustainable. The Apator Group has analysed and classified its activities on the basis of the Regulation as well as related annexes and amendments.

Exclusions and limitations:

- The criteria for determining whether an economic activity is sustainable are established in the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to 2 of the 6 environmental objectives, i.e. climate change mitigation or climate change adaptation, and whether that economic activity causes no significant harm to any of the other environmental objectives. In the absence of technical criteria for Objective 3: the sustainable use and protection of water and marine resources, it was assumed that the solutions offered by the Apator Group in the Water and Heat segment – in particular, smart water meters, ultrasonic water metering technologies and advanced systems supporting water distribution management (leak detection, prevention of failures and water loss) – would be temporarily classified as "supporting activities" for Objective 2: climate change adaptation. The grounds for such an approach is the use of devices and systems for the precise measurement and management of water in order to counteract the waste of this precious resource, especially in view of the increasing phenomenon of water scarcity and the desertification of Europe.

Ultimately, once the technical screening criteria for Objective 3: the sustainable use and protection of water and marine resources are introduced, the Apator Group will revisit this part of its activities in terms of meeting the formal and technical requirements of the Taxonomy.

- The European Commission has adopted an act supplementing the Taxonomy, which provides technical screening criteria for certain economic activities, including in the natural gas sectors, but the date of application of this regulation has been postponed until 1 January 2023, which is why activities of the Gas segment are not included as qualifying activities in this report.

The Apator Group's business activities in 2022 were 37% compliant with the EU Taxonomy for environmentally sustainable activities in terms of revenue, 36% in terms of capital expenditure. Following the analysis carried out for the purposes of this report, it was assessed that the operating expenditure which should be reported was limited in 2022 to such an extent that its value does not exceed the level of materiality adopted by the Group (2% of total operating expenditure).

Turnover of the Apator Group from environmentally sustainable activities in 2022

Turnover	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria										DNSH criteria (Does Not Significantly Harm)						Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	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)								
				%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%					%	%	%	%	%	%	%	%	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES																																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																																					
Electricity metering		114 909	11%	100%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%								
Switchgear		115 567	11%	100%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%								
Control and supervision systems		18 848	2%	100%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%									
ICT		237	0%	100%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%									
Heat meters		12 389	1%	100%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%									
Water meters		138 991	13%	100%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%									
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		400 940	37%	100%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%									
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																																					
Action 1			%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%										
Action 2			%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%										
Turnover of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%																																		
Total (A.1 + A.2)			%																																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																																					
Turnover of Taxonomy-non-eligible activities (B)			%																																		
Electricity metering		125 223	12%																																		
Switchgear		2 851	0%																																		
Control and supervision systems		28 930	3%																																		
ICT		29 180	3%																																		
Other Electricity segment revenues		-3 766	0%																																		
Gas segment		281 342	26%																																		
Other Water and Heat segment revenues		2 09 560	19%																																		
Total (A + B)		680 852	63%																																		

CAPEX of the Apator Group related to environmentally sustainable investment expenditure in 2022

CapEx	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	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)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity metering		1773	2%	100%	%	%	%	%	%	T	T	T	T	T	T	2%		E		
Switchgear		2 428	3%	100%	%	%	%	%	%	T	T	T	T	T	T	3%	5%	E		
Control and supervision systems		2 068	3%	100%	%	%	%	%	%	T	T	T	T	T	T	3%	1%	E		
ICT		461	1%	100%	%	%	%	%	%	T	T	T	T	T	T	1%	1%	E		
Water and Heat segment		18 983	25%	100%	%	%	%	%	%	T	T	T	T	T	T	25%	15%	E		
CapEx of environmentally sustainable activities (Taxonomy-aligned)(A.1)		25 714	36%	100%	%	%	%	%	%	T	T	T	T	T	T	36%	25%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Action 1			%	0%	0%	0%	0%	0%	0%	T	T	T	T	T	T	0%				
Action 2			%	0%	0%	0%	0%	0%	0%	T	T	T	T	T	T	0%				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)			%																	
Total (A.1 + A.2)			%		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%					
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)																				
Other CapEx of Electricity segment		7 414	10%																	
CapEx of Gas segment		13 361	18%																	
Other CapEx of Water and Heat segment		215 784	36%																	
Total (A + B)		46 559	64%																	

6. ABOUT THE REPORT

This report covers non-financial information concerning Apator SA and the Apator Group for the period between 1 January 2022 and 31 December 2022. The report constitutes a statement on non-financial information prepared in accordance with Article 55 paras 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, which presented activities of the Apator Group in terms of non-financial data for 2021, was published on 28 April 2022.

The Apator Group reports non-financial data on an annual basis. The report has not been externally verified. The process of defining the content of the report and the structure of the report were developed on the basis of four principles: stakeholder inclusion, materiality, sustainable development context and completeness.

The data contained in this report presents the economic, social and environmental activities of the entire Apator Group, unless otherwise indicated in a specific section of the report.

Contact with the person responsible in the Apator Group for the CSR area (ESG indicators):

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Signatures

26 April 2023

Maciej Wyczesany

signed with a qualified electronic signature

President of the Management Board, General Director of Apator SA

26 April 2023

Tomasz Łątka

signed with a qualified electronic signature

Member of the Management Board, Director of Business Development for Automation and ICT Solutions



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