



**Report of the
Supervisory Board of
Apator SA on
remuneration of the
members of the
Management Board
and the Supervisory
Board in 2021**



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Level of rounding:	Whole numbers, no decimal places		

1. Introduction

The report on remuneration of the members of the Management Board and the Supervisory Board of Apator SA has been prepared according to the requirements of the Act of 29th July 2005 on public offer and conditions of introduction of financial instruments to organized trading system and public companies. (tj. Journal of Laws of 2021, item 1983, hereinafter referred to as **the Act on Public Offer**) and it includes the description of remuneration paid to the members of the Management Board and Supervisory Board in accordance with binding internal regulations including "Remuneration Policy for the Members of the Management Board and Supervisory Board of Apator S.A.". adopted by Ordinary General Shareholders Meeting of Apator S.A. on 2nd July 2020. The Company did not apply deviations from the Remuneration Policy, deviations from its temporal application, or deviations from the procedure for implementing the Policy.

On 29th June 2021 The Ordinary General Shareholders Meeting of Apator SA adopted the Resolution no 9/VI/2021 on the positive opinion of the Report of the Supervisory Board of Apator SA on the remuneration of the members of the Management Board and the Supervisory Board of Apator SA for the years 2019 - 2020.

2. Remuneration of Supervisory Board Members

Members of the Supervisory Board receive remuneration in the form of a fixed monthly amount determined by resolution of the General Meeting, irrespective of their participation in meetings of the Supervisory Board, and may benefit from additional non-monetary benefits provided for employees of the Company, in accordance with the internal documents in force in the Company.

At 31st December 2021 in Apator SA the rules of remuneration of the Supervisory Board were in force resulting from "Remuneration Policy for the Members of the Management Board and Supervisory Board of Apator SA" adopted by the resolution of General Shareholders Meeting No 29/VII/2020 dated 2nd July 2020. The amount of remuneration of the members of Supervisory Board was established by the resolution of General Shareholders Meeting No. 30/VII/2020 dated 2nd July 2020.

As of 2020, the level of remuneration for Supervisory Board Members based on Resolution No. 30/VII/2020 adopted by the General Meeting of Shareholders shall apply and shall be as follows:

- for the Chairman of the Supervisory Board - PLN 8500 gross per month,
- for other Members of the Supervisory Board - PLN 7 000 gross per month,
- allowance for holding positions in committees of the Supervisory Board - PLN 1 500 gross per month.

Components of remuneration of the Supervisory Board Members:

Fixed part	A member of the Supervisory Board receives remuneration in the form of a fixed monthly amount established by a resolution of the General Meeting, regardless of participation in meetings of the Supervisory Board. The remuneration of the Members of the Supervisory Board is paid on the date of payment of remuneration to the Company's employees.
Variable part	Members of the Supervisory Board do not receive additional remuneration in the form of a bonus.
Additional non-monetary benefits	Each Member of the Supervisory Board may receive other non-monetary benefits from the Company, on terms applicable to the Company's employees, such as: <ul style="list-style-type: none"> • subsidised benefits available to Company employees (multisport card and medical package, additional life and motor insurance), • PPK,

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The Company does not offer additional retirement plans and does not grant remuneration to the Supervisory Board Members in the form of financial instruments.

Pursuant to Art. 392 §3 of the Commercial Companies Code, members of the Supervisory Board are entitled to claim reimbursement of expenses (e.g. business travel) related to the performance of their duties.

The composition of Supervisory Board of Apator SA in 2021

Name and surname	Function	Period of office during the reporting year
Janusz Niedźwiecki	Chairman of the Supervisory Board, independent according to DPSN 2021	Full year
Mariusz Lewicki	Deputy Chairman of the Supervisory Board	Full year
Danuta Guzowska	Supervisory Board Member	Full year
Janusz Marzygliński	Supervisory Board Member	Full year
Marcin Murawski	Member of the Supervisory Board, independent according to DPSN 2021	Full year
Kazimierz Piotrowski	Supervisory Board Member	Full year
Tadeusz Sosgórnik	Supervisory Board Member	Full year

Total remuneration of the Supervisory Board Members for 2021 (PLN gross):

Name and surname	Permanent remuneration from Apator SA	Additional benefits from Apator SA*	Total remuneration from Apator SA	Remuneration from other entities in Grupa Apator**	Total remuneration from the Apator Group
Janusz Niedźwiecki Chairman of the Supervisory Board	102 000		102 000	21 000	123 000
Danuta Guzowska - Member of the Supervisory Board	84 000		84 000	0	84 000
Mariusz Lewicki Deputy Chairman of the Supervisory Board	102 000		102 000	108 000	210 000
Janusz Marzygliński Member of the Supervisory Board	84 000		84 000	60 000	144 000
Marcin Murawski Member of the Supervisory Board	102 000	2 286	104 286	0	104 286
Kazimierz Piotrowski Member of the Supervisory Board	102 000		102 000	48 000	150 000
Tadeusz Sosgórnik Supervisory Board Member	84 000	165	84 165	223 800	307 965
Summary	660 000	2 451	662 451	460 800	1 123 251

* Additional benefits may include: medical benefits, sports packages, PPK contributions, reimbursement of business travel expenses

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**Tadeusz Sosgórnik received the basic remuneration and additional benefits from Apator Mining Sp. z o.o. in relation to the performance of the function of Commercial Director. Other persons received the remuneration for the function of the member of Supervisory Board in entities in Grupa Apator: Apator Rector Sp. z o.o., Apator Powogaz SA, Apator Elkomtech SA, Apator Metrix SA, Apator Mining Sp. z o.o., Apator Telemetria Sp. z o.o., FAP Pafal SA.

During 2021 members of the Supervisory Board of Apator SA performed also the functions in the bodies of the companies in Apator Group and it is connected with the remuneration paid by these companies:

- Janusz Niedźwiecki - Member of the Supervisory Board Apator Telemetria Sp. z o.o,
- Mariusz Lewicki - Chairman of the Supervisory Board Apator Metrix SA,
Chairman of the Supervisory Board of Apator Mining sp. z o. o,
Deputy Chairman of Supervisory Board of Apator Elkomtech SA*,
Member of the Supervisory Board of Apator Powogaz SA.
- Janusz Marzygliński - Chairman of the Supervisory Board of Apator Rector Sp. z o. o.,
Member of the Supervisory Board of Apator Powogaz SA.
- Kazimierz Piotrowski - Deputy Chairman of the Supervisory Board of Apator Metrix SA,
Member of Supervisory Board of Apator Mining Sp. z o. o.
- Tadeusz Sosgórnik - Chairman of the Supervisory Board Apator Powogaz SA,
Chairman of the Supervisory Board of FAP Pafal SA,
Member of the Supervisory Board of Apator Elkomtech SA*,
Commercial Director of Apator Mining Sp. z o.o.

* After the balance day, on 3rd January 2022 Apator Elkomtech SA was merged with Apator SA.

The Directors' immediate family members did not receive any cash or non-cash benefits in 2021.

3. Remuneration of the Management Board Members

At 31st December 2021 in Apator SA the principles of remuneration of the members of the Management Board were in force resulting from "Remuneration Policy for the Members of the Management Board and Supervisory Board of Apator SA". adopted by the resolution of General Shareholders Meeting No 29/VII/2020 dated 2nd July 2020, "Bonus Policy for the Members of the Management Board of Apator SA" adopted by the resolution of Supervisory Board No 47/2020 dated 3rd November 2020 and individual conditions of remuneration included in contracts of employment.

The basis for establishing a legal relationship with a Member of the Management Board and paying their remuneration is:

- a) an employment contract of limited or indefinite duration, or
- b) a contract of mandate (management contract) concluded for the duration of holding the position of a Member of the Management Board, or
- c) appointment to the position of a Member of the Management Board for the term of office of a Member of the Management Board.

The basis for establishing a legal relationship with a Member of the Management Board and determining the amount of his or her remuneration shall be selected through negotiations between the parties. These negotiations are conducted on behalf of the Company by the Supervisory Board or its proxy appointed by it from among the Members of the Supervisory Board.

The final decision concerning the establishment of a legal relationship with a Member of the Management Board, its basis, rights and obligations of the parties in the scope of, inter alia, termination of the legal relationship, as well as the principles of remuneration shall be determined by the Supervisory Board of the Company in the form of a resolution to which a draft agreement concluded with a Member of the Management Board is attached.

The Supervisory Board may establish different bases for the legal relationship for individual members of the Management Board and may also establish different rates of remuneration for individual members of the

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Management Board for the management of the Company and direct management of the Organisational Division, but regardless of this, the principles for dividing the remuneration of a given member of the Management Board into a fixed part and a variable part must remain the same, regardless of the basis for the legal relationship applied.

Regardless of the basis for establishing a legal relationship with a Member of the Management Board, a Member of the Management Board may receive from the Company cash remuneration for managing the Company consisting of two parts, i.e. a fixed part and a variable part.

When appointing a Member of the Management Board, the Supervisory Board shall determine - in a resolution appointing a Member of the Management Board or in a separate resolution - the basic elements of the financial remuneration of the Member of the Management Board, including the amount of fixed and variable remuneration.

A member of the Management Board may also be granted additional benefits under the rules applicable to employees of the Company.

Components of a Board Member's Compensation:

Fixed part	The fixed part of the remuneration is paid monthly in the amount specified in the resolution of the Board, on the date of payment of remuneration to the Company's employees. The amount of fixed remuneration is determined by the Supervisory Board, taking into account the expectations of the Member of the Management Board, the level of the company's profits achieved and the remuneration benchmarks.
Variable part	The variable part of the remuneration represents up to 80% of the fixed remuneration and is paid as an annual bonus on the date after the approval of the Company's financial statements by the General Meeting. The payment of the annual bonus depends on the implementation of specific long-term management objectives by individual Members of the Management Board and the results achieved by the Company. Management objectives are primarily financial and non-financial indicators. The degree of performance of tasks is the basis for granting the annual bonus for the Management Board of Apator SA.
Additional non-monetary benefits	Each Member of the Supervisory Board may receive other non-monetary benefits from the Company, on terms applicable to the Company's employees, such as: <ul style="list-style-type: none"> • subsidising the cost of renting a flat, • subsidised benefits available to Company employees (multisport card and medical package, additional life and motor insurance), • PPK, • a company car for private use. The Company does not offer additional pension plans or has not granted compensation in the form of financial instruments.

Upon termination of the employment relationship, the Management Board Members are entitled to a severance pay in the amount of 3 months' gross base salary and to receive compensation for non-competition clause (should the Supervisory Board so decide).

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The composition of the Management Board of Apator SA in 2021:

Name and surname	Function	Period of office during the reporting year
Mirosław Klepacki	President of the Management Board - General Director	till 24.11.2021
Arkadiusz Chmielewski	Member of the Management Board - Head of Business Development GA	till 24.11.2021
	President - Director of Business Development GA	from 25.11.2021
Tomasz Łątka	Member of the Executive Board - Network Operations Automation Director	till 24.11.2021
	Member of the Management Board - Chief Executive Officer	from 25.11.2021

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Total remuneration of the Management Board Members for 2021 (PLN gross):

Name and surname	Basic salary from Apator SA	Variable remuneration from Apator SA*	Additional benefits from Apator SA	Total remuneration from Apator SA**	Share of variable remuneration in total remuneration	Remuneration from other entities in Apator Group***	Total remuneration from Apator Group
Mirosław Klepacki President of the Management Board	786 931****	280 000	10 385	1 077 316	26%	84 000	1 161 316
Arkadiusz Chmielewski Management Board Member	294 000*****	118 080	-	412 080	29%	696 238	1 108 318
Tomasz Łątka Management Board Member	180 000	72 000	11 248	263 248	27%	652 703	915 951
Summary	1 260 931	470 080	21 633	1 752 644	27%	1 432 941	3 185 585

*The amount of the assumed provision for premium due for 2021. The bonus will be paid after the approval of the financial statements by the AGM based on the level of achievement of financial and non-financial targets by individual Board Members.

** Total compensation value includes estimated bonus value.

*** Mirosław Klepacki received remuneration for acting as a Member of the Supervisory Board in the following companies: Apator Rector Sp. z o. o., Apator Powogaz SA, Apator Elkomtech SA; Arkadiusz Chmielewski received remuneration (base salary, bonus and additional benefits) for the performance of the function of the President of Management Board of Apator Metrix SA and remuneration for the performance of the function of the member of Supervisory Board of Apator Powogaz SA and Apator Telemetria Sp. z o.o.; Tomasz Łątka received remuneration (base salary, bonus and additional benefits) for the performance of the function of the President of Apator Elkomtech SA and remuneration for the performance of the function of the Member of Supervisory Board in Apator Rector Sp. z o.o.

****Mirosław Klepacki was employed at the position of President of the Management Board - Director General until 24 November 2021 and received a basic remuneration in the year 2021 in the amount of PLN 711,098. From 25.11.2021 to 30.11.2021 he was employed as the General Director and received a basic salary for the year 2021 in the amount of PLN 10,833. Since 1.12. 2021 he has been employed at the position of Advisor to the Management Board for Business Development of the German market and received a basic remuneration in the amount of PLN 65,000.

*****Arkadiusz Chmielewski received remuneration for performing the function of Member of the Management Board until 24 November 2021 and for serving as President of the Management Board from 25 November 2021.

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4. Explanation of how total remuneration is consistent with the adopted Remuneration Policy and how it contributes to the Company's long-term performance

Under the Remuneration Policy in place, the total remuneration structure is in line with market practices, while remuneration levels are in line with those offered in the sector of industrial companies listed on the WSE, taking into account the scale of operations.

The amount of remuneration shall be reviewed once a year.

The criteria affecting the nature and amount of fixed and variable remuneration awarded to the members of the Board of Directors have been defined in such a way as to support the achievement of the Company's business strategy, long-term interests and stability, in particular by:

- to set bonus objectives for the members of the Management Board annually in accordance with financial and strategic plans of the Company and Apator Group and then to assess the level of their performance,
- concluding non-competition and confidentiality agreements with the Management Board Members in order to secure the Company's interests.

The objective of the Remuneration Policy is to ensure the development of the Company and the entire Grupa Apator, securing the stakeholders, particularly customers, owners and employees, among other things, by adequate, market-based remuneration of the employees for the work performed and motivating them to achieve the best results based on specified quantitative and qualitative criteria.

Each Member of the Management Board may receive variable remuneration. The variable part of the salary represents up to 80% of the fixed salary and is paid in the form of an annual bonus.

The bonus is contingent on meeting the financial and non-financial targets set by the Board, with the threshold for triggering the settlement of financial targets being 90% of meeting those targets.

Board members receive both financial and non-financial targets in the proportion of 80/20 respectively. In particular, the management objectives on which variable remuneration is conditional may constitute a management objective:

- financial objectives:
 - revenue level
 - EBITDA level
 - net and gross profit level
 - value and trend of revenues
 - other financial ratios
- non-financial objectives:
 - implementation of the business strategy of the company and the Group
 - increase in business efficiency
 - actively seeking business development opportunities
 - active cooperation within the Group
 - customer satisfaction level
 - deliver of the HR strategy
 - delivery of the CSR strategy
 - environmental indicators.

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The awarding of bonuses to members of the Management Board is based on an assessment of the achievement of the objectives set.

Targets for 2021 have been set for Board Members in accordance with the adopted Remuneration Policy and Bonus Regulations. The final settlement of objectives and payment of bonuses will be made after the approval of financial statement for 2021 by General Shareholders Meeting of Apator SA to be held on 28th June 2022.

In accordance with section 4.6 of the adopted "Remuneration Policy", the Company has not deferred the payment of the variable remuneration or requested its reimbursement.

4.1. Bonus targets for 2021

In accordance with the adopted Remuneration Policy for the members of the Management Board and Supervisory Board concluded by resolution of the Ordinary General Meeting of Shareholders No. 29/VII/2020 and the Bonus Regulations, the Supervisory Board set quantitative targets and non-financial targets for the members of the Management Board for 2021 in the proportion of 80/20 respectively and assigned bonus thresholds and weights to them:

- a) quantitative targets for 2021 for all Board Members included:
 - revenues on sales in Grupa Apator
 - EBITDA profit of Grupa Apator
 - net profit of the Apator Group
- b) individual quantitative targets were related to the performance of selected companies;
- c) individual non-financial goals related to updating the business strategy.

The bonus targets will be settled after the AGM approves the financial statements scheduled for 28.06.2022.

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5. Changes in remuneration and basic results of Apator Group in 2016 - 2021

The table below presents changes of total remuneration* and basic results of Apator Group in the period of 2016-2021.

Annual change	2016	2017	2018	2019	2020	2 021	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020
Mirosław Klepacki President of the Management Board from 16.11.2017 to 24.11.2021	-	135 000	1 088 324	1 207 938	1 310 744	1 077 316	-	706.2%**	11.0%	8.5%	- 17.8%
12.06.2017 to 30.11.217 and since 01.01.2019 President of the Management Board from 25.11.2021	-	355 263	-	384 000	416 736	412 080	-	-	-	8.5%	-1.1%
Tomasz Łątka Member of the Management Board from 01.09.2020	-	-	-	-	111 363	263 248	-	-	-	-	136.4%
Andrzej Szostak President of the Management Board from 25.06.2013 to 15.11.2017	1 004 962	955 721	-	-	-	-	- 4.9%***	-	-	-	-
Piotr Dobrowolski Member of the Management Board from 22.02.2016 to 31.05.2017	465 255	209 013	-	-	-	-	- 55.1%****	-	-	-	-
Agnieszka Nosal Member of the Management Board from 01.01.2017 to 30.11.2017		1 008 460	-	-	-	-	-	-	-	-	-

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Annual change	2016	2017	2018	2019	2020	2021	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020
Piotr Nowak Member of the Management Board from 01.07.2014 to 03.01.2018	813 638	869 426	59 665	-	-	-	6.9%	- 93.1%	-	-	-
Janusz Niedźwiecki Chairman of the Supervisory Board since 24.06.2013	84 000	84 000	84 000	84 300	93 360	102 000	0.0%	0.0%	0.4%	10.7%	9.3%
Danuta Guzowska - Member of the Supervisory Board since 01.01.2000	84 000	84 000	84 000	84 000	84 000	84 000	0.0%	0.0%	0.0%	0.0%	0%
Mariusz Lewicki Deputy Chairman of the Supervisory Board since 14.01.2000	84 000	84 000	84 000	84 000	93 000	102 000	0.0%	0.0%	0.0%	10.7%	9.7%
Janusz Marzygliński Member of the Supervisory Board since 14.01.2000	84 000	84 000	84 000	84 000	84 000	84 000	0.0%	0.0%	0.0%	0.0%	0%
Marcin Murawski Member of the Supervisory Board 24.06.2013	84 000	84 000	84 000	84 219	94 399	104 286	0.0%	0.0%	0.3%	12.1%	10.5%
Kazimierz Piotrowski Member of the Supervisory Board since 23.06.2015	84 000	84 000	84 000	84 000	93 000	102 000	0.0%	0.0%	0.0%	10.7%	9.7%
Tadeusz Sosgórnik Member of the Supervisory Board since 02.07.2020	-	-	-	-	41 696	84 165	-	-	-	-	101.9%
Sales revenues of the Apator Group	868 821 000	883 196 000	827 802 000	877 593 000	934 850 000	940 083 000	1.7%	-6.3%	6.0%	6.5%	0.6%
Profit (loss) before taxes of the Apator Group	68 355 000	58 217 000	91 744 000	73 884 000	81 917 000	85 244 000	-14.8%	57.6%	-19.5%	10.9%	4.1%

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Annual change	2016	2017	2018	2019	2020	2021	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020
EBITDA Apator Group	102 126 000	103 893 000	134 311 000	126 288 000	131 100 000	150 573 000	-28.9%	60.3%	-21.5%	12.6%	1.8%
Net profit profit of the Apator Group	61 768 000	43 908 000	70 405 000	55 287 000	62 237 000	63 336 000	1.7%	29.3%	-6.0%	3.8%	14.9%
Employees Apator SA**	3 789	4 165	4 076	4 379	4 540	4 980	9.9%	-2.1%	7.4%	3.7%	9.7%

* Total remuneration received from Apator SA. (it includes provision for bonus due in 2021)

**Average base salary at the end of the indicated year (December to December) excluding Management and Supervisory Board Members, converted to FTE,

on behalf of Supervisory Board of Apator SA

**Chairman of the Supervisory Board
Janusz Niedźwiecki**

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