



Report on activity of Supervisory Board of Apator SA in 2021

Toruń, May 31, 2022



Table of contents

1.	Introduction.....	3
2.	Composition of the Supervisory Board.....	3
3.	Summary of the Board's activities in 2021.....	4
4.	Audit Committee	8
5.	Code of Best Practice for WSE Listed Companies.....	11
6.	Internal control system, risk management system, compliance system and internal audit function.....	13
7.	Assessment of the company's situation on a consolidated basis.....	16
8.	Assessment of the reasonableness of the expenditures incurred by Apator Group for sponsoring, charity or other activity of similar nature.....	17
9.	Information on the degree of implementation of the diversity policy with respect to the Management Board and Supervisory Board	18

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

1. Introduction

The Supervisory Board of Apator SA, acting based on art. 382 § 1 of Commercial Companies Code, §15 para 11 of the Statute of Apator SA and Best Practice of WSE Listed Companies 2021, presents the Report on Activity of Supervisory Board of Apator SA for the year 2021 to the Ordinary General Shareholders Meeting.

This report is prepared in accordance with section 2.11 of the Code of Best Practice for WSE Listed Companies 2021 and includes:

- *information on the composition of the board and its committee with an indication of which members of the board meet the independence criteria set out in the Act of 11 May 2017 on auditors, audit firms and public supervision, as well as which of them do not have actual and significant ties with a shareholder holding at least 5% of the total number of votes in the company, as well as information on the composition of the supervisory board in the context of its diversity;*
- *a summary of the activities of the council and its committee;*
- *evaluation of the company's application of corporate governance principles and the manner of fulfilling information obligations concerning their application, as specified in the Stock Exchange Rules and regulations concerning current and periodical information provided by issuers of securities, together with information on actions taken by the supervisory board in order to perform this evaluation;*
- *an assessment of the company's situation on a consolidated basis, including an evaluation of the internal control systems, risk management, compliance and the internal audit function, together with information on the actions that the supervisory board has taken to make this assessment; this assessment shall include all relevant control mechanisms, including in particular those relating to reporting and operations;*
- *assessing the reasonableness of expenditures referred to in Rule 1.5 of DPSN 2021, i.e., for support of culture, sports, charitable institutions, media, community organizations, trade unions, etc;*
- *information on the degree of implementation of the diversity policy with respect to the Management Board and Supervisory Board*

2. Composition of the Supervisory Board

According to the Statute of Apator SA, the Supervisory Board can be composed of 5 to 7 members elected by General Shareholders Meeting for 5 years for common tenure. Decreasing the number of Supervisory Board members during the term of office to not less than 5 members shall not result in the necessity to supplement the composition of the Supervisory Board.

Throughout the reporting period covering 2021, the composition of the Supervisory Board of the ninth term was as follows:

- | | | |
|------------------------|---|--|
| ▪ Janusz Niedźwiecki | - | Chairman of the Supervisory Board |
| ▪ Mariusz Lewicki | - | Deputy Chairman of the Supervisory Board |
| ▪ Janusz Marzygliński | - | Member of the Supervisory Board, |
| ▪ Danuta Guzowska | - | Member of the Supervisory Board |
| ▪ Kazimierz Piotrowski | - | Member of the Supervisory Board |
| ▪ Tadeusz Sosgórnik | - | Member of the Supervisory Board, |
| ▪ Marcin Murawski | - | Member of the Supervisory Board |

The current term of office of the Supervisory Board ends on the day of the General Meeting of Shareholders in 2025

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

The composition of the Supervisory Board, including persons with both business experience and expertise supported by many years of professional practice, ensures adequate and effective performance of supervisory duties and due performance of assigned tasks and responsibilities.

Professional CVs of the members of Supervisory Board are available on the website Apator SA under the Investor Relations tab.

2.1. Independence of Supervisory Board Members

In accordance with the requirements of the "Best Practices for WSE Listed Companies 2021", at least two members of the supervisory board meet the independence criteria listed in the Act of May 11, 2017 on auditors, audit firms and public supervision, and have no real and significant relationship with a shareholder holding at least 5% of the total number of votes in the company.

As of 2021 and as of the date of this report, the independent Board Member status is met by two RN Members: Janusz Niedźwiecki and Marcin Murawski.

2.2. Diversity of Supervisory Board Members

In 2021 and as of the date of publication of this report, the diversity ratio of the Supervisory Board members in terms of gender and age is as follows:

- the proportion of women and men on the Supervisory Board:

women:	14.3%
men:	85.7%

- the age range of the Supervisory Board members:

30-49 years:	14.2%
50-65 years:	42.9%
over 65 years:	42.9%

3. Summary of the Board's activities in 2021.

3.1. Meetings of the Supervisory Board

In accordance with the Articles of Association, the Supervisory Board meets quarterly, or more often if necessary, at the invitation of the Chairman of the Board.

In 2021, the Supervisory Board held 29 meetings, during which it took positions on matters on the agenda and adopted 52 resolutions (of which 16 votes were taken by circulation).

In 2021, the Board operated on an adopted meeting schedule and agenda, which was adjusted during the year to accommodate the extraordinary circumstances related to the COVID-19 pandemic, and for security reasons, Board Members were able to participate in meetings by means of direct remote communication.

Independently from regular meetings, the members of the Supervisory Board in order to perform comprehensive supervision over the activity of the Company and Apator Group were in permanent and direct contact with the Management Board.

3.2. Supervisory Board supervision areas

The Supervisory Board performs its activities on the basis of specific rights granted by the Articles of Association

Apator SA, Regulations of the Supervisory Board of Apator SA and principles of corporate governance specified in DPSN 2021.

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

The Supervisory Board exercised constant supervision over the activities of the company and the capital group in all areas of its operations and supervised the work of the Management Board by:

- analyzing materials received from the Management Board at the request of the Supervisory Board,
- obtaining information and detailed explanations from Members of the Management Board and other employees of the Company during meetings of the Supervisory Board,
- activities of the Audit Committee,
- the actions of the auditor who, on behalf of the Board, reviewed and audited the financial and accounting records and the financial statements prepared on their basis.

All Members of the Supervisory Board exercised due diligence in performing their duties using their knowledge and experience, and effectively performed their statutory tasks guided in their actions by the interest of the Company and the Capital Group. The Supervisory Board, in accordance with the rules resulting from the DPSN, in addition to its supervisory function, supported the Management Board with its expert knowledge in strategic areas. The cooperation was based on trust and joint action in the interest of the company and all its stakeholders.

The Board's areas of special oversight in 2021 included:

- analysis of current situation of Apator Group in the scope of liquidity, working capital, availability of materials, manufacturing and logistic processes,
- separate and consolidated financial results, including the analysis of operating costs and the level of assumed provisions for warranty repairs,
- the degree to which financial budgets are implemented,
- change of the composition of the Management Board of Apator SA,
- current review of the decisions of the Management Board of Apator SA taken in the form of resolutions,
- providing opinions on draft resolutions put by the Management Board on the agenda of the General Meeting,
- expressing the consent to dispose of the right or incurring of liabilities by Apator SA with the value over PLN 20 million (in accordance with the Statute of the Company), in particular expressing the consent to participation of the Company in significant public tenders,
- giving opinions (within internal corporate governance) on the activities of the companies in the Apator Group concerning the disposal of the right or incurring the liabilities above PLN 20 million,
- analysis of economic situation and risks in particular segments and business lines of Apator Group,
- analysis of current situation and perspectives of development of key companies for the activity of Apator Group (Apator Powogaz SA, Apator Metrix SA, Apator Elkomtech SA, Apator Rector sp. z o.o.),
- merger of Apator Elkomtech SA and Apator SA,
- acquisition of shares in Apator Telemetria Sp. z o.o.,
- sale of real estates and relocation of Apator Powogaz SA,
- new areas of activity (e.g. RES),
- corporate and financial supervision over foreign entities of the Apator Group,
- optimization of the assets of Apator Group (real estates),
- analysis of commitments of Apator Group,
- investment outlays in Apator Group,
- R&D area in the Apator Group,
- selection of the statutory auditor,
- dividend policy,
- performance of the programme for acquisition of own shares of Apator SA,
- review of related party transactions,

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

- personnel policy of Apator Group and system of remuneration of the Management Board of Apator Group,
- sponsorship policy,
- analysis of Internal Auditor's reports and Audit Committee comments and analysis of implementation of recommendations,
- changes in law (compliance).

In addition, the Supervisory Board gave a positive opinion on all motions for the General Meetings (held on June 29, 2021 and October 18, 2021), and representatives of the Board participated in the General Meetings to ensure that they were ready for substantive discussions during the meetings.

The Board believes that it has performed its duties properly and in accordance with formal and legal requirements, providing professional support on the merits and adequate oversight of all aspects of its operations.

3.3. Human resources policy performed by the Supervisory Board

As part of the HR policy, the Supervisory Board is responsible for:

- *determining the number of members of the Company's Management Board,*
- *appointing the President of the Management Board and then, at the request of the President, other Members of the Management Board,*
- *establishing the principles of remuneration for the Management Board in accordance with the adopted remuneration policy for Management Board Members,*
- *suspending all or individual Members of the Management Board from their duties for important reasons,*
- *dismissal of Members of the Management Board of the Company,*
- *delegating members of the Supervisory Board to temporarily perform the duties of members of the Management Board,*
- *representing the company in the contract between the company and a Member of the Management Board, as well as in a dispute between the company and a Member of the Management Board.*

3.3.1. Composition of the Management Board of the Apator SA

Pursuant to § 16 of the Statute of Apator SA the Management Board of the Company consists of 1 to 6 Members appointed for 3 years for common term of office.

Till 24th November 2021 the composition of the Management Board of Apator SA was as follows:



1. Miroslaw Klepacki - President of the Management Board, General Manager
2. Arkadiusz Chmielewski - Member of the Management Board, Director for Business Development of the Apator Group,
3. Tomasz Łątka - Member of the Management Board, Network Automation Director.

On 24th November 2021 The Supervisory Board of Apator SA received the resignation of Miroslaw Klepacki from his duties as the President of Management Board of Apator SA. The resignation was due to personal reasons and it was submitted with the effect on 24th November 2021. Then the Supervisory Board appointed Arkadiusz Chmielewski the President of Management Board of Apator SA. Therefore, since 25th November 2021 the composition of the Management Board of Apator SA is as follows:

1. Arkadiusz Chmielewski - President of Management Board, Business Development Director of the Apator Group,

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

2. Tomasz Łątka - Member of the Management Board, General Director of Apator SA.

	
<p>Arkadiusz Chmielewski</p> <p>President, Business Development Director</p> <p><i>Appointed to the Board of Directors</i></p>	<p>Tomasz Łątka</p> <p>Member of the Management Board, Chief Executive Officer</p> <p><i>Appointed to the Board of Directors</i></p>

The current term of the Board of Directors ends on the date of the 2022 Annual Meeting.

3.3.2. Management Board remuneration system

As part of the remuneration policy, the competence of the Supervisory Board includes:

- establishing the principles of remuneration for the Management Board in accordance with the adopted remuneration policy for Management Board Members,
- preparing and presenting to the General Meeting a report on remuneration of the Members of the Management Board and the Supervisory Board,
- specifying the remuneration policy for Members of the Management Board and Supervisory Board within the limits set by the General Meeting,
- making a decision on temporary withdrawal from the application of the remuneration policy for Members of the Management Board and Supervisory Board within the limits indicated in the remuneration policy.

The principles of the system of remuneration of the members of the Management Board are resulting from the Remuneration Policy for the members of the Management Board and Supervisory Board adopted by General Shareholders Meeting, whose aim is to support the performance of long-term business strategy, long-term interests and stability of Apator Group.

The full content of the Remuneration Policy is available on www.apator.com under the Investor Relations tab.

Pursuant to the requirements of Article 90d of the Act on Public Offering, Conditions Governing the Introduction of Instruments to Organised Trading, and Public Companies of 29 July 2005 (i.e. Journal of Laws 2019, Item 623, as amended), the Board has prepared a compensation report for 2021 as a separate document and information on compensation levels is included in that report.

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

4. Audit Committee

4.1. Personal composition of the Audit Committee

There is an Audit Committee within the Supervisory Board. The term of office of the Audit Committee is common for its members and coincides with the term of office of the Supervisory Board. The composition of the Committee did not change and throughout the period 2021 acted as follows:

- Marcin Murawski - Chairman of the Committee,
- Mariusz Lewicki - Committee member,
- Kazimierz Piotrowski - Committee member:

4.2. Independence of the members of the Audit Committee

In accordance with the requirements of the "Code of Best Practice for WSE Listed Companies 2021", the criteria of independence are met by the Chairman of the Audit Committee - Marcin Murawski.

However, with reference to the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017, the independence criteria required by this Act are met by the majority of the Audit Committee members, i.e. the Polish Financial Supervision Authority, the Polish Financial Supervision Authority and the Polish Financial Supervision Authority. Marcin Murawski and Kazimierz Piotrowski.

4.3. Compliance with the requirements of the Act on Statutory Auditors

The Supervisory Board of Apator SA declares that the regulations concerning the requirements to have the knowledge and skills in the industry where the issuer operates and in accounting or auditing of financial statements are observed:

- Marcin Murawski and Mariusz Lewicki have knowledge and skills in the field of accounting or auditing financial statements:
 - Marcin Murawski graduated in Management and Marketing from the Faculty of Management at the University of Warsaw (specialization: Enterprise Finance), since 2003 he has been a Certified Public Accountant (PIBR no. 90053), since 2000 he has been a Certified British Certified Public Accountant (ACCA no. 0251448) and a Certified Internal Auditor (exam in 2005). Additionally, Marcin Murawski has professional experience in the field of accounting resulting from the following functions:
 - ✓ 1997-2005 - Employee in the audit department of PWC (since 2002 as a manager),
 - ✓ 2006 - 2012 - Director of the Internal Audit Department of Warta SA Insurance Group,
 - ✓ since 2012 an independent member of Supervisory Boards and Member of Audit Committees of companies listed on the Warsaw Stock Exchange: (CCC SA - Chairman of the Audit Committee - until June 2019, Apator SA - Chairman of the Audit Committee, GTC SA - Chairman of the Audit Committee, Seco/Warwick SA - Chairman of the KA), as well as Santander Aviva TU SA and Santander Aviva TUnŻ SA (Chairman of the Audit Committee), Raiffaisen Bank International AG, Branch in Poland (Member of the Steering Committee) and Asseco Business Solutions SA - Member of the Supervisory Board).
 - Mariusz Lewicki graduated from the Faculty of Economics at the Nicolaus Copernicus University, Faculty of Economics in Toruń in the field of economics and production organization, Postgraduate Studies in Tax Law and Postgraduate Studies in Commercial Law at the Faculty of Law and Administration of the Nicolaus Copernicus University. Additionally, Mariusz Lewicki has professional experience in the field of accounting resulting from the following functions:
 - ✓ 1991 - 1999 - Head of Accounting Department in state enterprise PZAE Apator and Apator SA (legal successor of PZAE Apator),

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

- ✓ 1994 - 2001 - Chief Accountant at Reuther Polska Sp. z o.o. and Rotar Poland Sp. z o.o.,
 - ✓ 1993 - 2013 - Chief Accountant in ZPDZ "Nagro",
 - ✓ 2001 - 2007 - Financial Director, Proxy in Apator Control sp. z o.o. (it was a subsidiary of Apator SA),
 - ✓ 2007-2013 - Financial Advisor at Z.P.H.U. Walter,
 - ✓ years 2008 - 2018 - Deputy Chairman of the Supervisory Board of PHS Hydrotor SA (2008 - 06.2014), Chairman of the Supervisory Board of PHS Hydrotor SA (07.2014 - 06.2018), Chairman of the Audit Committee of PHS Hydrotor SA (since 06.2009), Member of the Audit Committee of PHS Hydrotor SA (07.2017 - 06.2018), President of the Management Board of PHS Hydrotor SA (since 07.2018),
 - ✓ from 2015 to the present - Deputy Chairman of the Supervisory Board of Agromet ZEHS Lubań SA (06.2015-06.2018), Chairman of the Supervisory Board of Agromet ZEHS Lubań SA (from 07.2018),
 - ✓ from 2009 to December 2015 - Chairman of the Audit Committee of Apator SA and then Member of the Audit Committee of Apator SA till now,
 - ✓ from May 2019 to the present day - Chairman of the Supervisory Board of Więcborska Zakłady Metalowe Wizamor Sp. z o.o.
- all members of the Audit Committee have knowledge and skills in the field of industry in which Apator SA operates:
 - Marcin Murawski has the knowledge and skills in the industry in which Apator SA operates, acquired during the performance of the following functions:
 - ✓ since 2013 till now - Member of the Supervisory Board of Apator SA - knowledge of the electrical machinery sector in the area of production of devices and measurement systems for energy distribution companies (metering of electricity and switchgear),
 - ✓ from 2015 to the present - Member of the Supervisory Board and Chairman of the Audit Committee of Seco/Warwick SA - knowledge of the electrical machinery sector in the area of mechanical engineering.
 - Mariusz Lewicki has the knowledge and skills in the branch in which Apator SA operates, acquired during the performance of the following functions:
 - ✓ since 2000 till now - Member of the Supervisory Board of Apator SA, since 2010 Deputy Chairman of the Supervisory Board - knowledge of the electrical machinery sector in the area of production of devices and measurement systems for energy distribution companies (electricity metering and switchgear),
 - ✓ since 2005 till now - Chairman of the Supervisory Board of Apator Mining Sp. z o.o. (subsidiary of Apator SA) - knowledge of electro-machinery sector in the area of manufacturing of machines and equipment for mining that the Company has been running till the end of 2018,
 - ✓ since 2007 till now - Chairman of the Supervisory Board of Apator Metrix SA (entity dependent on Apator SA) - knowledge of the electrical machinery sector in the area of production metering gear for energy distribution companies (gas metering),
 - ✓ from 2014 till now - Member of the Supervisory Board of Apator Elkomtech SA (entity dependent on Apator SA) - knowledge of the electrical machinery sector in the area of production system supporting the work of energy services in the field of transmission and energy distribution (control and supervision systems),
 - ✓ since 2020 till now - Member of Supervisory Board of Apator Powogaz SA (subsidiary of Apator SA) - knowledge of water and sewerage sector in the field of manufacturing of water meters, heat meters and cost allocators,
 - ✓ from 2008 until now - Deputy Chairman of the Supervisory Board of PHS Hydrotor SA (2008 - 06.2014), Chairman of the Supervisory Board of PHS Hydrotor SA (07.2014 - 06.2018), Chairman

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

of the Audit Committee of PHS Hydrotor SA (since 06.2009), Member of the Audit Committee of PHS Hydrotor SA (07.2017 - 06.2018), President of the Board of PHS Hydrotor S.A. (since 07.2018), Chairman of the Supervisory Board of Więcborskie Zakłady Metalowe Wizamor Sp. z o.o. (from May 2019) - industry knowledge of the electromechanical sector in the area of mechanical equipment manufacturing.

- Kazimierz Piotrowski has the knowledge and skills in the branch in which Apator SA operates acquired during the performance of the following functions:
 - ✓ 1993-2000 - Member of the Management Board of Apator SA, including Administrative Director (from 1993 to 1998) and Financial Director (1998-2000) - knowledge of the electromechanical sector in the area of production of measuring devices and systems for energy distribution companies (electricity metering and switchgear).
 - ✓ 2005 - 2008 - President of the Management Board of Apator Metrix SA (subsidiary of Apator SA) - knowledge of the electrical machinery sector in the area of production metering gear for energy distribution companies (gas metering),
 - ✓ years 2009 - 2013 - Chairman of the Supervisory Board of FAP Pafal SA (subsidiary of Apator SA) - knowledge of the electrical machinery sector in the area of production of metering equipment for energy distribution companies (metering of electricity),
 - ✓ since 2001 till now - Member of the Supervisory Board of Apator Mining sp. z o.o. (subsidiary of Apator SA) - knowledge of the electrical machinery sector in the area of machine manufacturing and equipment for the mining industry, which the company was running until the end of 2018,
 - ✓ from 2013 till now - Member of the Supervisory Board of Apator Metrix SA (entity dependent on Apator SA) - knowledge of the electrical machinery sector in the area of production metering gear for energy distribution companies (gas metering),
 - ✓ since 2015 till now - Member of the Supervisory Board of Apator SA, Member of the Audit Committee - knowledge of the electrical machinery sector in the area of production of equipment and measurement systems for energy distribution companies (electricity metering and switchgear),

4.4. Meetings of the Audit Committee

In accordance with the Regulations of the Audit Committee, the Committee meets as required, but at least twice a year. Meetings of the Audit Committee should be held at least before the Company publishes its separate and consolidated financial statements (half-yearly and annual).

In the performance of its duties, the Audit Committee held 11 meetings during the reporting period, during which it adopted 9 resolutions (of which 3 votes were taken by circulation) and took positions on matters on the agenda.

In 2021, the Audit Committee operated on the basis of an adopted work plan adapted on an ongoing basis to the prevailing situation resulting from the COVID-19 pandemic and, for security reasons, Committee Members were also able to participate in meetings by means of direct remote communication.

4.5. The scope of work of the Audit Committee

The Audit Committee's main tasks are:

- 1) *monitoring the financial reporting process,*
- 2) *monitoring the effectiveness of internal control, internal audit, risk management, compliance systems,*
- 3) *monitoring the performance of financial audit activities,*
- 4) *to control and monitor the independence of the statutory auditor and audit firm, in particular where services other than audit are provided to the Company.*

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

The Audit Committee fully performed its tasks provided for in the applicable regulations.

The scope of work of the Audit Committee in 2021 included:

- analysis of current situation of Apator Group in the scope of liquidity, sales, materials, production and logistic processes,
- cooperation with the statutory auditor, including the analysis of the scope and schedule of work carried out within the financial audit process,
- discussion with the certified auditor on the course of the process of financial statements review in Apator and companies of Apator Group,
- audit of financial statements and reports of the Management Board for 2020 and issuing a positive recommendation to the Supervisory Board,
- audit of separate financial statement of Apator SA, evaluation of consolidated financial statement of the Apator Group for the first half of 2021 and report of the Management Board on the activity in the first half of 2021,
- a review of the quarterly financial statements published in 2021,
- monitoring the independence of the auditor PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. (dealing with auditing of statements of Apator SA and other companies in Apator Group since 2018)
- recommendation to the Board regarding the selection of an auditor to audit the financial statements for 2021-2023,
- supervision over the FX risk hedging policy and periodical analysis of the status of futures contracts,
- oversight of the internal audit function, including approval of the 2021 audit plan and determination of the Internal Auditor's compensation,
- Analysis of reports and recommendations issued by the Internal Auditor and the status of implementation of recommendations,
- supervision over the internal control system,
- supervision over the risk management system,
- supervision over the system of compliance with regulations and legal risks,

The other members of the Supervisory Board attend the Audit Committee meetings as guests, which ensures good communication between the bodies on the results of supervisory and monitoring activities.

5. Code of Best Practice for WSE Listed Companies

5.1. Set of Best Practices effective in 2021.

- A. Until 30 June 2021, the applicable set of corporate governance principles were the "Best Practices of Companies Listed on the WSE 2016", which were adopted pursuant to Resolution No. 26/1413/2015 of the Board of the Warsaw Stock Exchange of 13 October 2015.

Apator SA observed in 2021 the principles included in "Best Practices of WSE Listed Companies 2016" in the same range as in 2020, what was described in the report on activity of Supervisory Board for 2020.

- B. On July 1, 2021, the new "Best Practices for Companies Listed on the WSE 2021" came into force. New corporate governance rules were introduced by Resolution No. 13/1834/2021 of the Stock Exchange Board dated March 29, 2021.

The current set of corporate governance rules and its archival versions are available on the website of the Warsaw Stock Exchange at the address: <https://www.gpw.pl/dobre-praktyki>.

The report on the application of the principles of Best Practices for WSE Listed Companies is available on the website www.apator.com under the Investor Relations tab in the Corporate Governance section. Therefore,

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

on the day of publication of this statement, Apator SA complies with the majority of principles included in Best Practice except the following ones:

- Principle 2.1. The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, field of study, expertise, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of corporate bodies is that the minority shareholding in a given body is no less than 30%.

Company comment: The Company has a diversity policy with respect to the Company's governing bodies and key managers, but it does not include measurable targets and deadlines for achieving appropriate parity. Recognizing the growing importance of creating a diverse work environment, the Company is building an organizational culture that is open to diversity, which leads to increased work efficiency. The composition of the Supervisory Board results from decisions made by the General Meeting of Shareholders, whereas the composition of the Management Board is within the competence of the Supervisory Board of the Company. Therefore, when selecting the Company's authorities, these bodies and the Management Board, in selecting key managers, strive to ensure versatility and diversity, particularly in the areas of education, age, work experience and gender. Due to the specifics of the industry and the technological nature of the business, the decisive aspect here is, above all, the appropriate competence and substantive preparation to perform a specific function.

- Principle 2.2. The persons deciding on the election of the members of the company's Management Board or Supervisory Board should ensure the comprehensiveness of these bodies by selecting persons to ensure diversity in their composition, making it possible, inter alia, to achieve the target ratio of a minimum minority shareholding set at not less than 30%, in accordance with the objectives set out in the adopted diversity policy referred to in principle 2.1.

Company comment: The rationale described in Section 2.1.

- Rule 2.11.6 In addition to its activities under the law, once a year the supervisory board shall prepare and present an annual report to the ordinary general meeting for approval. The report referred to above shall include information on the extent to which the diversity policy has been implemented with respect to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1.

Company comment: The principle is not applied due to the lack of application of principle 2.1

- Principle 4.1. The company should enable shareholders to participate in the general meeting by means of electronic communication (e- meeting) if this is justified by the expectations of shareholders notified to the company, provided that it is able to provide the technical infrastructure necessary for holding such a general meeting. The principle is not applied.

Company comment: In the Company's opinion, implementation of the aforementioned rule is associated with technical and legal risks which may affect the proper and undisturbed course of general meetings. Additionally, this form of participation in the general meeting currently receives little interest from shareholders. However, in the event that general legal solutions are adopted to minimize the risks involved, the Company will consider providing the technical infrastructure necessary to hold such a general meeting.

The Company has also not applied Rule 1.4.2 regarding the presentation of the gender pay equity ratio until the date of the 2021 Non-Financial Data Report. However, as announced by the Company, principle 1.4.2 has started to be applied, the gender pay equity indicator was presented in the 2021 ESG report. (i.e. non-financial

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

data report - link to the report: <https://api.apator.com/uploads/grupa-apator/csr/raporty-csr/raport-csr-2021.pdf>) together with the ESG strategy. Accordingly, the company, on May 6, 2022, published an update on the application of DPSN 2021.

5.2. Assessment of the application of corporate governance principles by Apator SA together with information on the actions taken by the Council in order to perform this evaluation

As part of the activities undertaken, in May 2021 the Supervisory Board held a training on, among others, DPSN 2021 and the new requirements under the Good Practices, and subsequently at its meetings on 2 and 30 June 2021. The Supervisory Board analyzed the proposed scope of application and comments on the new Best Practices prepared by the company. "Information on the status of application by the company of the principles contained in the Code of Best Practice for WSE Listed Companies 2021". In April 2022 the Supervisory Board of Apator SA approved also the annual report of the Management Board in which the chapter on Corporate Governance is included in the scope of application of Best Practice 2021 and requirements resulting from it. The Board has also conducted its own factual analysis and, based on that analysis, the Board believes that the company duly complies with its disclosure obligations relating to the application of corporate governance principles. The explanations and comments published by the Company regarding the scope of application of the Good Practices are exhaustive and contain sufficient factual information on the application of the DPSN principles.

In 2021 and until the date of preparation of this report, the Company did not record any cases of violations of the Best Practices 2021, nor was there any case of violation by the Supervisory Board of any of the Good Practices for Companies Listed on the WSE. Members of the Supervisory Board performed their duties related to meetings of the Supervisory Board in person and were guided in their conduct by the interest of the Company and independence of opinions and judgements.

6. Internal control system, risk management system, compliance system and internal audit function

The system of protection of the company against risk is based on the model of three lines of defence:

- *1 line of defence - operational management including self-control and functional control embedded in the organisational structure and performed by managers of organisational units,*
- *Second line of defense - ISO process audits, institutional internal control, risk review, compliance, financial control, corporate governance,*
- *Third line of defence - internal audit - independent verification and advisory activity.*

6.1. Internal control system

The internal control system covers all processes (sales, purchases, development, operational, investment, financial and support processes). The organisation of the internal control system shall include:

- self-control initiated and exercised in a systematic and continuous manner by all employees of the company within the limits of the duties and powers conferred upon them,
- functional control embedded in the organisational structure and performed by managers and directors of the company's organizational units,

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

- institutional control performed by the controlling team in Apator SA and subsidiaries on the basis of the order of the Management Board and Plenipotentiary of ISO.

Additional support for the internal control system and support for the improvement of the organisation are reports and recommendations from external audits (statutory auditor audits, client audits and audits certifying the management system).

6.2. Risk Management System

The company's risk management system is based on ISO 31000 and is aimed at ensuring a uniform approach to risk identification and assessment, defining risk response plans and monitoring the effectiveness of risk management in business processes, projects and initiatives. Risk management conducted within the system is a continuous process, subject to modifications, which is a consequence of the changing economic environment and changes concerning the influence of particular factors on business and strategic objectives. Risk management is carried out by the Risk Manager and is supported by the Committees operating within the group:

- The Financial Committee composed of representatives of finance from individual Group companies, whose task is to supervise financial processes in the Group and their further integration,
- Financial Risk Committee established to support control mechanisms and uniform financial risk management.

The analysis and description of the most important risks is described in detail in the Management Board's report

on the activity of the capital group for 2021 (<https://www.apator.com.pl/relacje-inwestorskie/dane-finansowe-i-raporty-okresowe>).

6.3. System of supervision over compliance with legal requirements (compliance)

Apator SA defines Compliance as observance of legal obligations resulting from legal acts commonly binding or voluntarily adopted for application by the Company (e.g. Good Practices of Companies Listed on the Warsaw Stock Exchange, ISO standards).

The purpose of the compliance system is to:

- legal monitoring and adaptation of actions to the requirements and announced legal changes,
- building employee awareness of the consequences of non-compliance with the law,
- protection of confidential information and business secrets,
- protection of the financial result,
- protection of the reputation,
- cooperation with supervisory authorities;

In Apator SA operates Compliance Team, which task is to support the Management Board and employees of the companies in the Apator Group in identification of legal regulations and their implementation to internal procedures.

In 2021, the most important challenges were:

- amendment to the energy law,
- amendment to the Law on Energy Efficiency,
- The Polish Deal,
- new Best Practices of WSE Listed Companies 2021.

During 2021 the Supervisory Board also analyzed the draft amendments to the Companies Act regarding holding law.

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

In 2021, no notifications regarding the infringements of the law were recorded in the companies of Apator Group.

6.4. Internal Audit

Internal Audit in Apator SA is the independent verification and advisory activity within the third pillar of the protection against risk.

In Apator SA there is separate internal audit unit and Internal Auditor has been appointed. Internal auditor is authorized to perform audits in all the companies in Apator Group. The Internal Auditor reports directly to the President of the Management Board of Apator SA in organizational structure but functionally reports to the Audit Committee of the Supervisory Board. At the same time the competence of the Supervisory Board of Apator SA is the consent to appoint and dismiss the Internal Auditor, which supports the independence of the Auditor's opinion. In addition, the Internal Auditor's work plan (audit plan) is approved by the Audit Committee of the Supervisory Board.

In 2021, the subject of Internal Audits were, among others, the following areas:

- material purchases,
- hedging and contingent liabilities of Group companies,
- investments in fixed assets in the Group,
- patent clarity,
- personnel policy,
- verification of the implementation of recommendations and recommendations from previous audits.

6.5. Evaluation of internal control systems, risk management, compliance and internal audit function, together with information on actions taken by the Board in order to perform this evaluation

In order to evaluate the internal control, risk management, compliance and internal audit functions, the Supervisory Board and the Audit Committee receive periodic reports and cyclical information prepared and presented by individual organizational units responsible for the systems. Accordingly, the Supervisory Board in the Audit Committee meetings:

- reviewed the financial, operational, strategic and market risk exposures of each business segment and analyzed the risk management effectiveness report, including with risk and control assessments developed by business process owners and executives,
- obtained audit results on compliance of business processes with ISO standards (9001, 14001, 27001, 45001), legal requirements and internal regulations in individual companies,
- commissioned internal audits in individual Group companies, reviewed their results and assessed the implementation of corrective actions recommended by the internal auditor,
- got acquainted with legal changes concerning the activities of the Group's companies and the manner and degree of their implementation in the organization, prepared by the Compliance Team.

The Supervisory Board based on the results of analysis of materials and reports prepared within the systems and meetings with the Management Board, owners of business processes and key employees assessed the systems, however, taking into consideration present situation of Apator SA and Apator Group, the Supervisory Board indicates the necessity to increase the effectiveness of risk management system and to improve the mechanisms of its effectiveness.

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

7. Assessment of the company's situation on a consolidated basis

The Supervisory Board exercised constant supervision over the execution of the budget and at each meeting it analyzed the current financial and economic results of Apator SA and the results of particular business segments and in particular the level of sales, costs incurred, level of margins, management of working capital and financial liquidity. The Supervisory Board analysed also current consolidated financial results and situation and risks in particular entities in Apator Group in relation to current market and macroeconomic situation.

The year 2021 was marked by a prolonged pandemic, significant global supply chain disruptions, high cost inflation and, as a result, high business unpredictability and uncertainty. At the operational level, by far the biggest challenge of the past year was managing the purchasing, logistics and inventory management processes, especially for electronic components. In turn, higher inventory levels necessitated additional financing and flexible liquidity management.

Consolidated financial results for 2021 were:

Specification	Year 2021	Year 2020	Change	Dynamics
Sales revenue	940 083	934 850	5 466	100.6%
Gross sales profit	213 577	229 610	-15 308	93.3%
Sales profit	48 740	71 238	-22 000	69.1%
Operating income	94 801	78 591	15 873	120.2%
EBITDA	150 573	131 100	19 138	114.6%
<i>EBITDA excluding real estate*</i>	<i>116 494</i>	<i>131 100</i>	<i>-14 941</i>	<i>88.6%</i>
Profit before tax	85 244	81 917	3 087	103.8%
Net profit	63 336	62 237	443	100.7%
<i>Net profit without real estate*</i>	<i>35 732</i>	<i>62 237</i>	<i>-27 161</i>	<i>56.4%</i>

**) results cleared of the influence of sale of real estate of Apator Powogaz SA*

The expectation of the Board in financial results in 2021 was higher, however, in such difficult macroeconomic conditions, Apator Group has performed the stable level of revenues on sales - mainly due to developed business model based on segment and geographical diversification and performed the actions aimed at prevention of margin erosion. Unstable economic conditions of the market required to take further strategic decisions regarding among other things further optimization of the structure of Grupa (merger of Apator SA with Apator Elkomtech SA), reorientation of the companies in the scope of place of manufacturing and directions of sales and also standardization of products in selected areas.

The year 2022 that brought further economic and political turbulences, still gives new challenges to Apator Group. In spite of it, because it can be confirmed that the biggest since many years project of relocation of Apator Powogaz to modern, automated factory in Poznań, was performed on time and with success. Other ongoing projects in the scope of relocation of Apator Telemetria and automation and robotization of operational processes, will absorb rising labor costs. At the same time, market opportunities are opening up for the Group in view of the acceleration of the European Union's climate-neutral policy. Apator Group continues current strategic directions and supports the development of "green" transformation and digitization of all energy sectors. Moreover, the Supervisory Board emphasizes stable foundations of Apator Group that today is one of few entities in the world with so comprehensive offer in the scope of metering of utility services and further plans are focused on the development of renewable energy solutions and services in water area. and heat, as well as expanding the competence of the gas segment through the development of technologies in hydrogen and biogas metering.

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

However, the beginning of 2022 is for Apator Group the accumulation of adverse cost factors observed since several months such as limitations of availability of components, inflation of prices of materials and services, and volatile foreign exchange markets. Therefore, the greatest emphasis in 2022 will be placed on further counteracting macroeconomic factors by improving operational processes especially in the Electricity segment and working on efficiency in the use of working capital. In addition, the Supervisory Board, taking into account the need to manage the Group's liquidity in a manner appropriate to the difficult economic environment, recommends the payment of a lower dividend than in previous years. At the same time, the Board emphasizes that as business predictability increases and the work to improve financial performance yields results, the goal is to regularly redistribute profits in accordance with the existing dividend policy.

7.1. Assessment of financial statements of Apator SA and Apator Group for year 2021

Apator SA prepares separate and consolidated financial statements in accordance with legal requirements, including IAS/IFRS standards. The statements for 2021 were audited by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.

The Supervisory Board supervised the process of preparing financial statements. On the basis of positive recommendation of the Audit Committee of 23rd April 2022 it made the assessment of the financial statements of Apator SA and Apator Group prepared by the Management Board. The Supervisory Board stated that the financial data presented in the periodical reports are reliable, correct and actual and are prepared in accordance with the books, documents and the actual state of affairs as well as with the accounting principles in force, applied in a continuous manner on the basis of the books of account kept.

8. Assessment of the reasonableness of the expenditures incurred by Apator Group for sponsoring, charity or other activity of similar nature

Sponsoring policy is subordinated to general strategy of development of the Apator Group and it is integral part of its communication and external promotion.

Objectives of the sponsorship policy:

- *building brand awareness,*
- *building a positive image of a socially friendly company, involved in various local initiatives, often with international reach,*
- *building the company's good reputation and gaining public recognition and sympathy through participation in undertakings with high standards (cooperation in prestigious undertakings),*
- *brand promotion outside the circle of customers and product recipients, e.g. as an attractive employer*
- *support for promotional and commercial activities, increasing brand awareness among potential business partners,*
- *increased interest of investors,*
- *increase employee engagement,*
- *positive impact of the organisation on its environment.*

One of the strategic objectives of Apator Group is to build the brand recognition and its proper perception that is well thought image actions. Sponsoring policy is subordinated to general strategy of development of the Apator Group and it is integral part of its communication and external promotion.

Objectives of the sponsorship policy:

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021

- building brand awareness,
- building a positive image of a socially friendly company, involved in various local initiatives, often with international reach,
- building the company's good reputation and gaining public recognition and sympathy through participation in undertakings with high standards (cooperation in prestigious undertakings),
- brand promotion outside the circle of customers and product recipients, e.g. as an attractive employer
- increased interest of investors,
- increase employee engagement,
- positive impact of the organisation on its environment.

In 2021 Apator Group allocated to cultural, sponsoring and charitable activity in total PLN 283 thousand, or 0.4% of consolidated net profit. The main activities were implemented as follows:

- support for cultural and scientific events (IV National Review of Children's Visual Art and Youth "Moje Piękne - Bezpieczne Miejsce 2021", UMK Toruński Oddział Polskiego Towarzystwa Matematycznego, Ogród zoobotaniczny w Poznaniu),
- sponsoring sport (Twarde Pierniki - sponsor of youth and senior teams, Masters Indoor Athletics World Championships, "Run&Row" rowing marathon, Starogard Sports Club, Apator Metrix sports team),
- charitable activities (support for the Beautiful World Foundation, Children's Foundation "Zdążyć z Pomocą", Dina Radziwiłłowa Children's Heart Foundation - donation for treatment and rehabilitation of Nina Huzakowska, WSWOP "Hospice at Home").

The Supervisory Board at its meeting in January 2022, on the basis of the detailed statement provided by the company as referred to in principle 1.5 of the DPSN 2021, assessed the expenses for supporting culture, sports, charitable institutions, etc. as reasonable.

9. Information on the degree of implementation of the diversity policy with respect to the Management Board and Supervisory Board

The Company Apator SA did not accepted to apply the rule 2.1 of Best Practice 2021 regarding the diversity policy towards the Management Board and Supervisory Board.

on behalf of Supervisory Board of Apator SA

**Chairman of the Supervisory Board
Janusz Niedźwiecki**

Entity name:	Apator Group
Period covered by the financial statements:	01.01.2021 – 31.12.2021