



Report on the activity of the Supervisory Board of Apator SA in 2023

Toruń, 28 May 2024



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1. Introduction

The Supervisory Board of Apator SA, pursuant to Article 382 sec. 3 of the Commercial Companies Code, and Article 15 sec. 11 of the Articles of Association of Apator SA and Best Practice for GPW Listed Companies 2021, would like to present the *Report on the activity of the Supervisory Board of Apator SA in 2023* to the Ordinary General Shareholders Meeting.

This report is prepared in accordance with item 2.11 of the Best Practice for GPW Listed Companies 2021 and includes:

- *information on the composition of the Board and its committee, with an indication of which Board members meet the independence criteria set out in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, and 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;*
- *summary of the activities of the Board and its Committee;*
- *an assessment of the Company's application of the principles of corporate governance and the manner of fulfilling the information obligations concerning their application laid down in the WSE Rules and in the regulations on current and periodic information provided by issuers of securities, together with information on the actions taken by the Supervisory Board to perform this assessment;*
- *a consolidated assessment of the Company's situation, including an assessment of the internal control systems, risk management, compliance and the internal audit function, together with information on the steps the Board has taken to make this assessment; this assessment shall cover all relevant controls, including in particular reporting and operational controls;*
- *an assessment of the reasonableness of the expenditure referred to in Principle 1.5 of the Best Practice for GPW Listed Companies 2021, i.e. expenditure to support culture, sport, charities, media, community organisations, trade unions, etc.;*
- *information on the degree of implementation of the diversity policy with regard to the Management Board and the Supervisory Board.*

2. Composition of the Supervisory Board

In accordance with the Articles of Association of Apator SA, the Supervisory Board may be composed of 5 to 7 Members, elected by the General Meeting for the period of 5 years. Members of the Board are appointed for a joint term of office. The reduction of the number of members of the Supervisory Board during the term of office to not less than 5 Members does not require any addition to the composition of the Supervisory Board.

Throughout the reporting period covering 2023, the composition of the ninth-term Supervisory Board was as follows:

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| ▪ Janusz Niedźwiecki | - | Chairperson of the Supervisory Board, |
| ▪ Mariusz Lewicki | - | Deputy Chairperson 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 date of the 2025 General Shareholders Meeting.

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The composition of the Supervisory Board, which includes individuals with both business experience and expertise, backed by many years of professional practice, ensures that supervisory duties are properly and effectively performed and that the tasks and responsibilities assigned are duly performed.

Professional CVs of the members of the Supervisory Board are available on Apator SA's website in the "Investor Relations" tab.

2.1. Independence of Supervisory Board Members

In accordance with the requirements of the Best Practices for GPW Listed Companies 2021, at least two members of the supervisory board meet the independence criteria set out in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision and do not have actual and significant ties to a shareholder holding at least 5% of the total number of votes in the Company.

With reference to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, the independence criteria required under this Act are met by three Supervisory Board members: Janusz Niedźwiecki, Marcin Murawski and Kazimierz Piotrowski.

Furthermore, in accordance with the requirements of the Best Practice for GPW Listed Companies 2021, in addition to the criteria listed in the aforementioned Act, Janusz Niedźwiecki and Marcin Murawski also meet the condition of having no actual and significant links with a shareholder holding at least 5% of the total number of votes in the Company.

2.2. Diversity among the Members of the Supervisory Board

In 2023 and at the date of publication of this Report, the diversity ratio of the Supervisory Board members in terms of gender and age is as follows:

- gender ratio on the Supervisory Board:
 - women: 14.3%
 - men: 85.7%
- Supervisory Board member age range:
 - 50–65 y.o.: 42.9%
 - over 65 y.o.: 57.1%

3. Summary of Supervisory Board activities in 2023

3.1. Supervisory Board Meetings

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

In 2023, the Supervisory Board operated based on the adopted meeting schedule. The agenda was established on a case-by-case basis by the Chairperson of the Supervisory Board, based on the situation of the Company and the Apator Group, as well as the legal requirements, and the information needs of the Supervisory Board; it was then sent to the Supervisory Board members in notices of meetings well in advance.

In 2023, the Supervisory Board held 23 meetings, during which it took positions on matters on the agenda and adopted 66 resolutions (including 12 by circulation).

Irrespective of regular meetings, the Supervisory Board members were in constant, direct contact with the Management Board to comprehensively supervise the activities of the Company and the Apator Group.

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3.2. Supervisory Board Supervision Areas

The Supervisory Board performs its actions based on special rights granted by the Articles of Association of Apator SA, Regulations of the Supervisory Board of Apator SA and principles of corporate governance specified in Best Practice for GPW Listed Companies 2021.

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

- examining materials received from the Management Board at the Supervisory Board's request,
- obtaining information and detailed explanations from the members of the Management Board and other Company employees during the meetings of the Supervisory Board,
- activities of the Audit Committee and attending its meetings,
- activities of the statutory auditor who, on behalf of the Supervisory Board, reviewed and audited the financial and accounting documentation and the financial statements prepared on its basis.

All members of the Supervisory Board exercised due diligence in the performance of their duties using their knowledge and experience and effectively carried out their statutory tasks, guided in their actions by the interests of the Company and the Group. Apart from exercising its supervisory function, the Supervisory Board supported the Management Board with expertise in strategic areas, in line with the Best Practice for GPW Listed Companies 2021.

The areas of supervision of the Supervisory Board in 2023 included corporate and financial supervision of Apator SA and other domestic and foreign Apator Group companies. The Board's 2023 areas of special oversight concerned:

- changes in the composition of the Management Board of Apator SA
- approving the separate and consolidated financial budget,
- status of work on the Apator Group strategy,
- analysing the separate and consolidated financial results, including economic parameters in terms of profitability, liquidity, net debt, working capital (especially inventories) and the extent to which these have been achieved in relation to the approved budget,
- analysing the macroeconomic environment and risks arising from it and their impact on the current situation of the Apator Group and directions of development of particular segments and business lines,
- risks in terms of accelerating the pace of the "shift away" from gas,
- prospects for the Gas Segment, particularly in the context of the deterioration of the situation at GWi,
- consenting for Apator SA to dispose of rights or incur liabilities exceeding PLN 20 mln in value and issuing opinions on such actions towards the Apator Group, in particular:
 - ✓ participation of Apator SA in significant public tenders,
 - ✓ conclusion of a multi-purpose agreement with PKO BP SA,
 - ✓ conclusion of contract on cooperation and z o.o. transfer of property rights by and between Apator SA and Apator Telemetry sp,
 - ✓ amendment to the preliminary contract of sale of real estate located in Łódź,
 - ✓ conclusion of significant sales contracts by Apator Group companies on domestic and foreign markets,
- product and process quality management at Apator SA; analysing operations optimisation activities and visiting Apator SA production departments,
- reviewing transactions with affiliated entities,
- reviewing the Apator Group personnel policy, including the remuneration and bonus systems of Management Boards of Apator Group companies, as well as their remuneration levels,
- reviewing the implementation of the sponsorship policy,

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- reviewing the dividend policy and recommending dividend payments,
- analysis of changes in law (compliance),
- amending the Regulations of the Management Board of Apator SA and the Audit Committee,
- attending Audit Committee meetings and analysing its decisions and recommendations, including on Internal Auditor's reports,
- compliance by the Apator SA Management Board with the information duties towards the Supervisory Board under the amendment to the Commercial Companies Code (Article 380 [1]), i.e.:
 - ✓ review of resolutions of the Management Board,
 - ✓ the condition of the Company and the Group, including with regard to its assets, as well as significant circumstances in the scope of its activities, in particular in the areas of operations, investments and human resources,
 - ✓ progress in the implementation of the set business directions,
 - ✓ transactions and other events or circumstances that materially affect or may materially affect the Company's or the Group's financial position, including its profitability or liquidity,
 - ✓ changes to the information previously submitted to the Supervisory Board, if these changes materially affect or are likely to affect the position of the Company and the Group.
- delegating the Chairperson of the Supervisory Board to independently perform supervisory activities for the period from 1 January 2024 to the Ordinary General Shareholders Meeting of Apator SA in 2023

3.2.1. Delegating a Member of the Supervisory Board to Independent Performance of Supervisory Activities

On 1 January 2023, the Supervisory Board of Apator SA delegated the member of the Supervisory Board Janusz Niedźwiecki to perform independently supervisory activities for the period until the Ordinary General Shareholders Meeting of Apator SA held on 28 June 2023.

In order to perform his duties, the delegated representative of the Supervisory Board examined the Company's documents, reviewed the Company's assets and requested the Management Board, proxies and persons employed by or cooperating with the Company to provide all information and explanations on the identified issues. Matters concerning the subsidiaries were also the subject of analysis and examination.

The Chairperson of the Supervisory Board provided information to the Supervisory Board at its meeting once a month on the supervisory activities undertaken and their results, together with the preparation of summary written reports on a bi-monthly basis. At the meeting held on 29 June 2023, the Chairperson gave a final account and the Supervisory Board, by Resolution No. 41/2023, positively assessed the activities performed by the Chairperson of the Supervisory Board, Janusz Niedźwiecki, as part of his supervisory activities and made no comments on the reports submitted by him.

3.2.2. General Shareholders Meeting of Apator SA

The Ordinary General Shareholders Meeting of Apator SA was held on 28 June 2023. The Supervisory Board issued a positive opinion on all motions, and representatives of the Board participated in this Meeting to ensure they were ready for substantive discussion during its course.

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3.2.3. Summary of the Work of the Supervisory Board

The Supervisory Board believes that it has performed its duties properly and in accordance with formal and legal requirements in 2023, providing substantive support to the Management Board and appropriate supervision over all aspects of the activity of Apator SA and the Apator Group.

3.3. Human Resources Policy Implemented by the Supervisory Board

As part of the human resources 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, on his request, the other members of the Management Board,
- determining the rules of remuneration for the Management Board in line with the adopted remuneration policy for Members of the Management Board,
- suspending all or individual Members of the Management Board for important reasons,
- dismissing Members of the Company's Management Board,
- delegating Members of the Supervisory Board to temporarily perform the duties of Members of the Management Board,
- representing the Company in an agreement between the Company and the Board Member as well as in a dispute between the Company and the Board Member,
- deciding on matters of conflict of interest for Management Board Members.

3.3.1. Composition of the Management Board of Apator SA in 2023

In accordance with Art. 16 of the Articles of Association of Apator SA, the Company's Management Board is composed of 1 to 6 members appointed by the Supervisory Board for 3 years for a common term of office.

From 1 January 2023 to 28 February 2023, the composition of the Management Board of Apator SA was as follows:

1. Arkadiusz Chmielewski – President of the Management Board of Apator SA, Director for Business Development of the Group,
2. Tomasz Łątka – Member of the Management Board of Apator SA, General Director.

On 28 February 2023, the Supervisory Board of Apator SA received the resignation of Arkadiusz Chmielewski from his position as President of the Management Board. On 1 March 2023, the Supervisory Board decided to appoint Maciej Wyczesany to act as the President of the Management Board of Apator SA for the current joint 3-year term, ending on the day of the Ordinary Shareholders Meeting of Apator SA to be held in 2025.

From 1 March 2023 to 27 September 2023, the composition of the Management Board of Apator SA was as follows:

1. Maciej Wyczesany – President of the Management Board, General Director,
2. Tomasz Łątka – Member of the Management Board, Director of Business Development of Automation and ICT Solutions.

On 27 September 2023, the Supervisory Board of Apator SA received the resignation of Tomasz Łątka from his position as the Member of the Management Board of Apator SA, Director of Business Development of Automation and ICT Solutions. The Supervisory Board decided that from 28 September 2023, the Management Board of Apator SA shall act in the following one-person composition:

1. Maciej Wyczesany – President of the Management Board of Apator SA, General Director.

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The Supervisory Board of Apator SA, at the request of the President of the Management Board of Apator SA dated 20 November 2023, appointed Łukasz Zaworski to the position of Member of the Management Board of Apator SA effective from 22 November 2023 for the current joint 3-year term, ending on the day of the Ordinary General Shareholders Meeting of Apator SA to be held in 2025.

From 22 November 2023 to 18 December 2023, the composition of the Management Board of Apator SA was as follows:

1. Maciej Wyczęsany – President of the Management Board of Apator SA, General Director,
2. Łukasz Zaworski – Member of the Management Board of Apator SA, Product Development Director

On 19 December 2023, the Supervisory Board appointed Robert Kowalski to perform the function of the Member of the Management Board of Apator SA for the current joint 3-year term, ending on the day of the Ordinary General Shareholders Meeting of Apator SA to be held in 2025.

From 19 December 2023, the composition of the Management Board of Apator SA was as follows:

1. Maciej Wyczęsany – President of the Management Board of Apator SA, General Director,
2. Łukasz Zaworski – Member of the Management Board of Apator SA, Product Development Director,
3. Robert Kowalski – Member of the Management Board of Apator SA, Strategy Director of the Apator Group.

After the balance sheet date, i.e. 21 March 2024, Robert Kowalski resigned from the post of the Member of the Management Board of Apator SA effective 14 May 2024. The reason for the resignation is the appointment of Robert Kowalski to perform the function in the Management Board of a state-owned enterprise. In view of the above, from 15 May 2024 and as at the date of publication of this report, the composition of the Management Board of Apator SA is as follows:

1. Maciej Wyczęsany – President of the Management Board of Apator SA, General Director,
2. Łukasz Zaworski – Member of the Management Board of Apator SA, Product Development Director.

3.3.2. Apator SA Management Board Remuneration System

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

- *determining the rules of remuneration for the Management Board in line with the adopted remuneration policy for Members of the Management Board,*
- *preparing and presenting a report to the General Shareholders Meeting on the remuneration of the Members of the Management Board and the Supervisory Board,*
- *detailing the remuneration policy for Members of the Management Board and Supervisory Board, within the limits determined by the General Shareholders Meeting,*
- *deciding on temporary withdrawal from the application of the remuneration policy for Members of the Management Board and Supervisory Board within the limits specified in the remuneration policy,*

The principles of the remuneration system for Management Board Members result from the Remuneration Policy for the members of the Management Board and Supervisory Board, adopted by the General Shareholders Meeting, which aims to support the long-term business strategy and long-term interests and stability of the Apator Group.

The full content of the Remuneration Policy is available at www.apator.com in the "Investor Relations" tab.

In compliance with the requirements of Art. 90d of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (consolidated text Dz. U. /Journal of Laws/ of 2022, item 2554 as amended), the Supervisory Board has prepared the 2023 remuneration report as a separate document containing data on remuneration levels.

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4. Audit Committee:

4.1. Composition of the Audit Committee

An Audit Committee operates as part of the Supervisory Board. The term of office of the Audit Committee shall be the same for its Members and shall be similar to the term of office of the Supervisory Board. The Committee's composition did not change throughout 2023 and was as follows:

- Marcin Murawski - Chairperson of the Committee,
- Mariusz Lewicki - Member of the Committee,
- Kazimierz Piotrowski - Member of the Committee.

4.2. Independence of the Audit Committee Members

With reference to the act of 11 May 2017 on statutory auditors, audit firms and public supervision, the independence criteria required under this Act are met by two Audit Committee Members, i.e.: Marcin Murawski and Kazimierz Piotrowski.

The criteria for independence within the Audit Committee, as set out in the Best Practice for GPW Listed Companies 2021, are met by its Chairperson – Marcin Murawski.

4.3. Compliance with the Act on Statutory Auditors

The Supervisory Board of Apator SA declares that the regulations regarding the requirements to have knowledge and skills in the industry in which the issuer operates and in accounting or auditing of financial statements are complied with:

- Marcin Murawski and Mariusz Lewicki have knowledge and skills in accounting or auditing:
 - Marcin Murawski graduated from the Faculty of Management and Marketing at the University of Warsaw (specialisation: Corporate Finance); since 2003 he has been a Certified Public Accountant (PIBR No. 90053); since 2000 he has been a British Certified Public Accountant (ACCA No. 0251448) and a Certified Internal Auditor (exam in 2005). Additionally, Marcin Murawski has professional experience in accounting resulting from the following roles:
 - ✓ 1997–2005 – Employee in the Audit Department of the audit firm PwC (manager since 2002),
 - ✓ 2006 - 2012 – Director of Internal Audit Department at Warta S.A. Insurance Group,
 - ✓ from 2012 independent Member of Supervisory Boards and Member of Audit Committees of companies listed on the Warsaw Stock Exchange: (CCC SA – Chairperson of the Audit Committee – until June 2019, Apator SA – Chairperson of the Audit Committee, GTC SA – Chairperson of the Audit Committee, Seco/Warwick SA – Chairperson 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 Economic Sciences at the Nicolaus Copernicus University in Toruń in the field of economics and production organisation, he completed Postgraduate Studies in Tax Law and Postgraduate Studies in Commercial Law at the Faculty of Law and Administration at the Nicolaus Copernicus University. Additionally, Mariusz Lewicki has professional experience in accounting resulting from the following roles:
 - ✓ 1991 - 1999 – Head of Accounting Department in state enterprise PZAE Apator and Apator SA (legal successor of PZAE Apator),
 - ✓ 1994 – 2001 – Chief Accountant in Reuther Polska sp. z o.o. and Rotar Poland sp. z o.o.,

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- ✓ 1993–2013 – Chief Accountant in ZPDZ "Nagro",
 - ✓ 2001 – 2007 – Financial Director, Proxy at Apator Control Sp. z o.o. (former subsidiary of Apator SA),
 - ✓ 2007–2013 – Financial advisor at Z.P.H.U. Walter,
 - ✓ 2008 – 2018 – Deputy Chairperson of the Supervisory Board of PHS Hydrotor SA (2008 – June 2014), Chairperson of the Supervisory Board of PHS Hydrotor SA (July 2014 – June 2018), Chairperson of the Audit Committee of PHS Hydrotor SA (from June 2009 to June 2018), Member of the Audit Committee of PHS Hydrotor SA (July 2017 – June 2018),
 - ✓ from July 2018 to this day – President of the Management Board of PHS Hydrotor SA,
 - ✓ from 2009 to December 2015 – Chairperson of the Audit Committee of Apator SA, then Member of the Audit Committee of Apator SA to this day,
 - ✓ from May 2019 to this day – Chairperson of the Supervisory Board of Więcborskie Zakłady Metalowe Wizamor Sp. z o.o.
- All Members of the Audit Committee have knowledge and skills in the industry in which Apator SA operates:
 - Marcin Murawski has knowledge and skills in Apator SA's industry acquired while performing the following functions:
 - ✓ from 2013 to this day – Member of the Supervisory Board of Apator SA – knowledge of the electrical machinery sector in the area of manufacturing of metering equipment and systems for energy utility distribution companies (electricity metering and switchgear),
 - ✓ from 2015 to this day – Member of the Supervisory Board and Chairperson of the Audit Committee of Seco/Warwick SA –knowledge of the electrical machinery sector in the area of mechanical equipment manufacturing.
 - Mariusz Lewicki has knowledge and skills in Apator SA's industry acquired while performing the following functions:
 - ✓ from 2000 to this day – Member of the Supervisory Board of Apator SA, Deputy Chairperson of the Supervisory Board since 2010 – knowledge of the electrical machinery sector in the area of manufacturing of metering equipment and systems for energy utility distribution companies (electricity metering and switchgear),
 - ✓ from 2005 to this day – Chairperson 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 manufacturing of machinery and equipment for the mining industry, a sector in which the company operated until the end of 2018,
 - ✓ from 2007 to this day – Chairperson of the Supervisory Board of Apator Metrix SA (a subsidiary of Apator SA) – knowledge of the electrical machinery sector in the field of manufacturing of metering gear for energy distribution companies (gas metering),
 - ✓ from 2014 to 2022 – Member of the Supervisory Board of Apator Elkomtech SA (a subsidiary of Apator SA) – knowledge of the electrical machinery sector in the field of manufacturing of systems supporting the work of energy services in the field of transmission and energy distribution (control and supervision systems),
 - ✓ from 2020 to this day – Member of the Supervisory Board of Apator Powogaz SA (a subsidiary of Apator SA) – knowledge of the water and sewerage sector in the field of manufacturing of water meters, heat meters and cost allocators,
 - ✓ from 2008 to this day – Deputy Chairperson of the Supervisory Board of PHS Hydrotor SA (2008 – June 2014), Chairperson of the Supervisory Board of PHS Hydrotor SA (July 2014 – June 2018), Chairperson of the Audit Committee of PHS Hydrotor SA (from June 2009 to June 2018), Member of the Audit Committee of PHS Hydrotor SA (July 2017 – June 2018), President of the Management Board of PHS Hydrotor S.A. (since July 2018), Chairperson of the Supervisory

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- Board of Więcborskie Zakłady Metalowe Wizamor sp. z o.o. (since May 2019) – knowledge of the electromechanical sector in the area of manufacturing of mechanical equipment,
- ✓ from 2015 to this day – Deputy Chairperson of the Supervisory Board of Agromet ZEHS Lubań SA (June 2015 – June 2018), Chairperson of the Supervisory Board of Agromet ZEHS Lubań SA (since July 2018),
- Kazimierz Piotrowski has knowledge and skills in Apator SA's industry acquired while performing the following functions:
- ✓ 1993 – 2000 – Member of the Management Board of Apator SA, including: Administrative Director (1993 – 1998) and Financial Director (1998 – 2000) – knowledge of the electromechanical sector in the field of manufacturing of metering equipment and systems for energy utility distribution companies (electricity metering and switchgear),
 - ✓ 2005–2008 – President of the Management Board of Apator Metrix SA (a subsidiary of Apator SA) – knowledge of the electrical machinery sector in the field of manufacturing of metering gear for energy distribution companies (gas metering),
 - ✓ 2009–2013 – Chairperson of the Supervisory Board of FAP Pafal SA (a subsidiary of Apator SA) – knowledge of the electrical machinery sector in the field of manufacturing of metering equipment for energy distribution companies (electricity metering),
 - ✓ from 2001 to this day – 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 manufacturing of machinery and equipment for the mining industry, a sector in which the company operated until the end of 2018,
 - ✓ from 2013 to this day – Member of the Supervisory Board of Apator Metrix SA (a subsidiary of Apator SA) – knowledge of the electrical machinery sector in the field of manufacturing of metering gear for energy distribution companies (gas metering),
 - ✓ from 2015 to this day – Member of the Supervisory Board of Apator SA, Member of the Audit Committee – knowledge of the electrical machinery sector in the area of manufacturing of metering equipment and systems for energy utility 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 and when required. Meetings of the Audit Committee shall be held at least before the Company publishes its separate and consolidated financial statements (semi-annual and annual).

The Audit Committee operated based on the adopted work plan for 2023. While performing its duties in the reporting period, the Committee held 10 meetings during which it adopted 14 resolutions (including 3 votes by circulation) and took positions on matters on the agenda.

4.5. Scope of work of the Audit Committee

The Audit Committee's main tasks are:

- *supervising the financial reporting process,*
- *supervising the effectiveness of internal control systems, internal audit, risk management and compliance, as well as assessing the need for a separate organisational internal audit function,*
- *supervising the performance of financial audit activities (in particular, the audit carried out by the audit firm, taking into account all conclusions and findings of the Audit Supervision Commission arising from the audit of the audit firm),*
- *approving the internal auditor's annual work plan,*

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- *controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when services other than auditing are provided to the Company,*

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

The 2023 scope of work of the Audit Committee included:

- analysing the current situation of Apator SA and the Apator Group in the scope of debt, liquidity and financial securities,
- overseeing financial risk management, particularly the currency risk hedging policy and carrying out ongoing analysis of the status of futures contracts,
- overseeing copper price risk management and commodity swap status analysis,
- discussing the terms and conditions of the Apator Group's multi-purpose credit,
- working with the auditor, including analysing the scope and timing of work carried out as part of the audit process,
- discussing the course of auditing financial statements of Apator and Apator Group companies with the statutory auditor,
- auditing the financial statements and the 2022 Management Board reports and issuing a positive recommendation to the Supervisory Board,
- auditing the separate financial statements of Apator SA, assessing Apator Group's consolidated financial statements for the first half of 2023 and the report of the Management Board from its activity in the first half of 2023,
- reviewing the 2023 quarterly financial statements,
- monitoring the independence of the statutory auditor PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. (handling the auditing of statements of Apator SA and other Apator Group companies since 2018),
- updating the rules for the selection of the audit firm,
- approving additional auditor services (XBRL, remuneration report),
- launching the process for the election of a statutory auditor to audit the 2024-2025 financial statements,
- overseeing the internal audit function:
 - ✓ handling internal audit reports,
 - ✓ analysing the recommendations made by the Internal Auditor and the status of their implementation, including approval of the audit plan,
- supervising the internal control, risk management and compliance systems and evaluating their effective functioning,
- commissioning an independent auditor to review the internal audit function and analysing the results of the review.

The meetings of the Audit Committee are held with the participation of the other members of the Supervisory Board.

5. Best Practice for GPW Listed Companies

5.1. Application of the Best Practice for GPW Listed Companies by Apator SA

A report on the application of the "Best Practice for GPW Listed Companies 2021" is available at www.apator.com in the "Investor Relations" tab, "Corporate Governance" section. Apator SA complies with most of the principles contained in the Best Practice except for the following:

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- Principle 2.1 The Company shall 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 shall define the objectives and criteria for diversity in areas such as gender, field of study, specialist knowledge, age and professional experience, and shall indicate when and how the achievement of these objectives shall be monitored. With respect to gender diversity of the company's governing bodies, the condition for ensuring the diversity of the company's governing bodies is the participation of minorities in a given body at a level of not less than 30%.

Company comment: The company has a diversity policy for the company's bodies and key managers, but it does not include measurable targets and deadlines for achieving appropriate parity. Recognising the increasing importance of creating a diverse working environment, the Company fosters an organisational culture that is open to diversity, which leads to increased productivity. 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. Consequently, while selecting the company's authorities, these bodies and the Management Board, while selecting key managers, strive to ensure comprehensiveness and diversity, particularly in the areas of education, age, work experience and gender. Due to the specific character of the industry and the technological nature of the business, the decisive aspect here is, first and foremost, the relevant competencies and professional background required for a particular position.

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

Company comment: Justification described in point 2.1.

- Principle 2.11.6 In addition to the activities prescribed by law, the Supervisory Board shall prepare an annual report once a year and shall submit it to the Shareholders Meeting for approval. The report referred to above shall include information on the extent to which the diversity policy with respect to the Management Board and Supervisory Board is implemented, including the achievement of the objectives referred to in Principle 2.1.

Company comment: The Principle is not complied with due to the non-application of Principle 2.1

- Principle 4.1 A company should enable shareholders to participate in a general meeting by means of electronic communication (e-GMS), if it is justified in view of the shareholders' expectations reported to the company, and if the company is able to provide the technical infrastructure necessary to conduct such a general meeting. The Principle is not implemented.

Company comment: In the company's view, the implementation of the aforementioned principle is associated with technical and legal risks that may affect the proper and uninterrupted conduct of general meetings. Additionally, such a form of participation in General Shareholders Meetings currently receives little interest from shareholders. However, should general legal solutions be adopted to minimise the involved risks, the company will consider providing the technical infrastructure necessary to hold general meetings in such a way.

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5.2. Assessment of the Application of Corporate Governance Principles by Apator SA, with Information on the Actions Taken by the Board to Perform this Assessment

The Supervisory Board of Apator SA gave a positive opinion on the 2023 Management Board Annual Report, which includes a chapter on Corporate Governance regarding the application of the "Best Practice for GPW Listed Companies 2021" and the requirements arising therefrom. The Board has also conducted an independent fact-finding exercise and, on this basis, assessed that the company is duly complying with its disclosure obligations relating to applying corporate governance principles. The Company's published explanations and comments are comprehensive and provide sufficient factual information on applying the Principles set out in the Best Practice for GPW Listed Companies.

In 2023, and up to the date of this report, the Company did not record any incidents of violations of the Best Practice 2021, nor was there any breach by the Supervisory Board of the rules of Best Practice for GPW Listed Companies 2021 adopted by the Company. The members of the Supervisory Board personally performed their duties in connection with the Supervisory Board meetings, guided in their actions by Company interests and independence of opinion and judgement.

6. Internal Control System, Risk Management System, Compliance System and Internal Audit Function

The company's risk protection system is based on the Three Lines of Defence model:

- *First 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 defence — 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, purchasing, development, operational, investment, financial and support processes). The internal control system is organised to include:

- self-monitoring initiated and carried out systematically and continuously by all company employees within the limits of their duties and powers,
- functional control embedded in the organisational structure and exercised by the Company's business unit managers and divisional directors,
- institutional control exercised by the controlling team at Apator SA and its subsidiaries, based on the order of the Management Board of a given Company.

Reports and recommendations from external audits (auditor audits, client audits and management system certification audits) serve as additional support for the internal control system and organisational improvement.

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 evolving economic environment and changes concerning the influence of particular factors on business and strategic objectives.

The risk management policy adopted by the Group includes controlling risks broken down into:

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- 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.

Risk management is carried out by business directors/owners and is supported by the Group's Financial Committee made up of finance representatives from each Group company which is tasked with overseeing the Group's financial processes and their further integration.

The analysis and description of the most important risks are detailed in the Management Board's Report on the Group's Activities for 2023 (https://api.apator.com/uploads/relacje-inwestorskie/dane-finansowe-i-raporty-okresowe/raporty-okresowe/2023/sko-roczne/Sprawozdanie_Zarzadu.xhtml).

6.3. Legal compliance monitoring system

Apator SA defines "compliance" as the observance of legal obligations resulting from generally applicable legal acts and rules voluntarily adopted for use by the Company (e.g. Best Practices for GPW Listed Companies 2021, ISO Standards).

The purposes of the compliance system are as follows:

- legal monitoring and adaptation of operations to legal requirements and announced legal changes,
- raising employee awareness of the consequences of non-compliance with the law,
- protecting confidential information and business secrets,
- protecting the financial result,
- protecting the Company's reputation,
- cooperating with supervisory authorities.

Apator SA has a Compliance Team tasked with supporting the Management Boards and employees of Apator Group companies in identifying legal regulations and implementing them in internal procedures. The performance of the system and the Compliance Team is reviewed by the Audit Committee and Supervisory Board of Apator SA within the framework of the annual "Internal Control, Risk Management and Compliance System Effectiveness Evaluation", where the Chairperson of the Compliance Team presents a report on its performance.

The following activities were carried out as part of the compliance system in 2023:

- monitoring and communicating legal changes,
- updating documentation and internal regulations in accordance with legal requirements,
- on-going legal consultations and internal training regarding, in particular:
 - ✓ public procurement law, contract performance security, labour law
 - ✓ training for Supervisory Boards, Management Boards, proxies and employees.
- introduction of a number of mechanisms aiming at standardisation of the issues related to legal service in the Apator Group, i.e. common System of Contracts; guidelines for the companies of the Apator Group concerning the process of concluding the contracts, standardisation of the templates of the contracts.

In 2023, independent audits were carried out by an external law firm regarding the review of the internal audit function and the function of the Financial Director of the Apator Group. Moreover, in order to verify the effectiveness of the compliance system in the Apator Group, partial audits were carried out in selected areas, inter alia, concerning the manner and scope of legal services in individual Companies of the Apator Group, manners of giving opinions on contracts (in some Companies of the Apator Group), verification of contracts in view of the threat of contractual penalties, regulation of legal issues related to copyright.

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In 2023, there were no reports of incidents to the Compliance Team regarding violations of the law in Apator SA and companies in the Apator Group.

6.4. Internal audit

Internal Audit at Apator SA is an independent verification and advisory activity under the third line of risk defence.

Apator SA has a separate internal audit function. The Internal Auditor is authorised to carry out audits in all companies of the Apator Group. The Internal Auditor reports directly to the President of the Management Board of Apator SA but functionally reports to the Audit Committee of the Supervisory Board. At the same time, the Supervisory Board of Apator SA is competent to appoint and dismiss the Internal Auditor, which supports the independence of the Auditor's opinion. Further, the Audit Committee of the Supervisory Board approves the Internal Auditor's annual work plan (audit plan).

In 2023, the Internal Audits covered the following areas:

- assessment of the effectiveness of the merger of Apator S.A. and Apator Elkomtech S.A.,
- optimisation of the production of switchgear and metering equipment in Apator S.A., taking into account its impact on sales,
- "Lean" project and assessment of its implementation at Apator S.A.,
- verifying the implementation of recommendations from previous audits.

Effective 31 March 2024, the current Internal Auditor has terminated their employment. Accordingly, a recruitment process has been launched.

6.5. Assessment of Internal Control Systems, Risk Management, Compliance and Internal Audit Function, Together With Information on the Steps Taken by the Board to Make This Assessment

To assess internal control, risk management, compliance and the internal audit function, the Supervisory Board and the Audit Committee receive periodic reports and cyclical information prepared and presented by the individual organisational units responsible for the various systems. Accordingly, during the Audit Committee meetings, the Supervisory Board:

- reviewed the financial, operational, strategic and market risk exposures of each business segment and analysed the risk management effectiveness report; this included reviewing risk and control assessments developed by business process owners and management,
- commissioned internal audits at individual Group companies, reviewed the results and assessed the implementation of the corrective actions recommended by the internal auditor,
- reviewed the legal changes relating to the activities of Group companies and the manner and degree of their implementation into the organisation, as drawn up by the Compliance Team..

Based on its analysis of the materials and reports prepared as part of the systems and its meetings with the Management Board, business process owners and key employees, the Supervisory Board carried out its annual system assessment and found no significant inadequacies or gaps that would require corrective action. However, the Supervisory Board points to the need to continuously improve the effectiveness of these systems.

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7. Consolidated Evaluation of the Company's Situation

The Supervisory Board exercised constant supervision over budget performance and, at each meeting, analysed the current financial and economic results of Apator SA and the results in specific business segments, in particular, sales, costs incurred, margins and working capital and financial liquidity management. The Supervisory Board also examined the current consolidated financial results and the situation and risks faced by individual Apator Group companies in relation to the current circumstances, both on the domestic market and globally.

The consolidated financial results for 2023 were as follows:

| Breakdown | 2023 | 2022 | Change | Growth rate |
|---|----------------|----------------|---------------|---------------|
| Sales revenue | 1,137,174 | 1,081,792 | 55,382 | 105.1% |
| Gross profit from sales | 255,828 | 224,261 | 31,567 | 114.1% |
| Profit on sales | 57,270 | 45,090 | 12,180 | 127.0% |
| Profit on operating activities | 40,132 | 31,340 | 8,792 | 128.1% |
| EBITDA | 96,546 | 87,067 | 9,479 | 110.9% |
| <i>EBITDA adjusted by the impact of one-off events*</i> | <i>114,063</i> | <i>101,683</i> | <i>12,380</i> | <i>112.2%</i> |
| Profit before tax | 27,544 | 15,915 | 11,629 | 173.1% |
| Net profit | 8,504 | 7,205 | 1,299 | 118.0% |
| <i>Net profit adjusted by the impact of one-off events*</i> | <i>35,866</i> | <i>21,821</i> | <i>14,044</i> | <i>164.4%</i> |

**) EBITDA and net profit for 2022 adjusted for the write-down of development work and goodwill of the UK company GWi (PLN -14.6 million), EBITDA for 2023 adjusted by write-downs of intangible assets and other assets (PLN -12.9 million) as well as by write-downs of inventory (increasing the cost of sales item, PLN -4.6 million), net profit in 2023 additionally adjusted for the write-down of an asset caused by a tax loss related to GWi (PLN -9.8 million).*

The Board assesses the results generated in 2023 as being good. In spite of persisting unfavourable macroeconomic and geopolitical conditions, the Apator Group generated record revenues of over PLN 1.1 billion, and thanks to the diversification of the business and intensive work on the effectiveness of the organisation, the Group also generated better margins than in the previous years. Throughout 2023, companies of the Apator Group successively worked on the improvement of operational efficiency, in particular on the reduction of inventories, which resulted in the reduction of the use of credits and the reduction of financing costs.

The most challenging business area for the Group at the moment is the Gas segment. Its prospects are strongly correlated with energy policy and the approach to gas fuel in the EU, which are under constant scrutiny. As a result of the adverse developments in the UK gas market and the deterioration in the prospects for the UK GWi Ltd's business and financial health, a pre-packaged sale procedure has been initiated, where a potential purchaser of the whole company, its part or individual components of assets is sought.

The Supervisory Board considers the prospects of the Apator Group to be good. The Group is pursuing its existing strategic directions and its solutions are perfectly in line with the European Green Deal. The Group has a stable foundation and a nationally unique broad competence in the measurement and management of all energy and water utilities, is involved in the supply of smart electricity meters as part of the ongoing rollout in Poland, is expanding its offer for the RES sector, and is increasing its share of sales of ultrasonic water meters and services in the water and heat segment.

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7.1. Assessment of the 2023 financial statements of Apator SA and the Apator Group

Apator SA prepares separate and consolidated financial statements in accordance with legal requirements, including IAS/IFRS standards. The 2023 financial statements were audited by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt spółka komandytowa.

the Supervisory Board supervised the process of preparing the financial statements. Based on the positive recommendation of the Audit Committee of 25 April 2024, the Supervisory Board evaluated the financial statements of Apator SA and the Apator Group prepared by the Management Board. The Supervisory Board confirms that the financial data presented in the periodic reports is reliable, correct and actual and is prepared in accordance with the books, documents and the actual state of affairs and in accordance with the applicable accounting principles, applied on a continuous basis, based on the books of accounts.

8. Assessment of the reasonableness of expenditures incurred by the Apator Group in respect of sponsoring, charity or other activities of similar nature

The sponsorship policy depends on the general strategy of development of the Apator Group and is an integral part of its communication and external promotion.

Sponsoring policy objectives:

- building brand recognition,
- 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 by taking part in high-profile events (involvement in prestigious initiatives),
- promoting the brand outside the circle of customers and product recipients, e.g. as an attractive employer,
- increasing investor interest,
- increasing employee engagement,
- positive impact of the organisation on the environment.

In 2023, the Apator Group allocated 3.1% of the consolidated net profit for sponsoring and charity activities. The main activities in this area were as follows:

- supporting cultural events and science,
- sports sponsorship,
- charitable activities.

At its meeting on 26 March 2023, the Supervisory Board determined the 2022 expenditure incurred to support culture, sports and charitable institutions as reasonable and appropriate based on the detailed statement provided by the Company under Principle 1.5 of the 2021 Best Practice for GPW Listed Companies.

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

Apator SA did not adopt Rule 2.1 of the 2021 Best Practice on the diversity policy concerning the Management Board and the Supervisory Board.

on behalf of the Supervisory Board of
Apator SA

**Chairperson of the Supervisory Board
Janusz Niedźwiecki**

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