



# Our responsibility

Apator Group CSR report for 2018

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# 1. About the Apator Group

## 1.1 OUR ACTIVITY

*With courage looking forward to the future. After 70 years of activity, we can proudly say that we are a company that is not afraid of the challenges posed by reality. And the company is changing dynamically.*

Mirośław Klepacki, CEO of Apator SA

Apator consists of an international group of manufacturers and distributors of equipment and metering systems, as well as suppliers of solutions for electrical grid automation. Group are both new entities, as well as enterprises with a long tradition - the creation of the oldest companies of the Apator Group dates back to the late nineteenth century.

**It is the diversity, the combination of experience and well-established knowledge with the spirit of innovation and modernity, today the interaction of different national cultures and organizational is the greatest asset, but also a challenge, Apator Group.**

Apator SA shares are listed on the Stock Exchange in Warsaw, included into sWIG80 index. We are especially proud of long-term, consistent presence of the company in the prestigious group of socially responsible companies included in the RESPECT Index.

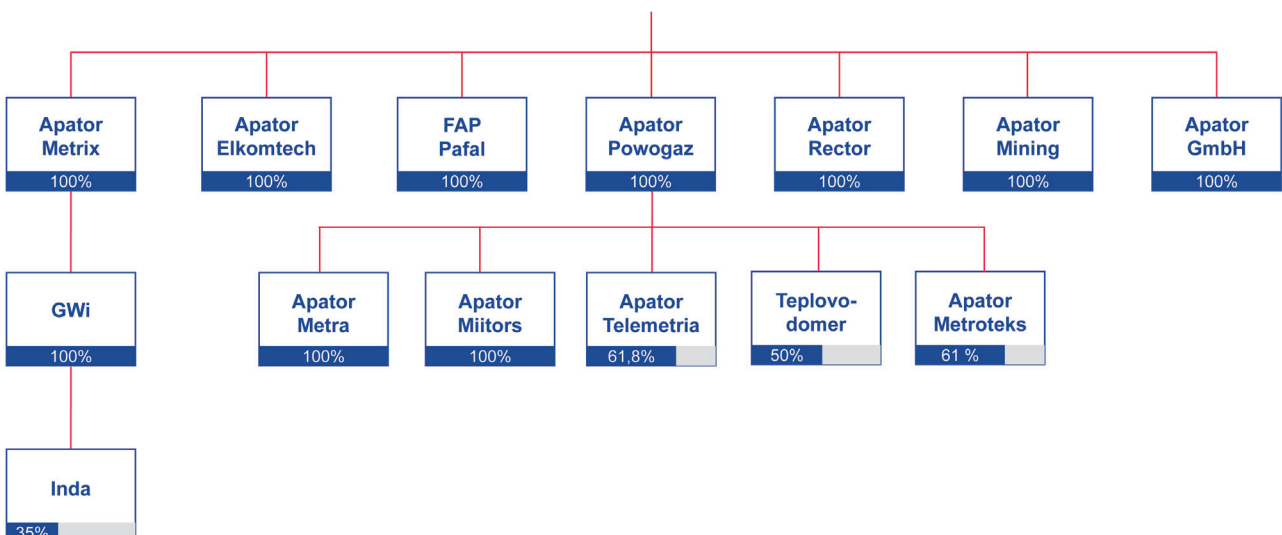
### Learn about Apator Group

In 2018 the Group consisted of 16 entities. The parent company is Apator SA with registered office in Toruń and manufacturing plant in Ostaszewo near Toruń. Headquarters coordinates and manages the Apator Group, performs common functions to companies, initiates and implements group activities.

Each company makes its contribution to the Group development. All subsidiaries participated in developing the strategy of Apator Group, setting directions of development and anticipating future markets. The business strategy developed in 2018, covering the 2019-23 perspective, is our joint work. Each of the entities has a veritable impact on the effects of work and achieving the goals of the entire Group. Work together as a good team - these are our ambitions.

### Apator Group Structure

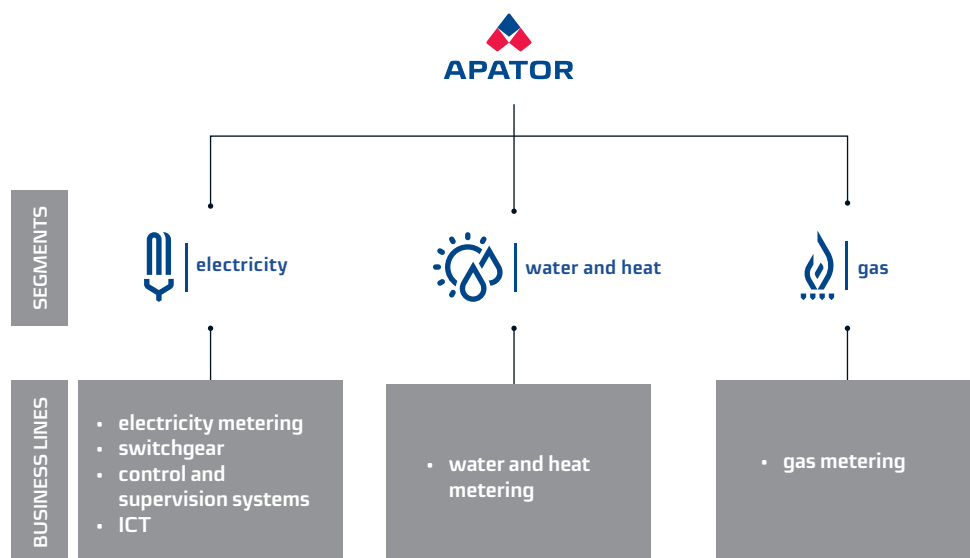
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## Our business model

The activity of Apator Group focuses on the design, production and sale of specialized products, solutions and systems targeted mainly at the professional energy sector and industry (more on this in the chapter: Our environment).

Apator Group operates in three business segments: Electricity, Water and Heat and Gas.



**Electric Energy segment** – focused on providing a wide range of solutions for modern electrical grids. Among them are metrological devices: from induction, electronic and prepayment meters to technologically advanced smart meters as well as modern energy management systems. The segment offer also includes

devices used to distribute electricity and protect electrical circuits against the effects of short circuits and overloads. The EE segment companies are recognized manufacturers of systems and solutions supporting the work of services in the field of management, operation and supervision of ee networks. They also provide advanced IT systems supporting management of measurement information and solutions for effective management of network assets, including network passporting services.

Electric Energy segment in Apator Group is represented by the company: Apator, Apator Elkomtech, Apator Rector, FAP Pafal, Apator GmbH.



**Water and heat segment** – specializes in the production of residential and industrial water meters, heat meters as well as heat cost allocators. It offers remote reading services, utility consumption billing and water and heat distribution management systems. Apator Powogaz, a leading company in the

Water and Heat segment, is one of the largest manufacturers and suppliers of water meters in Poland and Europe.



**Gas segment** – specializes in the production of the highest quality gas meters. It offers domestic and industrial bellows gas meters as well as remote reading metering systems. Production focuses on nine basic sizes gas meters: from G1,6 domestic gas meters to G65 industrial ones, with different spacing of connectors. Apat

tor Metrix, a leading company in the Gas segment, is one of the largest manufacturers and suppliers of gas meters in Poland and Europe.

## 1.2 OUR STANDARDS



*Our response to the challenges of Modern Power Industry is the new business strategy of Apat Group. It contains dozens of new product and market initiatives that will provide our Clients with a broad spectrum of new products and solutions. We have ambitions and the necessary know-how - together with our Clients and technology partners - to create standards for open and interoperable solutions and systems, tailored to the specifics and requirements of the Polish and neighboring markets.*

Mirosław Klepacki, CEO of Apat SA

### Strategic objectives

The year 2018 was marked by defining the assumptions of the new business strategy of Apat Group for the years 2019-23. In the perspective of the strategy the Group assumes a significant increase in the scale of operations, i.e.

- EBITDA increase to PLN 220 million in 2023 (average annual growth dynamics approx. 13%),
- achieving sales revenues of PLN 1.4 billion in 2023. (average annual growth dynamics approx. 8%).

We will pursue financial goals based on maintaining a strong position on the domestic market, increasing shares in strategic markets (Germany, Central and Eastern Europe) and taking advantage of sales opportunities in other European markets. Apat will put emphasis on customer segments with high sales and profitability potential and will develop sales of high-margin products, including intelligent solutions. Achieving the assumed financial goals will also be possible thanks to further improvement of operational efficiency and cost optimization by using synergies in the Group.

The Apat Group in the next 5 years predicts a significant increase in the value of sales to foreign markets and maintain a high share of exports in total sales (over 50%).

More about our strategy at <http://www.apator.com/en/investor-relations/strategy>

### Mission and vision

- **The Mission** of Apat Group is to provide clients with easy-to-use and intuitive solutions for the effective management of all types of energy media.
- **The Vision** of Apat Group is to maintain the long term position of an industry leader and expert in Poland, to rank among the best of suppliers in Germany and Central and Eastern Europe, and to build the recognition of the Apat brand on selected other markets.

## The values



## The scale of activity and financial indicators of the Apator Group

Production quantitatively by main product groups	2018	2017	Change	The dynamics y/y
	thousand pcs.	thousand pcs.	thousand pcs.	%
<i>electricity meters</i>	2 063	1 756	307	117%
<i>gas meters</i>	1 334	1 607	- 273	83%
<i>water meters</i>	2 764	2 728	36	101%
<i>heat meters</i>	80	91	- 11	88%
<i>switch disconnectors</i>	514	592	- 78	87%
<i>radio module</i>	720	710	10	101%

Sales revenues according to segments*	2018	2017	Change	The dynamics y/y
	'000 PLN	'000 PLN	'000 PLN	%
Electric Power Segment	385 922	348 082	37 840	111%
Gas Segment	183 536	271 925	- 88 389	67%
Water and Heat Segment	258 344	263 189	- 4 845	98%
Discontinued activity (Apator Mining)	16 241	23 706	- 7 465	69%
<b>Total revenue</b>	<b>844 043</b>	<b>906 902</b>	<b>- 62 859</b>	<b>93%</b>
<i>country</i>	<b>465 299</b>	<b>411 936</b>	<b>53 363</b>	<b>113%</b>
<i>export</i>	<b>378 744</b>	<b>494 966</b>	<b>- 116 222</b>	<b>77%</b>

\*1) Continued and discontinued activity, analysis of revenues and financial results were presented in the Management Board Report of Apator Capital Group for 2018.

Basic financial data*	2018	2017	Change	The dynamics y/y
	'000 PLN	'000 PLN	'000 PLN	%
Sales revenues	844 043	906 902	- 62 859	93%
Profit on sale	98 274	72 129	26 145	136%
Operating profit	92 529	64 609	27 920	143%
EBITDA	134 311	103 893	30 418	129%
Net profit	70 405	43 908	26 497	160%
Equity capital	476 984	455 498	21 486	105%
Long-term liabilities	51 362	65 529	- 14 167	78%
Short-term liabilities	310 844	318 455	- 7 611	98%
Total assets	839 190	839 482	- 292	100%
Gross salary (with mark-ups)	202 137	199 090	3 047	102%
Income tax	- 22 773	- 16 188	- 6 585	141%
Current income tax	- 17 193	- 15 676	- 1 517	110%
Deferred income tax	- 5 580	- 512	- 5 068	1090%

\*) Continued and discontinued activity, analysis of revenues and financial results were presented in the Management Board Report of Apator Capital Group for 2018.

## Management standards

*We produce, among others gas meters, electricity meters or devices working on the electrical grid, so our products must be a guarantee of safety. Apator branded products are certified and subjected to specialist tests, and in addition our clients often impose their own additional functional and quality requirements.*

Mirosław Klepacki, CEO of Apator SA

The companies of Apator Group conduct their activities in accordance with the adopted Integrated Management System covering the following policies:

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

Management systems are tailored to the specifics of the individual companies. The largest companies of the Group production activities are based on the following standards:

Type of standard	Apator	Apator Metrix	Apator Powogaz	Apator Elkomtech	FAP PAFAL
PN-EN ISO 9001:2015	X	X	X	X	X
PN-EN ISO14001:2015	X	X	X		X
PN-N-18001:2004	X	X	X	X	X
PN ISO/IEC 27001:2014-12	X	X		X	

Apator SA, as a company managing the capital group and listed on the WSE (GPW), has committed itself to comply with corporate governance principles, which are included in the collection of "Best Practice for GPW Listed Companies 2016" (adopted pursuant to Resolution No. 26/1413/2015 of the WSE (GPW) Council of .13.10.2015.). In 2018, these principles were applied, except for II.Z.3 (only one member of the Supervisory Board meets the criterion of independence).

Uniform corporate governance applies in all domestic companies of the Apator Capital Group. Ownership supervision is carried out through established internal law in the form of corporate guidelines, activities of committees established within Apator Group, joint functions i.e. controlling, internal audit, R&D, as well as CFO activities.

## Research and development

The main driver of Apator's Group growth is the development of technologically advanced solutions and ground-breaking innovations, mainly in the field of smart devices and systems for managing energy distribution networks.

In its activity, Apator emphasizes the importance of innovation and develops the R&D area, including by creating competence centers in research and development in the Group and strengthening R&D teams and Product Managers. Cumulated capital expenditures in the time horizon of the new strategy were assumed at around PLN 380 million.

The Group currently has 11 R&D offices specialized in the development of innovative products, systems and services in the field of intelligent distribution networks for electricity, water, heat and gas.

Investment, activity of R&D	2018	2017	Change	The dynamics y/y
	'000 PLN	'000 PLN	'000 PLN	%
<b>CAPEX investment outlays, including:</b>	<b>47 282</b>	<b>58 324</b>	<b>- 11 042</b>	<b>81%</b>
<i>tangible fixed assets</i>	32 092	41 341	- 9 249	78%
<i>intangible assets</i>	15 190	16 983	- 1 793	89%
<b>Operating costs of development offices (R&amp;D) not included in CAPEX</b>	<b>23 830</b>	<b>22 478</b>	<b>1 352</b>	<b>106%</b>
Average annual number of employees in R&D [AWU]	163,7	149,8	-	109%

## 2018 product innovations

Each year Apator Group launches new products and solutions on the market. The year 2018 was characterized by:



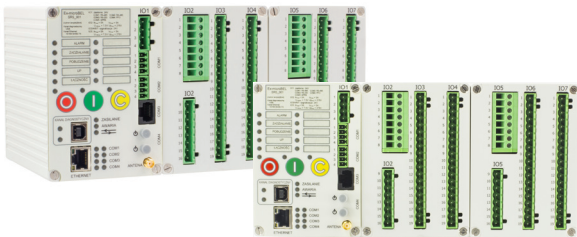
- debut of the new smart class electricity meter - OTUS, equipped with modern NB IoT and Cat.M1 communication modules,
- development of the offer of smart class disconnectors, controllers and protections for automating the operation of the power grid,



- implementation of an innovative FDIR system for automatic restoration of ee network voltage,



- development of further products from the Ultrimis family of ultrasonic water meters,



- completion of works on the final variants of the microBEL short-circuit current flow indicator,



- expansion of the gas meter portfolio: intelligent gas meters, bi-battery gas meter and multi-battery industrial gas meters.

## 1.3 OUR ENVIRONMENT

The premise of Apator Group's business strategy is the word **"closer"**, which applies to our entire business environment. Our goal is to understand the needs and problems of our stakeholders well and meet them - acting in the good interest of the company and respecting the capital of its shareholders.

Our clients, business partners, suppliers as well as institutions cooperating with companies and social partners (so-called external stakeholders) are the key stakeholder group, but internal stakeholders are no less important group – employees of capital group companies.

### Our clients

*"Our solutions are constantly evolving because market trends are changing, new technologies are emerging, and our customers expect innovations that will improve their businesses."*

*Miroslaw Klepacki, CEO of Apator SA*

The new strategy of Apator Group emphasizes being **closer to the market and clients** - we want to offer them our knowledge and competences, act as a technological advisor who - in close cooperation with the client - develops solutions tailored to his current and future needs.

Our offer is dedicated to recipients operating mainly in the energy sector (operators of utility media distribution systems, such as electricity, water, heat, gas), as well as suppliers of products and services for the energy industry and industrial enterprises.

**BUSINESS SEGMENTS**



electricity



water and heat



gas



- electricity distribution system operators
- power wholesalers, electrical and wiring companies, designers,
- construction, industry, railways.

- numerous, dispersed group of clients: water supply, heat energy companies, housing cooperatives, construction, industry.

- institutional customers and gas utility companies



metering of electricity



switchgear



control and supervision systems



ICT



## Closer to stakeholders

In our business, we interact with various stakeholder groups and build relationships based on mutual, effective cooperation and trust.

Stakeholder group	Communication goals	Forms of communication	Basics of identification
<b>Key stakeholder groups</b>			
Investors, stock market analysts, business media, journalists	Reliable and honest communication and reporting on the current situation of the capital group - in accordance with the requirements, regulations and good practices of information flow for companies on the regulated market.	Current reports, financial reports, conferences, meetings, newsletters, website, social profile on Facebook and LinkedIn, statements for the media in the form of interviews, articles, ongoing communication with journalists.	For Apator SA, as a company listed on the WSE, building relationships with investors and analysts and journalists is a priority.
Clients	Cooperation in optimizing the client's business, developing technologies and solutions, exchanging / sharing technical knowledge, presenting the product offer and terms of trade cooperation.	Face-to-face meetings, fairs, conferences, trainings, newsletters, website, product materials, social profile on Facebook and LinkedIn.	GK Apator pursues business goals by providing clients with solutions and products that meet their expectations and needs.

Stakeholder group	Communication goals	Forms of communication	Basics of identification
<b>Other stakeholder groups</b>			
Employees	Communicating the organization's goals and values, current information on the company's condition and financial results, key organizational decisions and changes as well as personal and social activities. Building a common organizational culture.	Meetings of managers and management, department / office meetings, educational campaigns, internal group magazine "Flash Apator", newsletters, website, social profile on Facebook and LinkedIn.  In addition, depending on the practices in the company: meetings of Management Boards with employees, employee portal, company radio station at Apator SA.	GK Apator realizes business goals thanks to the commitment and competences of its employees.
Suppliers	Exchange of knowledge and communication of mutual expectations for the effective implementation of operational processes and effective cooperation.	Regular meetings and presentations, audits, website, profile on Facebook and LinkedIn.	GK Apator implements business objectives by choosing a reliable social network and meeting specific quality requirements of partners, taking into account pricing requirements.
Government and regulators, industry organizations, financial institutions	Actions to shape and develop the smart metering/smart grid market, promoting effective solutions and technology.	Participation in consultative meetings, conferences, symposia, activities within industry associations and organizations.	GK Apator operates in accordance with the requirements of law and decency, sharing knowledge and good practices for the development of new technologies and effective management of utility media.
Media	Conscious shaping of the company and brand image by informing the market environment about the company's activities.	Press information, industry articles, press conferences, website, social profiles on FB and LinkedIn.	GK Apator cooperates with industry, specialist and local media by participating in the exchange of expert knowledge, promoting its products, presenting the effects of business and non-business activities, shaping the image of the company / brand on the market.
Local authorities (local government, poviat, commune)	Communication for effective cooperation, development of the organization in accordance with the needs of the local community and the expectations of local governments.	Face-to-face meetings, participation in local events, website, social profile on Facebook and LinkedIn.	Apator Group companies cooperate in the area subordinated to local governments with local authorities for the successive development of business and local communities.
Social institutions, non-profit organizations, artists, athletes, social environment	Cooperation for the implementation of valuable social initiatives.	Ongoing cooperation in the implementation of projects, conferences and meetings, website, social profile on FB and LinkedIn.	Apator Group companies enter in business and non-business relations with local institutions supporting valuable initiatives, making donations to organizations that implement social missions.
Scientific environment, public education centers, research institutes	Exchange of knowledge and experience, strengthening cooperation and implementation of joint scientific and development projects, popularizing science, presenting the company's activities.	Ongoing cooperation in project implementation, participation in conferences and meetings.	Cooperation between the scientific community and business serves the development of the enterprise and science, is an impulse to develop new technologies and products. Apator Group companies recruit employees among students and graduates of universities.



## 2. Responsible employer

## 2.1 RELATIONS WITH EMPLOYEES

*People create a company, perform tasks, carry out projects. They are the most important. They want to be treated individually. You need to skillfully fuel their commitment, expose and use the advantages, and reject the disadvantages.*

Mirosław Klepacki, CEO of Apator SA

Companies from the technology industry sector in which Apator Group operates are building their competitiveness based on expert knowledge, experience and competences of employed specialists. On the other hand, in production companies (of which there are eight in the entire Apator Group), reliable and committed employees employed in production and assembly lines are the base. Apator Group must take into account the needs and expectations of all these groups.

In the course of work on the new strategy of Apator Group, the area of development and learning was particularly emphasized, which refers to the improvement of human resource management processes, implementation of tools supporting employee development, building their commitment, loyalty and motivation.

The newly defined goals for the 2023 perspective are:

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

The principles of work in individual Group companies are governed by generally applicable law (including the Labor Code) as well as internal procedures and instructions. A key role in defining the approach to managing employee issues at the Group level is performed by the **Code of Ethics** of the Apator Group obliging the Apator SA company and national subsidiaries. The complementary role in defining policy standards for employees is fulfilled by, among others **Strategy on corporate social responsibility** (CSR), **work regulations** of individual companies and the **Corporate's Collective Labour Agreement** binding in them, and finally the relevant entries of the **Integrated Management System Books** of individual companies.

### Personnel strategy of Apator Group

The personnel strategy of Apator Group focuses on providing values:

- **For an employee through:**
  - creating a friendly and safe workplace,
  - creating an inspiring place for professional development,
  - creating an environment that releases employee energy.
- **For organizations, i.e.:**
  - providing employees and competences necessary to achieve business goals,
  - building employee engagement and loyalty,
  - HR team a business partner in human resource management.

## Key competences

So far, we have shaped our organization's culture on the basis of 3 key competences, which are a set of values and principles that define the standards of our everyday work.

- BUSINESS ORIENTATION
- INVOLVEMENT
- COOPERATION





Within the framework of the formulation of an the new business strategy for 2019-23 (announced in November 2018), we worked on a set of new company values adapted to the new challenges facing Apator Group - both market and organizational.

The new company values have been translated into key competences\*.



*Values are slogans under which they comprise behaviors that all employees should manifest in their daily work. Values build the company's organizational culture and our external image. Business goals cannot be achieved without specifying how we want to achieve them.*

Małgorzata Kubińska, Personnel Director of Apator Group

NAME	DEFINITIONS
 <b>responsibility</b>	Awareness of business goals and commitment to their implementation, focus on achievement and growth of company results, respect for entrusted capital, care for tools and workplace, honesty and respect in relationships with others, keeping the word given to customers and colleagues, reliability and commitment to the implementation of tasks and duties, care for quality and timeliness of performed tasks, providing products in the quantity, quality and time required by the customer, compliance with rules and procedures.
 <b>development</b>	Willingness to take on challenges, active search for new markets, solutions, products or improvements, tracking market and technological trends, constant search for unique solutions building the competitive advantages of organizations and business development, implementation of breakthrough innovations, care for efficiency and profitability of activities, effective resource management, proactive attitude, creativity and courage, going beyond schemes, translating concepts into specific solutions and action plans, updating and developing knowledge and competences, willingness to learn, curiosity and a broad view on business and interpersonal relations.
 <b>cooperation</b>	Openness to the needs of external and internal clients, building relationships based on trust and respect, supporting others, partner approach to relationships with others, openness to other points of view, ability to work in a team and cooperate to achieve the organization's goals, readiness to compromise, communication skills and openness to feedback, breaking down barriers and "silos", sharing knowledge, personal culture and empathy in relationships with others, building a "team spirit".
 <b>agility</b>	Openness to changes, the ability to intelligently and efficiently adapt our activities to the needs of the client, market and organization, active implementation and communication of changes, anticipation of effects and evaluation of undertaken or planned actions, flexibility of taking into account financial, efficiency and operating conditions of the organization, ability to argue and build acceptance for change.

\*Key competences developed on the basis of new company values were defined in 2019. At the time of writing the report, work is underway on translating them into managerial and functional competences. Both company values and the updated set of competences is the subject of an information and educational campaign planned for the second half. 2019, which will continue in 2020.

## Employee Ideas Program

As part of the program implemented for several years, Apator encourages the crew to be creative and take the initiative at their workplace. Each idea is valued and brings a real benefit to its creator. Additional incentives for employees are the annual awards granted in the following categories: the best team and the best idea.



## TKI training project

The TKI abbreviation refers to the following terms: Training, Knowledge, Instruction. This is a development project for the production area, in which trainers who were experts in their area were selected from the pilot faculties. The project was to introduce a standardized process of implementing new employees and the development of already employed people in the scope of skills necessary to perform production tasks.

The process accelerates implementation and learning, eliminates errors and builds commitment and positive reception of the company among employees. The project started in 2018, is continued in 2019.

## Priorities in the area of personnel policy

- **Conducting effective recruitment:**
  - effective promotion of the Apator brand on the labor market,
  - implementation of common recruitment tools within the Group (tools, bases, partners),
  - improving the process of implementing new employees in companies.
- **Creating conditions for employee development:**
  - implementation of a common model for defining competencies and employee evaluation (taking into account the specificities of companies),
  - programming employee development (clear promotion paths, succession plans, development programs for key employees),
  - providing employees with the opportunity to influence the company's tasks and operations.
- **Building employee engagement in achieving the organization's business goals:**
  - supporting managers in modeling business processes, cascading business goals to jobs,
  - supporting managers in improving relations and communication with employees,
  - implementing good practices to appreciate employee engagement and achievements,
  - systematic research and analysis of employee satisfaction and commitment,
  - integrating employees around shared values of Apator Group.
- **Shaping the remuneration system:**
  - shaping the remuneration system based on market benchmarks,
  - linking the remuneration and bonus system with tasks and commitment as well as the results achieved by the employee, ensuring transparency of the process,
  - adaptation of the benefits system to the employees' needs and market requirements.
- **Efficient HR and payroll services:**
  - centralizing employee payroll services,
  - unification of HR processes,
  - ensuring compliance of HR solutions with applicable law.

The personnel strategy also assumes expanding the competences of the HR team, adjusting the organization of HR teams to act as a partner for business units, and implementing IT systems supporting the management of the HR area in the Group.

## Breakfast for production employees

Employees of the operational area at Apator SA made record production in October 2018. The Company's Management Boards and the Management decided to appreciate this fact by thanking every employee in the operational area for his commitment during the organized breakfast refreshment.

## Cyclical meetings of the Company's Management Boards and the Management with employees



Meetings of employees with the Company's Management Boards are held cyclically 1-2 times a year. Their subject is to discuss the current situation of a given Company and Group, including financial results, implemented projects, plans for the coming months and current organizational topics. The organization of such meetings is one of the most important elements of communication in the company: on the one hand, it allows employees to familiarize themselves with the current situation and achieved results, but - equally

important - it is also an opportunity for managers to contact all employees, especially those who do not have direct relationships or do not cooperate with managers on a daily basis.

## 2.2 OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are one of the priorities of Apator Group. Our activities are aimed at eliminating accident hazards and minimizing harmful factors affecting an employee in the workplace. We proceed in accordance with applicable law and the provisions contained in the occupational health and safety management system in force in several companies of the Group according to PN-N 18001: 2007. The ways of achieving OHS objectives are also regulated by a number of internal procedures and instructions in force in individual Group companies.

Apator Group supports the protection of the health of its employees, works on continuous improvement of safety and working conditions, implements solutions to prevent accidents at work, occupational diseases and potentially accidental incidents. Implemented activities include among others:

- hazard identification and occupational risk assessment for each position,
- initial, periodic and control medical examinations, protective measures, initial and periodic training in the scope of OHS rules,
- organization of working place in accordance with applicable regulations and principles of ergonomics, introduction of modern technological lines and devices favorably affecting productivity and minimizing the burden on employees,
- monitoring of working conditions by the OHS Committees,
- separation, marking and preparation of workplaces, transport routes and fire-fighting measures,
- monitoring of identified threats.

Planning and improving the OHS process is carried out through an annual plan of objectives and tasks, which implementation and monitoring are determined by appropriate procedures.

## Social review of working conditions in Apator SA

The review took place in March 2018 with the participation of the occupational medicine doctor, managers and departmental social labor inspectors as well as trade union representatives. The analysis covered production, administrative and office positions, taking into account their organization, safety and ergonomics. Social rooms and hygiene and sanitary facilities were also reviewed. Based on the comments submitted by employees, a schedule of repair tasks was developed (as a result, among others, evacuation routes were cleared, additional markings were introduced, employees' seats were changed to ergonomic ones).

## Program: Zero tolerance for potentially accidental behavior

Under the program, Apator SA carries out educational and organizational activities of a preventive nature, e.g.:

- raising employees' awareness of first aid - verification of skills using phantom for resuscitation (training and practical module),
- OHS training and education for employees in worker, administrative and office positions, as well as employee managers,
- counteracting threats to the company's employees and external companies in the area of renovation / service works – purchase and installation of special hazard notices.

## 2.3 ACHIEVEMENTS AND CHALLENGES

*"Above all I expect from the employees good communication, cooperation culture, teamwork orientation. We come to work not only to earn money. This should be a place where I express myself, develop my passions, feel appreciated and respected. The employees of Apator Group should receive autonomous tasks, thanks to which they will have a chance of self-realization. Let's work in a friendly atmosphere, but let's respect the entrusted capital and be responsible for the implementation of tasks and official duties."*

Mirośław Klepacki, CEO of Apator SA

### Current HR policy achievements

In 2017-2018, at the level of the entire Apator Group, the following was done:

- implementations (developed in 2016) of new solutions in the field of employee remuneration,
- implementations (developed in 2016) Periodic Employee Evaluation System (PEES) and Management System by Objectives.

### Objectives and challenges in the area of employee issues

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

- transferring company values into behavioral patterns in the competency model and building a group organizational culture on them,
- implementing the assumptions of the group HR strategy and strategic initiatives and measuring the effectiveness of HR teams,
- developing a target HR structure,
- implementing employee capital plan (PPK).

## 2.4 INDICATORS IN THE AREAS OF EMPLOYEES

### Indicators in the areas of employees

Employment in Apator Group*	2018**	2017	Dynamics y/y %
Average employment [AWU], including:	2 485,0	2 609,7	95%
<i>covered by collective agreement</i>	1 436,9	1 446,3	99%
Employment at the end of the year [persons], including:	2 541	2 514	101%
<i>women</i>	1 084	1 011	107%
<i>men</i>	1 457	1 503	97%
<b>Employment at the end of the year [persons], including:</b>			
<b>1. Full time</b>	<b>2 503</b>	<b>2 485</b>	<b>101%</b>
<i>women</i>	1 069	999	107%
<i>men</i>	1 434	1 486	96%
<b>2. Part-time</b>	<b>38</b>	<b>29</b>	<b>131%</b>
<i>women</i>	15	12	125%
<i>men</i>	23	17	135%
Employment at the end of the year [positions], including:	2 526,7	2 496,2	101%
<i>women</i>	1 076,8	997,3	108%
<i>men</i>	1 450,0	1 498,9	97%
<b>Employment at the end of the year [positions], including:</b>			
<b>1. Contracts for an indefinite time</b>	<b>1 933,7</b>	<b>1 834,6</b>	<b>105%</b>
<i>women</i>	737,8	675,3	109%
<i>men</i>	1 195,9	1 159,3	103%
<b>2. Fixed-term contracts of employment</b>	<b>513,5</b>	<b>611,6</b>	<b>84%</b>
<i>women</i>	298,5	307,0	97%
<i>men</i>	215,0	304,6	71%
<b>3. Employment contracts for a trial period</b>	<b>79,5</b>	<b>50,0</b>	<b>159%</b>
<i>women</i>	38,5	15,0	257%
<i>men</i>	41,0	35,0	117%
Employment outside the head office [positions]	55,0	64,0	86%

\*) Excluding employees on maternity leave and leave under maternity leave conditions, paternity, parental or child care leave, for apprenticeships.

\*\*) Without data of TOV Apator Metroteks.

Changes in employment in Apator Group	2018**	2017	Dynamics y/y %
<b>Employees newly recruited during the year [persons], including:</b>	<b>541</b>	<b>489</b>	<b>111%</b>
<i>women</i>	267	206	130%
<i>men</i>	274	283	97%
<i>persons up to 30 years old</i>	194	215	90%
<i>people aged 30-50</i>	279	225	124%
<i>people over the age of 50 years</i>	68	49	139%
<i>production employees</i>	404	337	120%
<i>non-production employees</i>	137	152	90%
<b>Employees made redundant during the year [persons], including:</b>	<b>439</b>	<b>585</b>	<b>75%</b>
<i>women</i>	172	253	68%
<i>men</i>	267	332	80%
<i>production employees</i>	289	422	68%
<i>non-production employees</i>	150	163	92%
<i>voluntary departures</i>	264	290	91%
<i>involuntary departures, including:</i>	175	295	59%
<i>retirement/disability pensions</i>	56	59	95%
<i>Rotation rate [%]**</i>	17,3	23,3	74%

\*\*\*) Index calculated according to the formula: (Number of leaves during the year [persons] / Employment at the end of the year [persons]) \* 100.

\*\*\*) Without data of TOV Apator Metroteks.

Occupational health and safety	2018**	2017	Dynamics y/y %
<b>Number of complaints reported by employees, including:</b>	<b>2</b>	<b>0</b>	<b>-</b>
<i>administrative employees</i>	1	0	-
<i>production employees</i>	1	0	-
<b>Number of accidents at work, including:</b>	<b>43</b>	<b>34</b>	<b>118%</b>
<i>minor accidents</i>	40	21	-
<i>medium accidents</i>	0	0	-
<i>serious accidents</i>	1	0	-
<i>fatal accidents</i>	2	1	200%
Accident Rate Index *	17,3	13,4	129%

\*) Index calculated according to the formula: (Number of accidents per year / Average employment [AWU]) \* 1000

\*\*) Without data of TOV Apator Metroteks..

Employees trainings	2018*	2017	Dynamics y/y %
<b>Number of trained employees [persons], including:</b>	<b>1 583</b>	<b>1 589</b>	<b>100%</b>
<b>1. administrative employees</b>	<b>671</b>	<b>686</b>	<b>98%</b>
<i>women</i>	191	224	85%
<i>men</i>	480	462	104%
<b>2. production employees</b>	<b>912</b>	<b>903</b>	<b>101%</b>
<i>women</i>	442	416	106%
<i>men</i>	470	487	96%
The total training budget [TPLN]	1 548,2	1 473,7	105%

\*1) Without data of TOV Apator Metroteks.

## 2.5 RISKS IN THE AREA OF LABOR ISSUES

In order to minimize the risk, we work on strengthening and developing the HR function in Apator Group and we implement a program of HR projects (currently for business lines dedicated to the service of professional power industry).

### 1. Risk of staff availability (finding specialists/employees with appropriate qualifications)

#### Preventive actions:

- early human resource planning (annual and multi-year employment plans),
- employer branding activities in the area of recruitment (participation in job fairs, cooperation with universities, presence in media, internship programs, apprenticeships),
- internal recruitment.

### 2. Risk of non-compliance with the GDPR

#### Preventive actions:

- adaptation of internal regulations and corporate documentation to the requirements of the GDPR,
- adjusting the rules of sharing and entrusting data,
- shaping employee awareness, among others through training, internal publications,
- adapting information clauses and consents to data processing and storage to the requirements of the GDPR,
- adaptation of the provisions of agreements with contractors to the GDPR requirements,
- validation of technical and ICT security,
- internal audits regarding compliance with the GDPR.

### 3. Risk of losing key employees

#### Preventive actions:

- strengthening and development of the HR function, implementation of the HR program for subsequent business lines,
- proper preparation of the implementation of the tasks, training and clear definition of the responsibility of the newly recruited employee,
- providing employees with feedback on their work, appreciating achievements and initiatives (periodic competence assessment system),
- training and development programs,
- building effective incentive systems (management by goals),
- conscious and clear communication with employees,
- caring for the development of team management skills among managers and people in managerial positions,
- structured procedures for dismissing employees.

### 4. Risk of not identifying with the culture of the organization

#### Preventive actions:

- an employee-friendly remuneration system based on clear criteria,
- Company Collective Labor Agreements,
- trade union activities,
- enabling employees to receive feedback on work results thanks to the Periodic Competence Assessment System,
- consistent prevention and combating of negative behavior (discrimination, intimidation, mobbing, harassment),
- social activities that promote integration among employees and identification with the culture of the Group.

### 5. OHS risk

#### Preventive actions - appropriate occupational risk management procedures:

- identification and assessment of the degree of threat at individual work stations,
- technical equipment of work stations and organization of work in accordance with the requirements of legal provisions, including the Labor Code,
- organization of work stations taking into account the principles of ergonomics,
- the use of protective measures and technical means of work that meet specific requirements,
- recruiting employees with qualifications as well as health and physical conditions adequate to the requirements of a given position,
- initial, periodic and control medical examinations,
- initial and periodic OHS training, on-the-job training,
- activities of the Health and Safety Committee, including cyclical reviews of working conditions, periodic assessments of the state of safety and hygiene, formulation of conclusions regarding the improvement of working conditions,
- systematic monitoring of threats in the area of work performed,
- procedures to be followed in the event of a hazard, accident or breakdown.

### Good atmosphere in the team



- As part of the **"Active Apator"** action, we jointly participate in sporting events and set ourselves further, more ambitious challenges. In 2018, our employees together covered many kilometers in Run Toruń, Nocna Dycha Kopernikańska, Terenowa Masakra, Nocny Bieg Bachusa and in a charity race as part of Festiwal Świętych Mikołajów.



- We cultivate the organization of integration picnics, during which employees can meet and play to the sounds of music.





## 3. Ethics and responsibility in business

*Ethics is extremely important in business. Apator has been on the market for almost 70 years, is a well-known brand in the professional energy sector and industry - we must care for our good name. You can't build your position at the expense of others. [...] I am in favor of passing on the truth, even if it would be uncomfortable. Honesty and openness are important when dealing with business partners.*

Miroslaw Klepacki, CEO of Apator SA

## 3.1 POLICY IN THE AREA OF COUNTERACTING CORRUPTION AND BRIBERY

Our supreme value is responsibility, which means **absolute compliance with applicable law, but also integrity in relations with others**. The basis are the principles of anti-corruption policy, which assumes systematic analysis of potential corruption threats that may occur in implemented activities and the use of remedial measures that reduce the likelihood of corruption occurring as soon as possible.

Our action in this scope is specified in the **Apator Group Code of Ethics**, which formulates the superior principle, in which the **Apator Group does not accept any actions violating the impartial decision-making of business decisions**. It means, among others, that Group employees are not allowed to accept or offer material benefits that may affect the recipient's actions and decisions. If they receive a corrupt offer, employees should immediately inform their supervisor.

Important elements of the system of counteracting corruption threats in Apator Group are also:

- unambiguous and transparent procedures, known and available to both employees of the Group, as well as clients and cooperating entities,
- monitoring all processes in terms of the possibility of corruption threats and analyzing the risk of corruption,
- increasing the awareness of the Group's employees by raising the organizational culture, improving internal communication, improving incentive systems,
- building ethical leadership related to internal communication, promoting ethical attitudes, strengthening the image of an ethical organization,
- employee-oriented educational activities in the field of ethics and anti-corruption.

### Implementation of the III line of defense model

The model introduces uniform principles of division of roles and responsibilities in Apator Group in the scope of functional internal control, risk management and compliance with the law, as well as a common set of techniques and tools. It not only ensures that the obligations arising from the adoption of the "Good Practices of GPW Listed Companies" are met, but above all helps to effectively eliminate and minimize risks.

## 3.2 ACHIEVEMENTS AND CHALLENGES

### Previous achievements of the anti-corruption policy and bribery

Key achievements in this area include:

- developing clear, precise rules of conduct in accordance with the Apator Group Code of Ethics communicated both internally and to business partners, which are confirmed in documents (internal and external) and adopted / implemented procedures (audits, periodic assessments, training, contractual provisions),
- implementation of the highest standards of corporate governance - transparent and effective communication policy with stakeholders.

## Objectives and challenges in the area of anti-corruption policy and bribery

In the perspective of 2019, the key challenges in the area of counteracting corruption and bribery include:

- development and formal implementation of a code of cooperation with suppliers <sup>1)</sup>,
- improving the purchasing management process in accordance with the assumptions of the business strategy and the plan of goals and tasks,
- supply chain improvement,
- training for employees on the phenomenon of corruption and bribery, in particular their civil and criminal consequences for the company and employees as natural persons.

<sup>1)</sup> This goal concerns first of all Apator SA.

## 3.3 INDICATORS IN THE AREA OF ANTI-CORRUPTION AND BRIBERY

Preventing corruption and bribery	2018	2017
Number of reports of corruption and bribery	0	0
Number of entities of the Apator Capital Group assessed in terms of the risk of corruption	16	16
The percentage of entities of Apator Capital Group assessed in terms of the risk of corruption	100%	100%
Value of donations to political parties and institutions of a similar nature	0	0

## 3.4 RISKS IN THE AREA OF ANTI-CORRUPTION AND BRIBERY

### 1. Risk of (employee) abuse

Preventive actions:

- dissemination of ethical attitudes and ethical practices contained in the Code of Ethics and other documents at the level of the Group and individual companies,
- employee training in the area of ethics, organizational culture and corporate governance principles,
- explicitly defining and disseminating knowledge among employees about the applicable procedures for dealing with fraud,
- internal control system and systematic monitoring for identification of potential fraud,
- internal and external audits regarding the Group's regulations and implemented processes.

### 2. Risk of relations with suppliers, subcontractors and business partners

Preventive actions:

- promoting principles (ethics, integrity, partnership) in all aspects of business to build relationships with partners based on mutual trust and mutual benefits,
- clearly defined criteria for the evaluation and selection of business partners,
- establishing cooperation with suppliers who guarantee the performance of the contract,
- obliging suppliers to read and comply with the Apator Group Code of Ethics,
- current and periodic supplier reviews (supplier audits),
- training for employees in the area of purchasing and cooperation with suppliers.

### 3. Risk of conflict of interest

Preventive actions:

- disseminating (among employees and persons managing / supervising) knowledge / awareness about potentially conflict situations and training in this area,
- absolute compliance with legal regulations, provisions of the "Good Practices of GPW Listed Companies" and internal regulations (Regulations of Supervisory Boards, Regulations of Management Boards),
- relevant entries in employment contracts/cooperation contracts.

### 4. Risk of data manipulation (financial)

Preventive actions:

- implementing the highest standards of corporate governance to conduct transparent and effective information policy,
- subjecting financial statements to an external audit,
- conscious shaping of investor relations and providing the environment with reliable information about the Group's operations, including through:
  - ✓ running investor service,
  - ✓ publishing current and periodic reports,
  - ✓ organizing conferences for the press, investors and analysts,
  - ✓ current meetings with investors and analysts,
  - ✓ appointment of a spokesperson,
  - ✓ cooperation with the investor relations agency,
  - ✓ activities of the Audit Committee supporting the Supervisory Board of Apator SA in matters related to unitary and consolidated financial reporting, internal control, risk management and cooperation with statutory auditors,
- systematic improvement of communication quality with stakeholders to ensure full transparency of the information provided.

### Counteracting corruption in Apator Group

We have implemented a mechanism that allows employees, clients, suppliers and subcontractors to report any form of corruption or bribery - the group guideline specifies the rules of conduct in case of suspected violation of law. Special violation reporting channels have been created to ensure reporting anonymity, and a team has been established to explain formal issues.



## 4. Human rights

## 4.1 POLICY IN THE AREA OF RESPECTING HUMAN RIGHTS

Apator Group strives to create a working environment and cooperation with the business environment in which **human rights are strictly respected and implements practices to prevent situations in which human rights could be violated.**

Group entities respect the Polish and international law in this area and operate in accordance with the highest standards defined in internal documents. The most important of them are: The Code of Ethics of Apator Group, Strategy in the field of corporate social responsibility, Work regulations of individual companies, as well as relevant entries of the Books of the Integrated Management System of individual Group companies.

The Group's commitments regarding respect for human rights cover the following areas:

- **Employees** – all employees are treated with respect regardless of their position, gender, age, national and ethnic origin, sexual orientation, family situation, disability, and political and religious views. The Group's entities respect all applicable provisions on employment conditions, improve human resource management processes, and care for a friendly atmosphere at the workplace. They counteract mobbing behavior and cases of discrimination.
- **Contractors** – we strive to respect and promote human rights in relations with suppliers, customers and business partners. This cooperation is conditioned, among others their compliance with ethical principles and OHS standards.
- **Shareholders** – we conduct business in such a way as to safeguard the interests of Apator SA shareholders. We also attach great importance to reliable and current information to shareholders about the current situation of the Group entities and about events related to them.

## 4.2 ACHIEVEMENTS AND CHALLENGES

### Current policy achievements in respect of human rights

- implementation and application of a number of internal regulations regarding norms and values applicable in relations between employees and with external entities. The Code of Ethics of Apator Group plays a special role here. standards on which the Group's organizational culture is based, employees' preferred behaviors in relations within and outside the organization, and behaviors that are unacceptable in the organization (e.g. discrimination, intimidation, mobbing, harassment),
- adopting the principle that all companies of the Group pay attention to issues related to the social responsibility of business partners. In cases of doubt, the supplier is requested to provide explanations and possible removal of irregularities. Negative assessment of compliance with ethical and ecological standards excludes the supplier from further cooperation.

### Objectives and challenges in the area of human rights policy

In the perspective of 2019, key challenges in the area of respecting human rights include:

- shaping the right attitudes and educating employees about knowledge of the values and ethical principles in force in the Group as well as related attitudes and behaviors,
- constant monitoring and improvement of employee safety,
- development and formal implementation of a code of cooperation with suppliers, as well as development of mechanisms for verification of suppliers in the scope of meeting the requirements of the Code \*.

## Supplier audits

We verify suppliers in terms of the professionalism of their services and the quality of delivered products, as well as practices in the field of occupational safety, environmental standards and ethics. In 2018, a total of 9 audits were carried out in APATOR SA at suppliers and cooperators.

## 4.3 INDICATORS IN THE AREA OF RESPECTING HUMAN RIGHTS

Respecting human rights	2018	2017
Number of reports of cases of discrimination/mobbing/intimidation etc.	0	0
Number of Group entities assessed for risk of human rights violations	16	16
Percentage of Group entities assessed for the risk of human rights violations	100%	100%

## 4.4 RISKS IN THE AREA OF RESPECTING HUMAN RIGHTS\*\*

### 1. Risk of discriminatory activities within the organization

Preventive actions:

- employee training in the area of ethics, organizational culture and applicable law,
- dissemination of internal standards among employees, which regard reporting irregularities and providing information and support.

### 2. Risk of fraud within the organization and in relations with partners

Preventive actions:

- dissemination of ethical attitudes and ethical practices contained in the Code of Ethics and other documents at the level of the Group and individual companies,
- employee training in the area of ethics, organizational culture and applicable law,
- internal control system and regular monitoring in terms of respecting human rights within the organization and in relations with partners,
- internal and external audits related to compliance of existing regulations in the Group and implemented processes.

\*) This objective concerns first of all Apator SA.

\*\*) Excluding the risks in relations with suppliers/subcontractors described in section 3.4 Counteracting corruption and bribery.



## 5. Environmental protection

*I belong to the older generation and I am worried about the world in which my grandchildren will grow. Today we know that irreversible processes have occurred, catastrophic for the climate. At the same time, we must be aware that we will not stop it from day to day. It is necessary to create a long-term vision, but it is a long and difficult process.*

Mirosław Klepacki, CEO of Apator SA

## 5.1 POLICIES IN THE ENVIRONMENTAL AREA

Care for the natural environment has a practical, business dimension. Our goal is to **provide products that are safe for the user and the environment, and manufactured in conditions that ensure safety at work**. Transparency and reliability in this area translates into customer trust, employee safety, as well as saving of raw materials.

An additional aspect of our responsibility in this area is the **promotion of solutions improving energy efficiency on the market**. We design and supply systems, devices and services that are designed to minimize the consumption of electricity (but also other utility media) in production processes, the operation of energy-intensive devices or conducting business.

### Environmental area management

The basis of our activity is conscious and responsible management of the environmental area, specified in the framework of Integrated Management Policies implemented in some companies of Apator Group, including all production companies whose level of impact on the natural environment is relatively the highest. We comply with applicable laws, we also undertake additional obligations that result from high internal standards and the expectations of our clients.

In the interests of the environment, the Group has committed to:

- compliance with the requirements of applicable legal provisions regarding its environmental aspects, including pollutants emitted to atmospheric air, sewage and generated waste,
- savings of raw materials
- implementation of measuring solutions and systems managing the consumption of electricity, water, heat and gas,
- market and employee education in the field of environmental protection.

None of the production companies operates in or in the immediate vicinity of protected areas or areas of high biodiversity value, and properly used and utilized products of the Group do not pose a threat to the environment.

### The objectives of the environmental dimension focus on:

- maintaining low emissions of pollutants,
- saving natural resources,
- sustainable waste management.

### These goals are determined by:

- development of solutions and systems optimizing the consumption of energy utilities, i.e. electricity, water, heat and gas (business strategy),
- budget for fees for using the environment (included in the business plan),
- monitoring of environmental aspects as part of the Environmental Management System (plan of objectives and tasks),
- analysis (discussion) of the introduction of new materials, raw materials and technologies, purchases of machinery, equipment and technological lines, including environmental aspects,
- organization of pro-ecological actions among employees, eg collection of batteries, waste equipment, etc. as an element of ecological education.

The high quality of processes in the field of environmental protection is confirmed by meeting the requirements of the PN-EN ISO 14001: 2015 standard, and the activity in the context of responsibility for the environment also specifies a number of detailed, applicable in individual Group companies, internal regulations concerning e.g. electricity and media management, waste management, measurements, environmental monitoring and analysis, etc.

The course of environmental processes is regularly monitored and adapted to changing technological and production processes as well as new legal requirements. Each process identifies elements of activities that can interact with the environment. In improving production processes and their optimization in terms of efficiency, costs, quality and safety at work, pro-environmental reasons are also taken into account each time, i.e. lower consumption of raw materials, minimization of production waste (including elimination of hazardous waste), less media consumption. Innovations are implemented to reduce the environmental nuisance of implemented processes and delivered products.

## 5.2 ACHIEVEMENTS AND CHALLENGES

*We go to the market with projects that give you the ability to manage electricity (but also other utility media). In the coming years, every kilowatt hour will play a huge role. Optimization by minimizing consumption will become the most important issue. I believe that energy efficiency is the future.*

Mirosław Klepacki, CEO of Apator SA

### Current environmental policy achievements

In individual production companies of Apator Group, a number of technological and infrastructural changes have been introduced to minimize the impact of the conducted activity on the natural environment. These include, among others:

- **in Apator SA:**
  - commissioning of the contact lubrication station for RBK, resulting in reduced assembly time and reduced grease consumption,
  - the use of washing devices for washing details, which reduced the consumption of washing concentrates, electricity and improved the quality of separated waste,
  - laser for the Fuji line and for the NORAX1 line, the use of which has reduced the amount of printing materials and organic solvents used.
- **in Apator Metrix SA:**
  - modernization of lighting installation into LED resulting in reduced electricity consumption,
  - implementation of automatic stations, resulting in an increase in the efficiency of the technological process, reduction of electricity consumption per production unit and reduction of the consumption of chemicals,
  - construction and commissioning of a new sewage treatment plant,
  - construction and commissioning of a new housing washer,
  - limiting and ultimately suppressing the process of cathophoretic painting of casings (completion planned at the turn of 2019/2020), aimed at replacing the catophoretic coating with a zinc coating.
- **in Apator Powogaz SA:**
  - installing three "Volcan" water heaters on the central heating system, resulting in improved corridor heating efficiency and energy saving,
  - installation on gates of PVC strip curtains limiting the inflow of cold air at the entrance and exit of forklifts and related energy saving.

### Objectives and challenges in the area of the environment

In the perspective of 2019, the key challenges in the area of the natural environment for Apator Group include:

- implementation of environmental indicators at the levels specified in the action plans of individual companies,
- promotion of energy efficiency, renewable energy sources, utility media management solutions,
- eco-education of employees.

## 5.3 INDICATORS IN THE AREA OF THE NATURAL ENVIRONMENT

Indicators in the area of the natural environment\*

Energy consumption according to source	2018	2017	Dynamics y/y [%]
Total electricity consumption [MWh]	10 982,5	13 079,8	83%
Total consumption of natural gas [thous. m <sup>3</sup> ]	2 338,9	2 434,5	96%
Total heat consumption [GJ]	24 002,8	25 746,0	93%
Total fuel consumption (oil, diesel, gasoline, LPG) [t]	342,6	333,0	103%
Water consumption			
Total water consumption [m <sup>3</sup> ]	20 622,0	24 583,0	84%
Consumption of basic raw materials			
Total plastic consumption [t]	2 336,9	2 965,4	79%
Total plastic consumption [t]	2 285,8	1 936,1	118%
Total copper consumption [t]	705,7	591,5	119%
Total consumption of paints, varnishes, solvents [t]	57,9	81,5	71%

Waste generation/volume of emissions	2018	2017	Dynamics y/y [%]
Amount of waste generated [kg], including:			
<i>hazardous waste</i>	76 276,0	68 230,0	112%
<i>inert waste</i>	1 528 710,5	1 888 293,0	81%
Waste recycled [kg]	1 167 083,5	1 650 642,0	71%
Disposal waste [kg]	379 842,0	198 776,0	191%
Emissions to the atmosphere			
Carbon dioxide emissions [kg]	1 367 749,2	1 357 516,8	101%
NOx emissions volume [kg]	1 008,5	1 105,9	91%
SOx emission volume [kg]	4,4	6,9	64%

\*) Indicators calculated taking into account selected companies of the Group (including all production companies), which due to the type of conducted activity are subject to the obligation to monitor environmental impact.

Environmental fees	2018	2017	Dynamics y/y [%]
Fees for using the environment [PLN]	25 009,0	5 671,3	441%
Production waste disposal costs [PLN]	262 147,5	229 471,5	114%
Fees for recovery and recycling of packaging, electronics and batteries placed on the market [PLN]	218 874,7	242 405,5	90%
Costs of physical and chemical analyzes [PLN]	20 767,0	24 236,3	86%
Costs of physical and chemical analyzes [PLN]	634 401,2	696 724,6	91%

## 5.4 RISKS IN THE AREA OF THE NATURAL ENVIRONMENT

### 1. Risk of non-compliance with applicable laws, as a consequence of imposing penalties/ increasing fees for the use of the natural environment

Preventive actions:

- systematic monitoring of applicable legal regulations (changes to existing regulations, new regulations) and their deadlines,
- monitoring the basic areas of activity of individual companies of Apator Group in terms of compliance with applicable regulations,

- adapting the Group's internal provisions/regulations to changing legal provisions,
- reporting to competent authorities and institutions responsible for managing the natural environment,
- appropriate financial mechanisms to secure financial resources for timely implementation of any required payments (fees, damages),
- employee training on environmental protection.

## 2. Risk of creating/increasing environmental impact in the scope of:

1. **volume of raw materials consumption, including non-renewable raw materials,**
2. **emissions of pollutants (factors harmful to the environment) causing deterioration of the natural environment (air, water, soil, etc.)**

Preventive actions:

- permanent monitoring of environmental impacts as part of the Environmental Management System,
- analysis of environmental aspects at every stage of the value creation chain, aimed at identifying activities that may interact with the environment,
- taking into account environmental conditions at the stage of planning production processes and their optimization,
- implementation of solutions/technologies that reduce the scale of environmental impact of conducted activities,
- implementation of measuring systems managing the consumption of electricity, water, heat, gas,
- audits of the environmental management system,
- annual reviews of the environmental management system.

## Ecoeducation



Every year we organize in Apartor celebrations of ecological holidays, such as Earth Day, Car Free Day. Initiatives build the ecological awareness of employees, signal threats related to climate devastation, promote actions against environmental damage, e.g. the use of environmentally friendly means of transport. As part of the campaign, we give seeds to employees to plant in home gar-

dens, reward people who come to work by bicycle, issue educational programs and organize competitions that verify employees' knowledge about environmental protection.



## 6. Social issues

*Apator supported and continues to support many important social and cultural initiatives in the region. We are one of the largest patrons of culture and art in Toruń. We dedicate funds in sport as well. The expectations and needs of social partners are high. I believe, however, that every president must, above all, implement and respect shareholders' decisions and their capital. Each such action must have its justification.*

Mirostaw Klepacki, CEO of Apator SA

## 6.1 APPROACH TO MANAGEMENT IN THE AREA OF SOCIAL ISSUES

Social aspects are crucial in achieving the business objectives of Apator Group. **Priorities are defined here by the values adopted by the company, which are a reference point for actions and attitudes undertaken.** Company values sets our standards in ethics, which among others promote honesty and openness in relations with business partners. Conducting production activities, we ensure the safety of employees throughout the entire product life cycle, while minimizing the possible negative impact of its activities on the immediate natural environment. We are actively working for the development of the industry and new technologies. Our companies support local communities by co-financing important events in the area of culture, art, science and sport. Apator Group respects the generally applicable legal regulations (including the Labour Code) and acts in accordance with the internal procedures in force in companies regulating individual processes in the organization.

The Group's obligations regarding social issues cover the following areas:

- **Employees** – the priority is to provide all employees with fair market remuneration and optimal conditions for performing work in accordance with the highest OHS standards. At the same time, companies strive to create opportunities for professional development for all employees and ensure a good working atmosphere.
- **Clients** - in relations with clients, the Group is guided by the principle of partnership, openness and mutual respect, operates in a professional, impartial manner, in accordance with applicable law. Great importance is attached to ensuring that the client receives full and reliable information about the offer and the principles of cooperation. Individual entities of the Group monitor clients' expectations and examine their level of satisfaction. A number of tools are used to communicate with clients.
- **Suppliers/contractors** - effective cooperation with suppliers is key to achieving the Group's business goals. Cooperation in this area is governed by the concluded cooperation agreements, defined by internal procedures and implemented on the basis of appropriate tools for handling and communicating with partners. The purchasing strategy focuses mainly on the selection of reliable partners that meet specific quality criteria, taking into account price requirements. Apator Group companies conduct a competitive and open purchasing policy, while ensuring compliance with applicable ethical principles. Apator - in support of the nearest local environment - where possible tries to seek and use the services of domestic suppliers.
- **Industry environment** – the Group entities actively participate in consultations regarding the development of new regulations and standards related to new technologies, implementation of smart grid/smart metering, technical certification of products and others.
- **Social environment** – the Group strives to build positive relationships with its immediate environment. Aware of the needs of the community, it co-finances valuable initiatives and undertakings in the fields of culture, art, science and sport. As part of its charitable activities, it supports social institutions and organizations working for the benefit of excluded people and those carrying out specific social missions.

## 6.2 ACHIEVEMENTS AND CHALLENGES

*We believe in the principle that guides us both in cooperation with partners and inside the company. This rule is: we all need each other.*

Mirosław Klepacki, CEO of Apator SA

### Current policy achievements in respect of human rights

- The companies of Apator Group operate in the professional energy and industry sector, where the proper identification of clients' needs is crucial, and then translating them into activities in the area of design, development works and structural changes, therefore entities belonging to the Group flexibly adapt their offer to the current needs of clients, while development and construction works are consulted directly with them (through people dedicated to contact with key clients). The companies provide substantive support by organizing training sessions and presentations, technical after-sales support, and after the implementation of a large-scale implementation project they analyze the level of customer satisfaction.

- Apator Group participates in the most important industry events, including European Utility Week, Energetab.



- Apator Group supplies modern devices and measuring and reading systems for all types of media (electricity, water, gas, heat) as well as technically advanced solutions in the field of automation and energy distribution. Develops innovative technologies in cooperation with universities and technology partners. We are actively working to develop technological standards and to promote solutions and concepts beneficial for the sector.
- Each year Apator allocates 0.5% of net profit for sponsorship and social activities, thanks to which it has the opportunity to support and implement many activities, such as patronage over subject olympiads, sponsorship of scientific and cultural events, among others The International Film Festival TOFIFEST, Artus Festival, Concerts under the Stars, wsparcie Toruńskiej Orkiestry Symfonicznej (Festiwal Forces of Nature - Fire Spirit) and Toruń Art and Science Festival, support for the activities of the Aleksander Jabłoński Foundation and Children's Creative Art Centre and Gallery. Apator is also a sport sponsor - cooperates with Twarde Pierniki Toruń Youth Team (2018/2019 season). Funds are also provided to help local associations and foundations carrying out social missions, including The Foundation of the More Beautiful World in Skłudzewo and the Hope Hospice in Toruń
- Apator - a patron of culture, science and sport:



## Objectives and challenges in the area of social policy

In the perspective of 2019, the key challenges in the area of social policy include:

- improvement of communication tools with clients and implementation of common customer satisfaction indicators for the Group,
- improving the supply chain and purchasing management process,
- updating the strategy regarding sponsorship and philanthropic activities.

## 6.3 INDICATORS IN THE AREA OF SOCIAL ISSUES

Suppliers/purchases	2018*	2017	Dynamics y/y [%]
<b>Total number of suppliers, including:</b>	<b>6 554</b>	<b>6 751</b>	<b>97%</b>
<b>1. Co-operators (service providers), including:</b>	<b>3 881</b>	<b>3 836</b>	<b>101%</b>
• <i>country</i>	3 479	3 411	102%
• <i>foreign</i>	395	417	95%
• <i>indirect import</i>	7	8	87%
<b>2. Other suppliers, including:</b>	<b>2 673</b>	<b>2 915</b>	<b>92%</b>
• <i>country</i>	1 748	1 827	96%
• <i>foreign</i>	834	993	84%
• <i>indirect import</i>	91	95	96%
Share of purchases from domestic suppliers in total purchases [%]	46%	44%	-

Impact on the environment	2018	2017	Dynamics y/y [%]
<b>Number of events/initiatives supported, including:</b>	<b>80</b>	<b>60</b>	<b>133%</b>
• <i>sport events</i>	14	13	108%
• <i>cultural events</i>	8	16	50%
• <i>cultural events</i>	9	8	112%
• <i>other</i>	49	23	213%
<b>Expenditure on social activities [thous. PLN], including:</b>	<b>545,0</b>	<b>422,5</b>	<b>129%</b>
• <i>donations</i>	189,0	145,0	130%
• <i>sponsorship</i>	356,0	262,5	136%
• <i>other</i>	0,0	15,0	-

## 6.4 RISKS IN THE AREA OF THE NATURAL ENVIRONMENT

### Risks in the area of social issues management\*

#### 1. Risk in clients relations

Preventive actions:

- verification of contracts for compliance with the law,
- customer service training throughout the entire product life cycle,
- compliance with the Code of Ethics and training in this scope,
- customer satisfaction monitoring,
- internal and external audits regarding the Group's regulations and implemented processes.

## 2. Risk of relations with local communities

Preventive actions:

- cooperation and dialogue with NGOs and social partners,
- keeping informed on implemented projects.

## 3. Reputation risk

Preventive actions:

- conducting an information policy in accordance with the Good Practices of WSE (GPW) Listed Companies and internal regulations; providing easy and non-discriminatory access to disclosed information based on various communication tools,
- employee training in the area of ethics, organizational culture and applicable law,
- cyclical meetings of the Management Boards of individual Group companies with employees and effective internal communication,
- open, reliable communication, conducting effective marketing and PR activities.

\*) Risks in relations with suppliers / co-operators are described in the chapter "Counteracting corruption and bribery".

### Supporting local suppliers

Apator - if possible - tries to cooperate with local suppliers and subcontractors. The goal is to ensure the shortest (and therefore safer) supply chain as well as better verification and assessment of suppliers. An important premise is also giving an impulse to the development of companies in the region, and thus local economic growth and preventing unemployment.



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