

REMUNERATION POLICY OF THE GRUPA KĘTY S.A. MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

I. GENERAL PROVISIONS

§ 1. Definitions

The words and expressions, as used in this Policy, have the following meaning:

- **“Company”** – Grupa Kęty S.A. with its registered office in Kęty;
- **“Management Board”** – the Management Board of the Company;
- **“Supervisory Board”** – the Supervisory Board of the Company;
- **“Policy”** – this Remuneration Policy of the Management Board and Supervisory Board Members;
- **“Committee”** – the Nomination and Remuneration Committee of the Supervisory Board;
- **“Operating Segment”** – a part of the Company or Group structure supervised by one of the Management Board Members in accordance with the distribution of tasks and responsibility among the Management Board Members;
- **“Group”** – the Capital Group, within the meaning of the Act of 29 September 1994 on Accounting (consolidated text in Journal of Laws of 2019, item 351, as amended), in which the Company is a parent;
- **“Average Monthly Remuneration”** – the average monthly remuneration in the sector of companies announced by the President of the Central Statistical Office for the last month of the quarter preceding the payment of the remuneration;
- **“General Meeting”** – the General Meeting of the Company shareholders;
- **“WSE”** – Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie];
- **“Act”** – the Act of 29 July 2005 on Public Offering and Conditions Governing Introduction of Financial Instruments to Organised Trading, and on Public Companies (consolidated text in Journal of Laws No. 2019, item 623, as amended);
- **“CCC”** – the Act of 15 September 2000 – the Code of Commercial Companies (consolidated text in Journal of Laws No. 2019, item 505, as amended).

§ 2. Policy objective

1. The Remuneration Policy of the Management Board and Supervisory Board Members has been developed based on Article 90d and subsequent of the Act, and specifies the basis, principles and procedures of determining, calculating and paying remuneration to the Management Board and Supervisory Board Members.
2. The solutions assumed in the Policy contribute to the execution of the business strategy as maintaining the long-term interest and stability of the Company and the Group, specifically by:
 - ensuring complete engagement in the fulfilment of functions at the Company;
 - providing incentives to perform the assumed strategy and business plans, with balanced and responsible risk bearing;
 - ensuring interest in Group and long-term binding to the Group of high-level specialists;
 - ensuring the value of remuneration which is adequate to the financial and business results of the Group, including the Company, as well as the level of responsibility;

- ensuring attitudes which exclude assumption of excessive risk when fulfilling the functions entrusted within the Company;
- ensuring the transparency of the remuneration system and lack of discrimination.

II. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

§ 3. Method of achieving the Policy objective in reference to the Management Board Members

The Policy supports the performance of its objectives by way of determining the level and components of remuneration of the Management Board Members, in consideration the of analyses of the solutions applied on the market, depending on the financial results generated by the Group and the growth rate of the Company quotations at the WSE.

§ 4. Legal basis of the Management Board Members remuneration

1. The legal basis for remunerating the Members of the Company Management Board is the legal relationship binding between the Company and the Management Board Members.
2. The Company ensures entrusting of the management of the Company based on two types of legal relationship:
 - employment relationship in the form of an employment contract;
 - appointment to fulfil the function of a Management Board Member for the time of acting as one.
3. The Supervisory Board determines the legal basis of the management relationship and the principles of remuneration of the Management Board Member by way of a resolution.
4. The Management Board Member may also be employed by a Group company or appointed to fulfil functions at the Management Board or Supervisory Board of the Group company.

§ 5. The terms of contract between the Company and a Management Board Member

1. The employment contract between the Company and a Management Board Member is concluded on the following terms and conditions:
 - working time – full time;
 - duration – unlimited term;
 - notice period:
 - three months – if the contract is noticed by the employee;
 - six months – if the contract is noticed by the employer;
 - during the notice period, the employee may be exempt from the duty to provide work with the right to remuneration maintained.
2. In case the employment contract is terminated with a Management Board Member, the Member may be entitled to severance pay of up to 6 times the monthly basic remuneration. The severance pay is not due if directly after the termination of the employment contract with the Company the Management Board Member is employed under an employment contract at any of the Group companies.

3. Competition ban agreements are signed with the Members of the Management Board employed by the Company based on an employment contract:
 - on mandatory basis – during the term of the employment relationship, without any possibility to terminate the agreement;
 - depending on the decision of the Supervisory Board – after the termination of the employment relationship, whereas:
 - the competition ban after the termination of the employment relationship may be binding for the period of 12 to 15 months, counting from the termination date of the employment relationship with the Company;
 - the indemnity for abiding by the competition ban is paid out in monthly instalments for the term of the competition ban duration;
 - the monthly instalment of the indemnity is 25% or more of the average monthly remuneration paid out in the last year of the employment contract term, up to 50% of the basic remuneration, however, it may not be lower in any case than 25% of the remuneration obtained by the employee before the employment relationship termination.

§ 6. Terms of appointing a Management Board Member

1. A Management Board Member is appointed to the Management Board by way of a resolution of the Supervisory Board, for a 3-year joint term.
2. The principles of appointing and recalling Management Board Members are determined in the Company Articles and the provisions of the CCC.

§ 7. Components of remuneration of the Management Board Members

1. The Supervisory Board determines the level of remuneration of the Management Board Members paid out by the Company, whereas when determining the value of remuneration due to a Member of the Management Board on account of acting within the Company Management Board, the fact is taken into account that Management Board Members may be additionally employed based on an employment contract or appointed to act at the Management Board of the Company or the Group companies, including within the managed and supervised Operating Segment.
2. Regardless of the legal form of the relationship between a Management Board Member and the Company, the Management Board member may receive cash remuneration consisting of two parts: the fixed one and the variable one.
3. The variable part of the remuneration of a Member of the Management Board cannot exceed 2.5 times the fixed part of the remuneration received jointly by the Management Board Member from the Company and any of the Group companies under an employment contract or appointment to act at the Management Board of a Group company.
4. Apart from the fixed remuneration and variable remuneration, the Management Board Members employed based on employment contract are entitled to other remuneration components resulting directly from the Labour Law.
5. The respective division of the cash remuneration of the Management Board Members into the fixed part and the variable part, the value of which depends on the economic effects of the Company and the results of its particular organisational structures, encourages the Management Board Members to take well-thought-out actions resulting in the generation of growingly better economic effects by the Company and/or the Group, while ensuring the stability of their operations within a longer term perspective.

§ 8. Fixed part of the remuneration of a Management Board Member

1. Each Member of the Company Management Board receives fixed remuneration, payable on a monthly basis in the value specified in the resolution of the Supervisory Board at the date of the remuneration payment to the Company employees.
2. The amount of the monthly remuneration is determined as gross value.
3. If the Company enters into an employment contract with a Member of the Management Board, the value of the fixed remuneration is clearly identified in the text of the contract.

§ 9. Variable part of the remuneration of a Management Board Member

1. Each Member of the Company Management Board may receive fixed remuneration related to the financial results generated by the Group and/or the Operating Segment in the preceding reporting year. The dependence on the financial results may refer both to the results of the Company and/or the Group and/or the Operating Segment.
2. Moreover, the variable remuneration covers also for the fulfilment of criteria regarding the social interest, contribution to environment protection and taking actions focused on the prevention of the negative effect of the Company operation and the effect elimination.
3. The detailed principles of determining, calculating and paying out the variable remuneration, including the particular components of the bonus system are each time determined by the Supervisory Board by way of a resolution. The provisions of § 7.3 of the By-law apply accordingly.
4. The amounts of variable remuneration are determined as gross value.
5. The variable part of the remuneration is paid out after the closure of a reporting year for which the remuneration is calculated and paid out, based on the figures comprised in the financial statements audited by a statutory auditor, and upon approval of the said financial statements by the General Meeting.
6. No advance instalment payment on account of the variable remuneration – annual bonus – is foreseen.

§ 10. In kind benefits for the Management Board Members

1. Each of the Members of the Company Management Board may also receive in kind benefits from the Company, including:
 - the right to avail of specific assets of the Company (and particularly equipment and company car);
 - the right to participate on general principles in the pension schemes binding at the Company, which include:
 - the Employee Capital Plans (PPK) established for the purpose of systematic saving by the plan participants, to be paid out when the employee turns 60, and for other purposes determined in the Act on Employee Capital Plans;
 - the “Pogodna Przyszłość” group life insurance with insurance capital fund, which provides additional savings intended to be paid out at the moment the employee reaches the retirement age, upon fulfilment of the conditions specified within the scheme;
 - the right to participate on general principles in the group life and health insurance scheme binding at the Company, which ensures access to medical care, including tests, in the scope specified in the agreement with the insurer;

- the right to civil liability insurance for the coverage of losses in case of an event listed in the policy catalogue.
2. The scope and principles of in kind benefits vested in a Management Board Member may be specifically determined by way of a resolution of the Supervisory Board, and in case of an employment contract also in the contract.

§ 11. Management Board Members incentive scheme

1. The Members of the Management Board are entitled to participate in incentive schemes based on the Company shares, which are introduced at the Company by way of a decision of the General Meeting.
2. An incentive scheme supports the attainment of long-term objectives both as regards the Group development and building value for the shareholders.
3. The detailed principles of the Management Board Members participation in incentive schemes is each time specified in the scheme rules issued by the Supervisory Board, based on a resolution of the General Meeting.
4. As at the date of adopting this Policy, the Management Options Plan for the years 2015–2023 is open at the Company, as passed with Resolution No. 13/15 of the Annual General Meeting of the Company on 23 April 2015. Three Members of the Management Board participate in the Plan. Within the said Plan, in the years 2015–2017, three current Members of the Management Board were granted rights to acquire not more than 50% of H series shares (the total number of H series shares was 180,000), divided into 3 equal tranches. The rest of the shares were granted to other managerial staff of the Grupa KĘTY companies participating in the Plan. The shares were available for taking up within the respective tranche starting from 1 October of 2018, 2019 and 2020, respectively. The three current Members of the Management Board have 36 months to avail of the right.

§ 12. Change of the value of remuneration

Each of the Management Board Members may, within the binding Policy and in justified cases, apply to the Supervisory Board with a request to change the legal basis of the existing management relationship and the principles of remuneration of the Management Board Member, including to determine other value of the fixed and variable parts of their remuneration, or another scope and value of in kind benefits.

III. REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

§ 13. Legal basis of the Supervisory Board Members remuneration

1. The Members of the Supervisory Board are not employed by the Company.
2. The Members of the Supervisory Board fulfil their functions based on appointment by the General Meeting for a 3-year joint term. The principles of appointing and recalling Supervisory Board Members are determined in the Company Articles and the provisions of the CCC.
3. The sole legal basis for remunerating the Supervisory Board Members on account of fulfilling their functions in the supervisory body are the resolutions of the General Meeting.
4. The principles of remuneration of a Member of the Supervisory Board may be determined in a resolution appointing the Member or in a separate resolution.

§ 14. Components of remuneration of the Supervisory Board Members

1. A Member of the Supervisory Board may receive remuneration from the Company for the fulfilment of function in the supervising body solely in the form of a fixed, flat-rate monthly gross amount.
2. The value of the monthly gross remuneration of a Member of the Supervisory Board is determined in reference to the Average Monthly Remuneration and equals, respectively:
 - for the Chairman of the Supervisory Board – 3 (three) times the Average Monthly Remuneration;
 - for the Deputy Chairman of the Supervisory Board – 2.5 (two point five) times the Average Monthly Remuneration;
 - for the other Supervisory Board Members – 2 (two) times the Average Monthly Remuneration;
3. Granting of the fixed flat-rate remuneration for the Supervisory Board Members provides a guarantee of the stable operation of the Supervisory Board as a supervising body, where the work of the Members is not directly related to the financial result, and that they shall supervise the current operations of the Company and the actions of the Management Board Members with due consideration and without undue risk.

§ 15. In kind benefits for the Supervisory Board Members

1. The Supervisory Board Members are entitled to:
 - participate in the Employee Capital Plans (PPK) established for the purpose of systematic saving by the plan participants, to be paid out when the employee turns 60, and for other purposes determined in the Act on Employee Capital Plans;
 - civil liability insurance for the coverage of losses in case of an event listed in the policy catalogue.
2. The members of the Supervisory Board may not take part in the incentive plans based on the issue of the Company shares.

IV. MISCELLANEOUS

§ 16. Remuneration limitation

Members of the Management Board and Supervisory Board may not receive from the Company any cash or in kind remuneration other than that specified in the Policy.

§ 17. Consideration of the conditions of work and pay of the other employees

1. The Remuneration Policy is linked to the conditions of work and pay of the other employees of the Company by way of ensuring that the terms of remuneration of the Management Board and Supervisory Board Members are justified with the scope of their responsibility resulting from the fulfilment of functions at the Company by them. Specifically, the Policy provides that the value of variable remuneration depends on the increased risk related to the fulfilment of functions at the Company and the consequences for the Company and the Management Board Member which may result from the risk materialisation.

2. The Company operates based on expert staff, availing of various forms of cooperation in that regard, which enable flexible selection of the best staff and fast reacting to the continuously changing economic realia as regards the availability of human resources on the market at the particular time. It also enables the adjustment of the terms of cooperation with the expert staff to the tasks performed, and specifically close dependence of the value of remuneration on the economic effects attained by the Company and/or the Group.
3. The possibility of employing the Management Board Members on similar principles, i.e. the possibility of granting mandates not only on the basis of the Supervisory Board resolutions but also based on employment contracts concluded for unlimited term and the possibility of terminating the contracts with three to six months notice period, emphasises the great flexibility of the Company within the formal and legal approach to employment.
4. The Management Board Members, identically as the other employees of the Company, may be required to sign an additional competition ban agreement post employment.

§ 18. Pension schemes and early retirement schemes

As at the date of adopting this Policy there are no additional pension schemes or early retirement schemes at the Company, in which the Management Board or Supervisory Board Members could participate.

§ 19. Temporary voiding of the Policy

1. In a situation threatening the financial stability of the Company and lack of possibility to guarantee the Company profitability, the Supervisory Board may – by way of a resolution – temporarily void the Policy in whole or in part, taking into account the provisions of the respective employment contracts concluded between a Member of the Management Board and the Company, and other documents regulating the remuneration of the Management Board Members, also subject to the principle of the rights acquired by the Members of the Management Board and the Supervisory Board.
2. Voiding of the Policy may be requested by the Management Board, who submit in such case to the Supervisory Board a justification of the necessity of voiding the same.
3. Voiding of the Policy may not be passed for longer than one reporting year at a time.
4. The voiding resolution specifies in particular:
 - the period for which the Policy is voided;
 - the components of the Policy to be voided;
 - the justification of the necessity of voiding the Policy.
5. Each case of voiding the Policy is disclosed in the Remuneration Report along with the information referred in section 4 above.

§ 20. Determination, implementation and review of the Policy

1. The Policy, as an internal legal act of the Company, has been developed in a standard Company process with the participation of the legal service and the Management Board, and an opinion provided by the Supervisory Board. The final decision concerning the Policy was made by the General Meeting.

2. Implementation of the Policy and its current supervision and reviewing are the tasks of the Management Board, in accordance with the division of competences.
3. The Supervisory Board supervises the implementation of the Policy on a current basis, also through the Nomination and Remuneration Committee of the Supervisory Board, who currently monitor the implementation of the Policy and report to the Supervisory and Management Boards the necessity of correcting the same, if any.
4. When preparing the Remuneration Report, the Supervisory Board also comprehensively reviews the Policy on an annual basis.

§ 21. Amendment of the Policy

1. A resolution regarding the Remuneration Policy of the Management Board and Supervisory Board Members is passed by the General Meeting at least once in 4 years.
2. In the event of the Policy amendment, the new wording of the Policy shall comprise a description of the major changes introduced in reference to the existing Policy and a description of the method in which it reflects the contents of the General Meeting resolution with an opinion on the Remuneration Report.
3. A major amendment of the Policy requires a resolution of the General Meeting. A major amendment of the Policy is considered to be any change applicable to:
 - the reasons and the method of temporary voiding of the Remuneration Policy, including the components as to which the Policy may be voided;
 - amendments to this § 21.3 of the Policy.
4. An amendment of the Policy which is not major, requires a resolution of the Management Board.

§ 22. Conflicts resolution

1. For the avoidance of the conflict of interest related to the Policy, the competences related to the adoption, application and verification of the Policy are distributed among the particular governing bodies of the Company. Every Member of the Management Board and the Supervisory Board is obliged to inform the Company about an existing conflict of interest between them or the possibility of such conflict origination. Moreover, they should abstain from taking a floor in the discussion and voting on a resolution in a matter related to the Policy, in reference to which a conflict interest exists or may originate. A conflict of interests may originate in particular when:
 - a Member of the Management Board and/or the Supervisory Board may obtain a benefit or avoid a loss in reference to their remuneration, to the loss of a Company; or
 - a financial interest of a Member of the Management Board and/or the Supervisory Board expressed in the amount of the remuneration or the terms of granting the remuneration contradicts the interest of the Company.
2. The provisions of section 1 above do not exclude the duty to abide by the conflict of interest regulations binding at the Company, including those approved by the Management of the Best Practice of the WSE Listed Companies.

§ 23. Remuneration Report

1. Every year, the Supervisory Board prepares a Remuneration Report comprising a comprehensive remuneration review, including all benefits, regardless of their form, received by the particular Members of the Management Board and the Supervisory Board or due to the particular Members of the Management Board and the Supervisory Board for the last reporting year, in accordance with the Policy.
2. The Management Board is to provide the Supervisory Board at the date specified by the latter any information needed for preparing the Report referred to in section 1 above.
3. The Supervisory Board shall prepare the Remuneration Report for the first time for the years 2019 and 2020, jointly.
4. The Supervisory Board Members are liable for the information comprised in the Remuneration Report.
5. The Remuneration Report applicable to each Member of the Management Board and the Supervisory Board shall comprise in particular:
 - the total value of remuneration, broken down into the particular components specified in Article 90d.3.1 of the Act, as well as the mutual proportions of the remuneration components;
 - explanation of the way in which the remuneration complies with the adopted Policy, including the way in which it contributes to the attainment of long-term Company results;
 - information about the method in which the criteria applicable to the results have been applied;
 - information about a change, within the annual timeframe, of the remuneration, the results of the Company and the average remuneration of the Company employees who have not been members of the Management Board or the Supervisory Board within at least the last five reporting years jointly, such as to make the comparison possible;
 - the value of the remuneration from the Group companies;
 - the number of the financial instruments assigned or offered, as well as the main terms of enforcing the rights on the instruments, including the price and date of enforcement, plus amendments thereto;
 - information on availing of the possibility to claim the reimbursement of the variable remuneration components;
 - information regarding departures from the procedure of implementing the Remuneration Policy and departures applied in accordance with Article 90f of the Act, including an explanation of the reasons and method of departure as well as components to which the departure applies.
6. The General Meeting shall issue an opinion on the Remuneration Report in the form of a resolution of advisory nature.
7. The Remuneration Report shall be assessed by the statutory auditor as regards inclusion therein of the information referred to in Article 90g.10 of the Act.

V. FINAL PROVISIONS

§ 24. Policy validity

1. The Policy provisions are binding from the date of the Policy adoption by the General Meeting by way of a resolution.
2. Without prejudice to the Policy, Members of the Management Board and the Supervisory Board are also bound with the provisions of the respective agreements concluded with the Company and other documents regulating the principles of remuneration binding at the Company.
3. To determine, calculate and pay out the variable part of the remuneration of the Management Board Members for the reporting years 2019 and 2020, as passed with the resolutions of the Supervisory Board before this Policy coming into force, the previously binding principles apply.

§ 25. Policy publication

This Policy is published on the Company website.