

## **Remuneration Policy for Management and Supervisory Bodies of LPP S.A.**

*adopted following the requirements set forth in the Act of 29 July 2005 on Public Offering, the Terms and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies (Journal of Laws of 2005, No 184, item 1539)*

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## 1. Definitions

In this documents, terms given below shall have the following meaning.

<b>Members of the Supervisory Board</b>	shall mean all members of the Supervisory Board, including the Chairman and the Vice-Chairman of the Supervisory Board
<b>Members of the Management Board</b>	shall mean all members of the Management Board, including the President and Vice-Presidents of the Management Board
<b>Group</b>	the capital group consisting of the Company as parent company and subsidiaries controlled by the Company
<b>Labour Code</b>	Labour Code of 26 June 1974 (consolidated text: Journal of Laws of 2019, item 1040)
<b>Commercial Companies Code</b>	Commercial Companies Code of 15 September 2000 (consolidated text: Journal of Laws of 2019, item 505, as amended)
<b>LPP</b>	LPP S.A. with its registered office in Gdańsk
<b>Policy, Remuneration Policy</b>	this Remuneration Policy for Management and Supervisory Bodies of LPP S.A.
<b>Programme, Incentive Programme</b>	the incentive programme adopted by resolution of the General Meeting, providing for the possibility of acquiring from the Company its shares by programme beneficiaries
<b>Supervisory Board</b>	The Supervisory Board of LPP S.A.
<b>Rules of Operation of the Management Board</b>	the Rules of Operation of the Management Board of LPP S.A.
<b>Company</b>	LPP S.A. with its registered office in Gdańsk
<b>Strategy</b>	the strategy of LPP S.A., determining the direction and scope of operation adopted by the Company with a view of attaining envisaged economic results, a long-term value increase for shareholders and stability of business operations
<b>Public Offering Act, POA</b>	the Act of 29 July 2005 on Public Offering, the Terms and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies (Journal of Laws of 2005, No 184, item 1539, as amended)
<b>General Meeting</b>	the General Meeting of LPP S.A.

## **2. General Provisions**

The information provided for in this Policy has been prepared by the Company's Management Board after consulting the Supervisory Board and, subsequently, presented for approval to the General Meeting, to be given in the form of a resolution, to specify in detail the applicable rules for remunerating Members of the Management and Supervisory Boards of LPP S.A., with due consideration of the requirements to be fulfilled by public companies under generally applicable laws, specifically the Public Offering Act, as well as internal regulations and the Company's Strategy.

This information has been prepared based on the requirement set forth in Chapter 4a "Remuneration Policy and Remuneration Report" (Article 90c and the following) of the Public Offering Act.

Solutions adopted in this Remuneration Policy support the implementation of the business strategy, long-term interests and stability of the Company, including attainment of envisaged economic results, the Company's actual long-term financial standing as well as a long-term value increase for shareholders and stability of business operations by, among others, linking the variable part of the remuneration of Members of the Management Board in the form of shares with performance achieved, following the rules set forth in the Incentive Programme.

In the decision-making process, the following has been taken into account:

- a) requirements set forth in the above-mentioned generally applicable provisions of law, specifically the Public Offering Act,
- b) economic assumptions and goals as provided for in the Strategy,
- c) work and wage conditions for the Company's employees other than Members of the Management and Supervisory Boards,
- d) macroeconomic circumstances caused by the COVID-19 pandemic,
- e) internal regulations applicable so far in the Company and setting for the rules for determining remunerations as well as previous decisions of the General Meeting to the extent they remain in force.

The Management Board is responsible for preparing information incorporated in the Remuneration Policy as well as for implementing, and updating the wording of, the Policy.

As regards the Remuneration Policy, the Supervisory Board is responsible for giving its opinion on the Policy and its further changes, supervising its implementation in the Company, reviewing and assessing its application and for drawing up, on a yearly basis, a remuneration report.

As regards the Remuneration Policy, the General Meeting is responsible for adopting the Policy and its further changes and for giving its opinion on remuneration reports to be drawn up by the Supervisory Board.

Remunerations of Members of the Management and Supervisory Boards shall be paid in line with this Remuneration Policy. This Policy incorporates a description of a full cash and non-cash remuneration and other benefits accrued, respectively, to each member of the Management and Supervisory Board, broken down into specific components, including information in the legal title serving as the basis for determining remunerations and benefits and a description of remunerations and benefits of individual Members of the Management Board, paid for their functions performed in the Group as well as information on fixed and variable components of such remunerations.

This Policy is aimed at determining the rules for remunerating Members of the Management and Supervisory Boards, paid by the Company or received in connection with their potential employment or exercise of corporate functions in the governing bodies of subsidiaries. In this Remuneration Policy, whenever a reference is made to remuneration for employment or exercise of a corporate function, it should be understood as any type of a legal relationship serving as the basis for payment of a remuneration or benefits, including an employment contract, mandate agreement (*umowa zlecenia*), agreement for the performance of a specific task (*umowa o dzieło*) or other similar agreements, a letter of appointment or any other legal relationship. This Remuneration Policy does not limit the forms of legal relationships between the Company or a company belonging to the LPP Group and Members of the Management and Supervisory Boards.

This Remuneration Policy describes the system of establishing remunerations in correlation with the area of responsibility, depending on the function performed in the organisation. This Policy is to be applied with a view to ensuring adequate incentive means adjusted to Company's tasks to be performed as well as its long- and short-term strategic goals to be attained, by focusing on the Company's interests and economic performance.

For several years now, the Company's Strategy has remained unchanged, focusing on three pillars: development of 5 clothing brands owned by LPP, foreign expansion and extension of the chain of traditional stores as well as development of online stores by increasing their accessibility in subsequent countries. Our goal is to become a global company with brands recognisable worldwide. To ensure the possibility of implementing the adopted strategy, the Management Board of LPP takes numerous actions aimed at minimising the risk of being left by key management officers. Key managers take part in the share-based Incentive Programme. As a Group, LPP focuses on friendly work conditions: employees are offered a large variety of training courses providing continuous skill development, with a career path being straightforward and giving promotion opportunities. LPP offers work in a contemporary and friendly environment as well as market-rate remuneration and other benefits following the rules set forth in the Company's Remuneration Rules and Social Benefit Fund.

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A common denominator for determining variable parts of the remuneration of key managers and Members of the Management Board is the efficient performance of goals set: for managers – at the project/task level, for Members of the Management Board – at the global level.

When determining the Remuneration Policy for Members of the Management Board, due regard was given to work and wage conditions for the Company's employees other than Members of the Management and Supervisory Boards by applying the same criteria as applicable when determining the value of remuneration, specifically by making reference to the size of the enterprise, preserving a reasonable correlation with the Company's economic performance, ensuring the possibility of soliciting, maintaining and motivating persons indispensable for the proper management of the Company, taking into consideration the scope of duties and responsibility, work load necessary for the proper performance of respective duties and the level of remunerations at a similar position as applied by other entities operating on the market, as well as by making reference to the Company's long-term financial position, a long-term value increase for shareholders and stability of business operations.

Therefore, in LPP S.A., the remuneration of Members of the Management Board and key management officers is divided into a fixed and variable part the value of which depends to a major extent on the Company's economic results and performance of its individual departments. The variable part of the remuneration of management officers encompasses bonuses and awards. Members of the Management Board may receive bonuses and benefits in the form of shares as part of the Incentive Programme. Based on this remuneration system, Members of the Management Board are encouraged to take informed decisions resulting in the attainment by the Company and/or the Group better and better economic results, ensuring stability of its operations in the long run. At the same time, as a rule, Members of the Supervisory Board are paid lump-sum remunerations correlated with the number of meetings held.

### **3. Legal Grounds for Remunerating Members of the Management and Supervisory Boards**

Members of the Management Board may receive remuneration, in particular, under an employment contract, a management contract or another civil law agreement and a letter of appointment. The type of the legal relationship with a given Member of the Management Board and the rules for remunerating a Board Member are set forth by the Supervisory Board, with due consideration of the rules provided for in this Remuneration Policy, following negotiations with a candidate for the position of Member of the Management Board.

Contracts with Members of the Management Board are concluded on behalf of the Company by the Chairman of the Supervisory Board or its other representative, under an authorisation granted by resolution. All activities related to the employment relationship with a Member of the Management Board are carried out following the same procedure.

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As at the date of adopting this Policy, in connection with the work performed and the position held in the Management Board, both the President and Members of the Management Board of LPP S.A. are employed in LPP S.A. under employment contracts for the term of office of the Management Board. Employment contracts are concluded for an unspecified period of time. Upon expiry of the term of office, the Supervisory Board makes a decision on appointing a given Board Member for another term of office and on continuing his employment contract. The term of office of a Member of the Management Board is five years.

Members of the Supervisory are remunerated based on a corporate relationship stemming from their appointment under relevant resolutions for their term of office. The term of office of the Supervisory Board is five years.

## **4. Remuneration Structure for Members of the Management and Supervisory Boards**

Members of the Management Board are entitled to a basic fixed remuneration (comprising payments and benefits accrued to persons covered by the Remuneration Policy for their position held, work performed and the level of their responsibility), which is not dependent on criteria relating to results or assessment of a given person's work performance. Variable benefits in the form of the right to purchase shares in the Company are based on the Incentive Programme. Members of the Management Board may also be awarded a variable remuneration in the form of an annual bonus the value of which depends on results gained. The bonus may be paid in cash or in kind. The decision on the award of a bonus, including the determination of payment rules and conditions, is made by the Supervisory Board. The proportions of the fixed and variable part of the remuneration of Members of the Management Board may change as the value of the variable part is correlated with performance.

Members of the Supervisory Board receive a lump-sum remuneration.

Variable remuneration components are paid in a transparent way, ensuring effective implementation of the Remuneration Policy.

### **4.1. Remunerations of Members of the Management Board**

The Supervisory Board is authorised to determine the rules for remunerating Members of the Management Board for exercising their functions in the Management Board. The remuneration of Members of the Management Board should correspond to the size of the enterprise and be reasonably correlated with the Company's economic results. The value of remuneration of Members of the Management Board should be sufficient to solicit, maintain and motivate persons indispensable for the proper management of the Company. When determining and verifying the value of remuneration of Members of the Management Board, the Supervisory Board should take into account, in particular, the scope of duties and responsibility, work load required for the proper performance of duties and the remuneration level at a similar position, applied by other entities operating on the market. In incentive programmes, the level of remuneration of Members of the Management Board should depend on

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the Company's actual long-term financial standing as well as a long-term value increase for shareholders and stability of business operations.

When determining criteria for payment of the variable part of the remuneration, the Supervisory Board should specify clear, comprehensive and diversified criteria for financial and non-financial performance, relating to the award of variable remuneration components, including criteria for recognition of social interests, the company's contribution to environment protection and actions aimed at preventing negative social consequences of the company's operations and handling the same as well as methods for determining to what extent the said criteria have been met.

Members of the Management Board may be eligible to an annual bonus in the amount fixed as a lump-sum or percentage by the Supervisory Board, depending on performance of financial or material goals set forth by the Supervisory Board for a given year. The key economic criterion may be, in particular, the attainment, or a percentage increase, in a given financial year, of the consolidated net profit of the LPP S.A. Group, EBIT or another parameter determined based on the Group's consolidated financial statements approved by a competent authority. The value of the bonus and the terms and conditions for its award to individual Members of the Management is determined by resolution of the Supervisory Board. Furthermore, the Supervisory Board has the right to award a bonus to Members of the Management Board despite non-fulfilment of the terms and conditions set forth by the Supervisory Board provided that a net profit is generated while the non-performance of goals set does not result from circumstances dependent on the Management Board. The value of the bonus may be depend on the duration of employment with the Company and the position in the Management Board. The decision on awarding a bonus for a given financial year is made by the Supervisory Board after determining financial results for a given year.

Additionally, Members of the Management Board may be eligible for financial instruments as part of the Incentive Programme.

At the time of adopting this Remuneration Policy, Members of the Company's Management Board receive bonuses in the form of shares under relevant resolutions of the Supervisory Board. The transaction cost is assessed by reference to fair value as at the date of awarding such rights. The value of the remuneration for the work of management officers is determined indirectly by reference to the fair value of capital instruments awarded. The fair value of stock options is evaluated as at the award date while non-market conditions for acquiring those rights such as the attainment of an expected financial result are also taken into account when estimating the fair value of stock options. The value of employee benefits in the form of shares, due to Members of the Management Board, depends on the consolidated result generated for a given year.

When assessing individual performance of a Member of the Management Board, which is decisive for determining his performance-based variable remuneration, the Supervisory Board may apply both financial and non-financial criteria.

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Additional benefits for Members of the Management Board may include, among others, the following: the option of using a company car, technical devices and equipment required to perform duties of Board Member, fuel cards, reimbursement of documented required costs related to the performance of employment duties to the extent and in the amount adequate to the position held, including business trips, discount vouchers, an insurance contract covering civil liability of Members of the Management Board, relating to the legal relationship serving as the basis for providing services/performing work, private medical packages offered under general insurance rules, benefits provided for in the Company's Social Benefit Fund, training courses and participation in other ventures devoted to the type of work performed and aimed at improving their qualifications.

Members of the Management Board are not eligible to any other remuneration components provided for the Company's employees in the Collective Labour Agreement.

Work performance of Members of the Management Board is evaluated by the Supervisory Board and, subsequently, by the General Meeting adopting, on annual basis, a resolution on discharging Members of the Management Board from performing their duties.

Members of the Management Board may be employed by entities belonging to the LPP Group under employment contracts or other civil law agreements, for a specified or unspecified period of time, or under a letter of appointment, also to hold positions in the governing bodies of the Group companies and be remunerated for the above.

Management officers have concluded no agreements providing for a compensation payable in case of their resignation or dismissal from the position held without solid grounds or in the event where their revocation or dismissal is caused by the issuer's merger by acquisition.

## **2019 Management Stock Options Programme**

Considering the fact that the work of the Company's key management officers has and will have a significant impact on the Company's operations, its value and the value of shares in the share capital, held by shareholders:

- acting in the interest of the Company and its shareholders in terms of maximising profit from investments on securities issued by the Company,
- aiming at creating incentives and mechanisms which will motivate those persons to manage effectively both the Company and the Group companies, ensuring a long-term increase of the Company's value,
- having regard also of the needed stabilisation of the Company's key management officers and
- recognising that previous incentive programmes for the persons in question have come to an end, the General Meeting of LPP shall adopt an incentive programme for



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Members of the Management Board of LPP for the years set forth in a relevant resolution.

As at the date of adopting this Remuneration Policy, in LPP, there is an incentive programme for Members of the Management Board of LPP in force as provided for in the resolution of the General Meeting, dated 7 June 2019. The detailed rules for the Incentive Programme are set forth by the Supervisory Board. On 10 April 2019, the Supervisory Board adopted the Rules for the Incentive Programme for Members of the Management Board of LPP for the years 2019-2020, and a respective resolution of the Supervisory Board was adopted under the proviso that the General Meeting of LPP, held on 7 June 2019, adopts a resolution approving the incentive programme for Members of the Management Board, which was the case.

The Incentive Programme will be implemented in financial years 2019 – 2020 (i.e. in the financial year commencing on 1 January 2019 and ending 31 January 2020). In the subsequent financial year commencing on 1 February 2020, the Company's shares will be purchased and released to Programme Participants upon fulfilment of prerequisites set forth in the resolution of the General Meeting and the Incentive Programme Rules adopted by the Supervisory Board.

As part of the Incentive Programme, the Company will offer Members of the Management Board the possibility of purchasing from the Company its treasury shares purchased by the Company, in the total amount of up to 907 (nine hundred seven) shares in the Company.

The purchase of shares by programme participants will be conditional upon attainment by the LPP Group of operating profit (EBIT) for the financial year 2019, in the amount of at least PLN 696,000,000 (six hundred ninety six million Polish zlotys) i.e. not lower than 8% than the operating profit generated by the LPP Group from 01.01.2018 to 31.12.2018.

If, for the financial year 2019-2020, the LPP Group attains at least the index specified above, each programme participant shall have the right to purchase shares in a number resulting from parameters set forth in the 2019 Incentive Plan for the Management Board. The number of shares to be purchased by programme participants will depend on the attainment of the above-mentioned indices set forth in the 2019 Incentive Plan for the Management Board. It means that the attainment of a given index is equivalent with the right to purchase shares in a number specified in the 2019 Incentive Plan for the Management Board. Share allotment is conditional upon a Board Member's maintaining a functional relationship as at 31 March 2020.

Following expiry of the above-mentioned financial year, within three months from the date of publishing by the Company, in line with applicable laws, of its financial statements, the Supervisory Board will adopt, under the proviso that the terms and conditions for acquiring the right in question are met and there is no reason for depriving a Board Member of his right to participate in the programme, a resolution determining the number of shares allotted to Members of the Management Board. Within a month from the day of adopting the said resolution by the Supervisory Board,

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the Company will make an offer to each Member of the Management Board to purchase shares in a number provided for in the resolution of the Supervisory Board. Eligible persons will have the right to purchase shares for the nominal price of PLN 2 (two Polish zlotys) per share.

On the day of concluding an agreement on the purchase of shares from the Company, Members of the Management Board will make statements obligating them not to sell shares by 31 December 2022 and to sell shares held to the Company or third parties specified by the Company in the event where, from the share purchase date to 31 December 2022, due to a notice of termination submitted by a Board Member, his functional relationship with the Company is dissolved. Upon the Company's request, eligible persons will undertake to give respective instructions on investment accounts on which their shares will be deposited with a view to performing the above-mentioned obligations of Board Members. The Supervisory Board shall have the right to make a discretionary decision according to which the Company will not exercise its right to purchase shares from an eligible person despite his obligation to sell shares, specifically in the event where the prerequisites given above are met due to a fortuitous cause such as, in particular: a) death of a spouse, descendants, ascendants or adoptees, b) the eligible person's long-lasting illness or incapacity to work due to an accident, c) significant deterioration of the eligible person's financial situation, d) other events causing the need to provide the eligible person with financial support.

## **Management Stock Options Programme for subsequent years**

Due to the impact of the COVID-19 pandemic on the Company's results and operations in 2020 and consequent uncertainty as to how the pandemic will affect the same, LPP does not plan to determine the 2020 Incentive Programme. Nonetheless, this Remuneration Policy does not exclude the possibility of determining such future programmes, including schemes similar to those applicable in previous years. If so, respective decisions shall be made by the General Meeting of the Company and the Supervisory Board.

## **4.2. Remuneration of Members of the Supervisory Board**

The Supervisory is composed of 5 (five) to 6 (six) members, including the Chairman of the Supervisory Board. The number of Members of the Supervisory Board is determined by the General Meeting. Members of the Supervisory Board are appointed for a 5-year term of office. The Supervisory Board will be appointed and dismissed by the Meeting of Shareholders. In case of expiry of the Board Member's mandate before expiry of his/her term of office due to his/her resignation or death, the composition of the Supervisory Board may be supplemented by appointing a new Member of the Supervisory Board. The Supervisory Board may appoint additionally no more than one person. The additional member of the Supervisory Board is to be approved by the next General Meeting. In the event where the General Meeting does not approve, or is not presented with, the resolution of the Supervisory Board on the appointment of an additional member for approval, the term of office of such additional member of the Supervisory Board shall expire at the end of the next General Meeting of the Company.

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Alternatively, if no additional member is appointed, the Supervisory Board will pursue its activity being composed of a smaller number of members until holding the next General Meeting.

Members of the Supervisory Board may be paid a remuneration in the amount determined by the General Meeting. The remuneration of Members of the Supervisory Board should be correlated with the scope of duties and responsibility arising from the position held and be fixed in an amount adequate to the Company's size.

The key elements of the remuneration system for Members of the Supervisory Board are as follows:

- lump-sum remuneration,
- additional benefits.

The lump-sum remuneration is payable for participation in a meeting of, respectively, the Supervisory Board or the Audit Committee of the Supervisory Board.

As at the date of adopting this Policy, the value of remuneration of Members of the Supervisory Board is fixed by resolution no 7 of the Extraordinary General Meeting of Company, held on 20 October 2017.

Members of the Supervisory Board are entitled to reimbursement of costs related to the participation in the Board's works.

As at the date of this Policy, Members of the Supervisory Board are given no additional benefits.

Subject to Article 387 of the Commercial Companies Code, Members of the Supervisory Board may be employed by the Company under employment contracts or other civil law agreements, for a specified or unspecified period of time, or under a letter of appointment. Furthermore, Members of the Supervisory Board may be employed by entities belonging to the LPP Group under employment contracts or other civil law agreements, for a specified or unspecified period of time, or under a letter of appointment, also to hold positions in the governing bodies of the Group companies and be remunerated for the above.

The remuneration of Members of the Supervisory Board should depend on neither stock options nor other derivatives or any other variable components or on the Company's results.

Performance of Members of the Supervisory Board is evaluated by the General Meeting of the Company by way of annually adopted resolution on discharging Members of the Supervisory Board from performing their duties.

## **5. Description of Key Features of Additional Retirement and Disability Pension Plans and Early Retirement Schemes**

As at the date of adopting this Remuneration Policy, in the Company, there are no early retirement schemes or additional retirement and disability pension plans.

Following the rules, and in the amount, set forth in Article 921 of the Labour Code, a Member of the Management Board performing his/her duties as part of an employment relationship, who meets criteria for payment of a disability or retirement pension and whose employment relationship expired due to retirement or disability, is eligible for a severance pay equalling a one-month remuneration. An employee who has received a severance pay may not become eligible for such payment again.

## **6. Avoidance of Conflicts of Interest Relating to the Remuneration Policy or Their Management**

This Remuneration Policy is aimed at guaranteeing that any potential conflicts of interest, relating to the remuneration of Members of the Management and Supervisory Boards, are identified and limited. The decision-making process involving the award of remunerations is straightforward, with clear and transparent rules governing performance assessment.

A conflict of interest may arise, in particular, when a Member of the Management or Supervisory Board may obtain a benefit or avoid a loss relating to his/her remuneration due to a loss incurred by the Company or when their financial interest reflected in the amount of their remuneration or the terms of its award is distinct from the Company's interest.

A conflict of interest involving issues regulated in the Remuneration Policy may be avoided through the division of powers for determining the value of remuneration, provided for in Articles 378 and 392 of the Commercial Companies Code, with due consideration of the wording of this Policy. To avoid conflicts of interest relating to this Remuneration Policy, powers encompassing the adoption, application and verification of the Remuneration Policy are distributed to the Company's individual governing bodies. LPP applies a graduated system of legal regulations governing issues involving ethical conduct, reporting of irregularities and management of an occurring conflict of interest. The supreme document is the LPP Code of Ethics. As part of the system, the following documents have been implemented:

- a) Code of Ethics – LPP Rules
- b) Procedure for Anonymous Reporting of Irregularities

Furthermore, the procedure for taking action in case of potential occurrence of a conflict of interest is provided for in the Rules of Operation of both the Management and Supervisory Board.

Members of the Management Board are required to inform the Management and Supervisory Boards of any conflict of interests relating to the position held or of its possible occurrence. A Member of the Management Board should inform the Management Board respectively and abstain from both taking part in a discussion and voting on a resolution on the matter in which such conflict has arisen. In his/her conduct, each Member of the Supervisory Board should give regard to the

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Company's interest, with due consideration of independence of opinions and judgments, and, specifically, not accept any unjustified benefits which could adversely affect the assessment of independence of his/her opinions and judgements. Moreover, a Member of the Supervisory Board should lodge an explicit objection or give a clear dissenting opinion if he/she acknowledges that a decision of the Supervisory Board is in conflict with the Company's interest. In case of a conflict of interest or its potential occurrence, a Member of the Supervisory should inform the Supervisory Board respectively and abstain from both taking part in a discussion and voting on a resolution on the matter in which such conflict has arisen.

The above shall not prejudice any other rules applied in the Company in terms of management of conflicts of interest and their anonymous reporting, as provided for intra-company regulations referred to above.

Upon receipt of a notification referred to in the preceding clause, the Supervisory Board shall initiate a procedure aimed at updating the Policy, in line with the provisions given below, to avoid or prevent occurrence of an identified conflict of interest.

## **7. Temporary Renouncement of the Remuneration Policy**

If so required for executing the Company's long-term interests and stability or guaranteeing its profitability, the Company may temporarily renounce the Remuneration Policy applied to Members of the Management and Supervisory Boards. A decision on Policy renouncement is made by the Supervisory Board by resolution. The decision on a waiver to receive a remuneration or benefits to which Board Members are eligible, in full or in part, may also be made by Members of the Management Board upon their own initiative. As at the date of adopting this Policy, due to a difficult economic situation in global economy and hardly predictable perspectives for eliminating the consequences of the pandemic crisis, starting from April 2020, all Members of the Management Board of LPP, consented to having their remuneration reduced to a symbolic amount of PLN 1. Such reduced remuneration shall apply until the Management Board of LPP SA recognises that the Company's financial standing is safe and predictable. During the pandemic, Members of the Supervisory Board made statements on waiving their rights to be remunerated for participating in Board meetings.

The Supervisory Board may adopt a decision on Policy renouncement specifically in case of actual or highly probable materialisation of risks relating to the execution of the Company's Strategy and goals, undertaking actions the absence of which could adversely affect the Company's capacity to pay its financial dues. A motion for Policy renouncement may be submitted by the Management Board, giving grounds to the Supervisory Board for such renouncement. The resolution on Policy renouncement shall specify, in particular, the following: duration of such renouncement, parts of the Remuneration Policy to be renounced and prerequisites justifying Policy renouncement. Each case of Policy renouncement shall be disclosed in the remuneration report.

## 8. Remuneration Report

On an annual basis, the Supervisory Board draws up a remuneration report providing for a comprehensive review of remunerations, including all benefits in any form, received by, or awarded to, individual Members of the Management and Supervisory Boards in the last financial year in line with this Remuneration Policy.

The remuneration report shall include, in particular:

- a) value of the total remuneration divided by components and proportions between them;
- b) explanation as to how the total remuneration complies with the adopted Remuneration Policy and how it contributes to attaining the Company's long-term results;
- c) information on the application of performance criteria;
- d) information in the change of remuneration on an annual basis, the Company's results and an average remuneration of the Company's employees other than Members of the Management or Supervisory Boards, in the period of the last five financial years, cumulatively, allowing for comparisons;
- e) value of remuneration paid by entities belonging to the LPP Group;
- f) number of financial instruments awarded or offered and key rules governing the exercise of rights attached to any such instruments, including their price, date of exercising such rights and respective changes;
- g) information on the exercise of the right to claim repayment of variable components of the remuneration; and
- h) information on derogations from the procedure for implementing the Remuneration Policy, including clarification of prerequisites and a respective procedure and specification of elements derogated from.

Information on financial years in respect of which the Supervisory Board was not required to prepare the remuneration report may be given based on estimates. The remuneration report is to explicitly specify whether any such information is provided or omitted.

In the event where the remuneration of a Member of the Management or Supervisory Board encompasses cash or in-kind benefits awarded to his/her immediate relatives, information on the value of such benefits is to be provided in the remuneration report. Immediate relatives are as follows: a spouse, ascendant, descendant, siblings, relative by affinity in the same line or degree, adoptee and his/her spouse, and a cohabitant. The information in question does not specify the grounds for awarding any such benefits or personal data of beneficiaries.

The General Meeting adopts a resolution incorporating an opinion on the remuneration report. The said resolution is of advisory nature. The remuneration report

shall clarify how the above-mentioned resolution of the General Meeting on the previous remuneration report was given recognition in the report in question.

The liability for information incorporated in the remuneration report is borne by Members of the Supervisory Board.

The Company publishes the remuneration report on its website and makes it accessible free of charge for at least 10 years from the closing of the General Meeting, referred to above.

## **9. Final provisions**

In matters not regulated in this Remuneration Policy, other internal regulations applicable in the Company and generally applicable statutory acts, including the Public Offering Act, shall apply.

The Remuneration Policy shall prevail over other documents adopted by the Company in terms of rules governing remunerations of persons referred to in this Policy. Any other documents must adhere to this Remuneration Policy.

The Supervisory Board shall supervise the Remuneration Policy for Members of the Management Board and verify fulfilment of general criteria as well as terms and conditions for awarding variable remuneration components.

The resolution of the General Meeting on the Remuneration Policy shall be adopted at least every four years.

The Remuneration Policy shall be published on <https://www.lppsa.com> in accordance with the Public Offering Act.

This Remuneration Policy shall enter into force on 18 September 2020.