

INTRODUCTION

This Remuneration Policy for members of the Management Board and the Supervisory Board of ZUE S.A. (hereinafter referred to as the “*Policy*”) sets out the principles for determining, calculating and paying remuneration to members of the Management Board and the Supervisory Board of ZUE S.A.

The Policy has been developed following the amendments of 30 November 2019 to the Polish Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, and certain other acts (Journal of Laws of 2019, item 623).

§ 1 [Definitions]

- **Management Board Member** – each member of the Management Board of ZUE S.A.;
- **Supervisory Board Member** – each member of the Supervisory Board of ZUE S.A.;
- **Policy, Remuneration Policy** – remuneration policy for members of the Management Board and the Supervisory Board of ZUE S.A.;
- **ZUE Group** – the capital group with ZUE S.A. as the parent company;
- **Supervisory Board** – the Supervisory Board of ZUE S.A.;
- **Management Board** – the Management Board of ZUE S.A.;
- **Company, ZUE** – ZUE S.A. with registered office in Cracow;
- **Act** – the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, as amended;
- **General Meeting** – the General Meeting of ZUE S.A.;
- **ZUE’s strategy** – long-term strategic objectives of the Company defined by the Management Board. The Company informs about the long-term objectives in current reports.

§ 2 [General]

1. The remuneration of members of the Management Board and the Supervisory Board is paid exclusively according to the Policy.
2. The Policy has been implemented by the General Meeting of ZUE S.A. All the governing bodies of the Company have been involved in defining the provisions hereof.

3. The Policy has been established and implemented on the basis of the applicable laws and the Company's regulations.
4. The Policy has been prepared to define the principles for remuneration of members of the Management Board and the Supervisory Board. The Policy has been designed to support the achievement of the Company's strategic objectives and long-term interests and to ensure the stability of the Company's operation.
5. The Policy has been designed to provide proper incentives for members of the Management Board and the Supervisory Board motivating them to achieve ZUE's strategic objectives. ZUE's strategic objectives set the paths of the Company's development and are defined largely by considering the potential of the Company's staff, including managerial staff. The aim of the Company is to constantly develop the area of the Company's activity connected with human capital and the employer / employees relations. The strategic objectives are achieved with due regard to non-financial aspects such as respect of human rights, employee issues or impact on local communities and natural environment.
6. In order to support the effective management and supervision taking into consideration such aspects as the Company's stability and long-term interests, the Policy should set out the rules governing the payment of fixed or variable remuneration to members of the Management Board and the payment of exclusively fixed remuneration to members of the Supervisory Board.

§ 3 [Employment of the Management Board Members]

1. The Management Board is composed of one or more members.
2. Members of the Management Board are appointed and dismissed by the Supervisory Board for a common three-year term.
3. The Supervisory Board define the number of the Management Board members for a term, appoint one member of the Management Board to the position of the Management Board President and may appoint one or more members to the position of the Management Board Vice-President.
4. Members serve on the Management Board for a specified period of time until their term of office expires, regardless of reasons for the expiry (also if they resign or become dismissed).
5. Members of the Management Board are remunerated on the basis of the employment contract concluded for an indefinite period.
6. The term of notice depends on the term of employment with the Company – according to the Employment Code.
7. The member's employment contract may be terminated with notice if the member's term of office expires. The member's employment contract may be terminated without notice if the member is dismissed due to the circumstance used as the basis for termination of the employment contract without notice.

8. If the employment relationship is terminated, a member of the Management Board must not undertake any work or activity (i.e. they must not, for example, run any company on their own behalf or through a third party, be a shareholder of any company conducting the activity similar to that conducted by ZUE, except for holding minority shares in public companies, or act as an agent or proxy of competitive companies) competitive to the Company or work under employment contract or any other basis for any company running the business competitive to that conducted by ZUE, for one year of the end of the employment relationship. In such a case, such member of the Management Board is paid damages equal to their annual fixed remuneration referred to in § 4.1.a) and § 4.1.b). The damages shall be paid in instalments.
9. A member of the Management Board is obliged, first and foremost, to manage the Company's affairs in line with the rules set out in the Company's Articles of Association, the Rules of the Management Board of ZUE S.A., the Organisational Rules of ZUE S.A. and other regulations applicable at the Company.
10. During the term of the employment relationship, a member of the Management Board is obliged to refrain from any activities competitive to the statutory activity of the Company or the Group, or participation in any competitive company as the company's shareholder or member of its governing body. A member of the Management Board must not undertake any additional activity, including additional employment, without a prior consent of the Company.
11. Members of the Management Board may, with the Company's consent, be appointed to the management or supervisory boards of the companies within ZUE Group.
12. Members of the Management Board may receive a severance pay in the amount specified by the employment laws.

§ 4 [Remuneration of the Management Board Members]

1. A member of the Management Board is paid the monthly remuneration composed of:
 - a) Basic remuneration;
 - b) Management allowance; and
 - c) Variable remuneration (annual bonus).
2. The gross amount of the basic remuneration referred to in § 4.1.a) hereof is determined by the Supervisory Board on the basis of this Policy and by comparing the remuneration payable to members of the boards of similar public companies and liability of individual members of the Management Board.
3. The management allowance referred to in § 4.1.b) hereof is payable a member of the Management Board during the term of their office. The gross amount of the allow-

ance is determined by the Supervisory Board and does not exceed 20% of the basic remuneration referred to in § 4.1.a).

4. A member of the Management Board (who served on the Management Board for the entire previous financial year) is entitled to the variable remuneration referred to in § 4.1.c) hereof (annual bonus) of 20% - 60% of the monthly gross remuneration, including the remuneration referred to in § 4.1.a) and b) hereof, on an annual basis. This variable remuneration is payable to a member of the Management Board if a positive net financial result for the preceding financial year has been reported by the Company.
5. The amount of the variable remuneration depends on the achievement by a member of the Management Board of specific Key Performance Indicators.
6. General scope of Key Performance Indicators:
 - a) Sales target;
 - b) Financial result for the prior year;
 - c) Efficient management and stable financial condition of the Company (including profitability ratios, efficient use of assets, risk management and execution of development plans following from the Group's strategic objectives for the prior year);
 - d) Lower operating expenses, including general and administrative expenses;
 - e) Execution of restructuring plans;
 - f) Effectiveness of investment projects;
 - g) Achievement of the Company's strategic objectives;
 - h) Compliance with corporate governance rules;
 - i) Company's involvement in environmental protection;
 - j) Activities taken to prevent and liquidate negative social consequences of the Company's operation;
 - k) Cooperation between a member of the Management Board and the Supervisory Board;
 - l) Backlog for the financial year and the Company's development prospects.
7. The Supervisory Board define from 2 to 5 Key Performance Indicators for members of the Management Board by the end of February of each calendar year. The selection of the Key Performance Indicators depends on the scope of liability of individual members of the Management Board, the tasks they have been entrusted with, the Company's current financial situation and market perspectives.
8. A weight of 5% - 50% is assigned to each Key Performance Indicator.
9. The Supervisory Board define clear, comprehensive and diversified criteria concerning the payment of variable components of the remuneration, including the criteria concerning social interests, the Company's involvement in environmental protection and activities undertaken to prevent and liquidate the negative social consequents of the Company's operation.

10. The Supervisory Board evaluate the achievement of the Key Performance Indicators by a member of the Management Board by the end of the first quarter of the next calendar year.
11. The variable remuneration determined according to the foregoing rules is paid to members of the Management Board for the previous year by the end of June but not before the publication of the Group's annual report for the previous year.
12. The use of the funds required to pay the variable remuneration to members of the Management Board each time requires the consent of the Supervisory Board.
13. The payment of the variable remuneration to members of the Management Board depends on the current condition of the Company and may be deferred by the Supervisory Board for a specified period of time if the payment is likely to affect the financial stability of the Company. The deferral may be extended.
14. To receive the variable remuneration, a member of the Management Board must hold the position for the entire calendar year for which the annual bonus is paid. If a member of the Management Board is employed, ends the employment or changes the position during a calendar year, the Supervisory Board may decide to abandon these requirements.
15. Employment contracts with members of the Management Board contain details of the rules governing the members' work for the Company set out in § 3 and § 4 hereof.
16. The variable remuneration paid in accordance with the abovementioned rules is not refundable.

§ 5 [Operation of the Supervisory Board]

1. The Supervisory Board is composed of five to seven members.
2. Members of the Supervisory Board are appointed and dismissed by the General Meeting for a common three-year term.
3. The General Meeting define the number of the Supervisory Board members for a term and appoint the Chairperson and the Vice-Chairperson of the Supervisory Board.
4. Members serve on the Supervisory Board for a specified period of time until the term of their office expires, regardless of reasons for the expiry (also if they resign or become dismissed).
5. Members of the Supervisory Board are remunerated for their service on the Board on the basis of their appointment to the Supervisory Board.

§ 6 [Remuneration of the Supervisory Board Members]

1. A member of the Supervisory Board is paid the remuneration in the amount specified in a resolution passed by the General Meeting.
2. The amount of the remuneration payable to a member of the Supervisory Board is determined by the General Meeting on the basis of this Policy, the amount of remuneration observed on the employment market, the applicable laws and the Company's internal regulations.
3. A member of the Supervisory Board may only receive a fixed lump-sum gross monthly remuneration.
4. If they work more, the Chairperson or the Vice-Chairperson of the Supervisory Board may receive the remuneration higher than the remuneration paid to other members of the Supervisory.
5. The monthly remuneration is payable to members of the Supervisory Board regardless of the number of convened meetings.
6. If a member of the Supervisory Board is appointed or dismissed during a calendar month, the remuneration is calculated proportionally to the number of days of their service in the month.
7. The expenses associated with the Supervisory Board's operations are covered by the Company. In addition, the Company provides the Supervisory Board with office facilities.

§ 7 [Other Cash and Non-Cash Benefits of Members of the Management Board and the Supervisory Board]

Like other employees of the Company, members of the Management Board receive additional non-cash benefits such as the equipment, furnishings and other resources of the Company enabling them to effectively perform their duties. The said benefits may include a company car, IT equipment or a mobile phone.

Members of the Management Board may also receive other benefits such as private medical care, additional life insurance, trainings or participation in the Employee Capital Pension Scheme.

Other cash and non-cash benefits are received by members of the Management Board on the basis of internal sources of the employment law and other regulations or the Company's procedures.

Members of the Supervisory Board are only paid by the Company the remuneration specified in § 6 of the Policy.

§ 8 [Limitation on Remuneration of Members of the Management Board and Supervisory Board]

Members of the Management Board or members of the Supervisory Board must not be paid by the Company for their service on the Board any cash or non-cash remuneration other than the remuneration specified in this Policy.

§ 9 [Additional Pension and Retirement or Early Retirement Schemes]

At the date of adoption of this Policy, there are no additional pension and retirement or early retirement schemes at the Company. The Company participates in the Employee Capital Pension Scheme on the basis of the Polish Act on Employee Capital Pension Schemes of 4 October 2018.

§ 10 [Measures Taken to Prevent or Manage the Conflicts of Interest Relating to the Remuneration Policy]

ZUE has employed the Ethical Management Policy covering such issues as ethical standards, managing the risks of corruption, counteracting corruption, the protection of whistleblowers and the procedures relating to reported irregularities or the rules of counteracting the conflict of interests. Based on the provisions of the said Ethical Management Policy, this Policy is implemented; reviewed and pursued by taking into account the current analyses conducted to detect any possible conflicts of interest.

§ 11 [Decision-Making Process to Establish, Employ and Review the Remuneration Policy]

The Remuneration Policy is the Company's internal deed. The Company's Legal Department, Corporate Division, HR Department, the Management Board responsible for the operation of the corporate authorities and the Supervisory Board responsible for giving opinions have been involved in the development of the Remuneration Policy. The Policy is adopted by way of resolution passed by the General Meeting. The Policy is implemented and supervised by the Management Board according to the scope of competence.

The Supervisory Board exercise an ongoing general supervision of the Policy. The Supervisory Board review the Policy and prepare the report on remuneration.

§ 12 [Influence of the Conditions of Work and Pay of Employees Other Than Members of the Management Board and the Supervisory Board on the Remuneration Policy and Influence of the Remuneration Policy on the Company's Operation]

The rules of remunerating all employees of the Company are taken into account when determining the amount of the basic remuneration paid to members of the Management Board. The situation on the employment market is also analysed. Like most of the Company's employees, members of the Management Board receive their remuneration on the basis of the employment contract with a specified term of notice.

The basic pay is a major part of the remuneration paid to members of the Management Board. The same refers to other employees of the Company.

The Policy rules governing the payment of basic remuneration, management allowance and incentive variable remuneration to members of the Management Board are designed to encourage them to undertake the activities aimed at the improvement of the Company's results and stability over a long time horizon. Accordingly, the conditions of work and pay of other employees should also improve.

The remuneration paid to members of the Supervisory Board is fixed and, accordingly, is not conditional on the Company's performance. Such form of remuneration helps members of the Supervisory Board remain independent and contributes to the Company's stability.

§ 13 [Reports on Remuneration]

1. The Supervisory Board prepare the annual report on remuneration, which contains a comprehensive review of remuneration, including any and all benefits, regardless of the form thereof, received by or payable to individual members of the Management Board and the Supervisory Board in the past financial year, in accordance with the Remuneration Policy and the applicable laws.
2. The report on remuneration is prepared with reference to each and every member of the Management Board and the Supervisory Board and contains:
 - a) Amount of the entire remuneration broken down into components and proportions between the components;
 - b) Explanation of the way in which the entire remuneration complies with the adopted Remuneration Policy and the way in which it contributes to the achievement of the Company's long-term objectives;

- c) Explanation of the way in which the payment criteria have been applied;
 - d) Information about any change, on an annual basis, of the remuneration, the Company's results and the average pay of the Company's employees other than members of the Management Board or the Supervisory Board in at least the last five financial years enabling the comparison thereof;
 - e) Amount of remuneration in the companies within the ZUE Group other than the Company;
 - f) Number of granted or offered financial instruments and main conditions governing the exercise of rights under these instruments, including the price and date and the change thereof;
 - g) Information on the ability to repay the variable components of the remuneration; and
 - h) Information on departures from the implementation of the Remuneration Policy and the departures applied in accordance with Article 90f of the Act, including the reasons for as well as the course and examples of the departures.
3. If the remuneration of members of the Management Board and the Supervisory Board includes any cash or non-cash benefits given to their close relatives, the report on remuneration should contain information about the amount of such benefits. A close relative is defined as a spouse, ancestor, descendant, brother or sister, relative by affinity to the same line or degree, adoptee and their spouse and person living together. The information does not include any basis for such benefits or any personal details of the people to whom the benefits have been paid.
 4. The General Meeting adopts an advisory resolution on the report on remuneration.
 5. The report on remuneration contains explanation on how was the abovementioned resolution referring to the prior report on remuneration considered in the report.
 6. The report on remuneration is published on the Company's website.
 7. The report on remuneration does not contain any personal details of members of the Management Board or the Supervisory Board referred to in Article 9 item 1 of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

§ 14 [Abandonment of the Remuneration Policy]

1. The Supervisory Board may decide to temporarily abandon the Remuneration Policy if it is necessary to achieve the Company's long-term objectives and to ensure the Company's financial stability or viability.
2. The term of the said abandonment is defined by the Supervisory Board on the basis of the decisions specified in the Rules of the Supervisory Board of ZUE S.A.

3. The temporary abandonment may relate to all components of the remuneration payable to members of the Management Board.
4. The reasons for the temporary abandonment of the Remuneration Policy include:
 - a) The Company's loss of financial stability or solvency;
 - b) State of emergency, natural disasters and other kinds of emergencies, including epidemic;
 - c) Other unpredictable common events with a negative influence on the Company's operations.

§ 15 [Miscellaneous]

1. This Remuneration Policy comes into force on the date it is adopted by the General Meeting.
2. The variable remuneration of members of the Company's Management Board for 2020 (annual bonuses) will be determined and paid according to Company's the rules of remunerating the Management Board members.
3. Each major change to the Remuneration Policy is made on the basis of a resolution passed by the General Meeting.
4. A resolution on the Remuneration Policy is passed by the General Meeting at least once in four years.
5. The Remuneration Policy is published on the Company's website.