

SUPERVISORY BOARD REPORT  
ON REMUNERATIONS OF MEMBERS  
OF THE MANAGEMENT BOARD  
AND THE SUPERVISORY BOARD OF ZUE S.A.  
FOR THE FINANCIAL YEARS 2019 AND 2020

Cracow, 24 May 2021

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## Introduction

Acting pursuant to Article 90g item 1 *et seq.* of the Polish Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies of 29 July 2005 (uniform text, Journal of Laws of 2020, item 2080) (the "Act"), the Supervisory Board of ZUE S.A. with registered office in Cracow ("ZUE," the "Company") hereby submit this report on remunerations of Members of the Management Board and the Supervisory Board of ZUE to the Ordinary General Meeting of ZUE for opinion.

Pursuant to Article 36 item 2 of the Polish Act on Amendments to the Act 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 2217), this report has been prepared jointly for the financial years 2019 and 2020.

The Remuneration Policy for Members of the Management Board and the Supervisory Board of ZUE was adopted on the basis of the resolution no. 16 passed by the Ordinary General Meeting on 30 July 2020 (the "Remuneration Policy"). The Remuneration Policy sets out the principles for determining, calculating and paying remuneration to Members of the Management Board and the Supervisory Board of ZUE and was developed following the amendment of 30 November 2019 to the Polish Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, and Certain Other Acts of 29 July 2005 (uniform text, Journal of Laws of 2020, item 2080).

This report is the first report of the Company prepared on the basis of Article 90 item 1 *et seq.* of the Act. Therefore, it does not contain any explanation as to how it included the resolution of the Company's general meeting embodying the opinion on previous report on remunerations of Members of the Management Board and the Supervisory Board of ZUE.

The following tables contain the composition of the Management Board and the Supervisory Board of ZUE S.A. in the financial years 2019 – 2020.

COMPOSITION OF THE MANAGEMENT BOARD (2019 – 2020)		
Wiesław Nowak	Management Board President, CEO	Term of office: 2019 – 2020
Jerzy Czeremuga	Management Board Vice-President	Term of office: 2019 – 2020
Marcin Wiśniewski	Management Board Vice-President	Term of office: 2019 – 2020
Anna Mroczek	Management Board Vice-President	Term of office: 2019 – 2020
Maciej Nowak	Management Board Vice-President	Term of office: 2019 – 2020

COMPOSITION OF THE SUPERVISORY BOARD (2019 – 2020)		
Mariusz Szubra	Supervisory Board Chairperson	Term of office: 2019 – 2020
Barbara Nowak	Supervisory Board Vice-Chairperson	Term of office: 2019 – 2020
Bogusław Lipiński	Supervisory Board Member	Term of office: 2019 – 2020

Piotr Korzeniowski	Supervisory Board Member	Term of office: 2019 – 2020
Michał Lis	Supervisory Board Member	Term of office: 2019 – 2020

## Report on remunerations for **each** Member of the Management Board and the Supervisory Board of ZUE

The remuneration for 2019 was paid by the Company to Members of the Management Board of ZUE (the “Members of the Management Board”) according to the valid employment contracts as well as annexes and appendices thereto (there was no Remuneration Policy in 2019).

As specified in §15.2 of the Remuneration Policy, variable remuneration of Members of the Management Board for 2020 was also determined according to the rules existing before the Remuneration Policy.

A Member of the Management Board was paid monthly remuneration composed of:

- 1) Fixed remuneration: basic pay, sick pay and management allowance;
- 2) Variable remuneration: annual bonus;
- 3) Other cash and non-cash benefits such as medical care or km allowance.

The gross amount of basic pay is determined by the Supervisory Board of ZUE (the “Supervisory Board”) according to the scope of liability of individual Members of the Management Board.

Other benefits were paid to individual Members of the Management Board on the basis of a relevant resolution passed by the Supervisory Board.

Each Member of the Management Board (who held the position of the Management Board Member for the entire preceding financial year) was paid a one-time bonus by the Supervisory Board. It was a variable remuneration paid according to the employment contract and the annexes and appendices thereto entered into with Members of the Management Board.

Main criteria for the payment of variable remuneration:

- a) Achievement of a specified sales volume and financial result for the preceding financial year;
- b) Performance of individual tasks specified for each Member of the Management Board of ZUE by the Supervisory Board of ZUE;
- c) Effective management of the Company and achievement of specified profitability ratios;
- d) Backlog for the financial year;
- e) Development prospects for ZUE;
- f) Evaluation of the Management Board Member’s involvement in the achievement of ZUE’s objectives.

A large part of the abovementioned criteria were subsequently adapted by the Remuneration Policy as elements with positive effect on the Company's long-term development motivating the Members of the Management Board and encouraging them to perform their obligations to the best of their ability.

### Use of the results criteria in the payment of variable remuneration to Members of the Management Board

In 2019-2020, the abovementioned criteria were used by the Supervisory Board to determine variable remuneration of the Management Board Members (the criteria were applied to each Member of the Management Board).

In 2019 and 2020, Members of the Supervisory Board of ZUE were only paid a fixed lump-sum gross monthly remuneration in the amount specified in a resolution passed by the General Meeting of ZUE. If they work more, the Chairperson and the Vice-Chairperson of the Supervisory Board may receive the remuneration in the amount higher than the remuneration paid to other Members of the Supervisory Board. The monthly remuneration is payable to Members of the Supervisory Board regardless of the number of convened meetings. 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. The expenses associated with the Supervisory Board's activities are covered by the Company. In addition, the Company provides the Supervisory Board with office facilities.

### Total remuneration of Members of the Management Board of ZUE broken into components and proportions among them

2019							
Management Board	Fixed component (PLN)	Share %	Variable component (PLN)	Share %	Other benefits (PLN)	Share %	Total remuneration and benefits (PLN)
Jerzy Czeremuga	450,000.00	65.5%	230,000.00	33.5%	7,227.04	1.05%	687,227.04
Anna Mroczek	486,011.12	64.7%	260,000.00	34.6%	5,054.40	0.67%	751,065.52
Wiesław Nowak	960,000.00	65.3%	500,000.00	34.0%	9,854.40	0.67%	1,469,854.40
Maciej Nowak	480,000.00	67.1%	230,000.00	32.2%	5,054.40	0.71%	715,054.40
Marcin Wiśniewski	450,156.56	65.7%	230,000.00	33.6%	5,054.40	0.74%	685,210.96

2020							
Management Board	Fixed component (PLN)	Share %	Variable component (PLN)	Share %	Other benefits (PLN)	Share %	Total remuneration and benefits (PLN)

Jerzy Czeremuga	466,565.78	64.7%	240,000.00	33.3%	14,111.49	1.96%	720,677.27
Anna Mroczek	492,912.37	60.3%	320,000.00	39.1%	5,054.40	0.62%	817,966.77
Wiesław Nowak	960,000.00	64.2%	530,000.00	35.4%	5,454.40	0.36%	1,495,454.40
Maciej Nowak	480,000.00	66.2%	240,000.00	33.1%	5,033.20	0.69%	725,033.20
Marcin Wiśniewski	450,195.70	64.8%	240,000.00	34.5%	5,054.40	0.73%	695,250.10

Legend:

- Fixed components: basic pay, management allowance, sick pay and sickness benefit.
- Variable components: annual bonus.
- Other benefits: km allowance, medical care, employees' pension schemes.
- In addition, all Members of the Management Board used company mobile phones, office materials and equipment and IT equipment (computers, printers etc.).

**Total remuneration of Members of the Supervisory Board of ZUE broken into components and proportions among them**

2019				
Supervisory Board	Remuneration Supervisory Board	Remuneration Employment contract	Other benefits	Total remuneration and benefits
Piotr Korzeniowski	30,954.00	0.00	124.78	31,078.78
Bogusław Lipiński	30,954.00	0.00	0.00	30,954.00
Michał Lis*	30,954.00	177,360.62	3,254.40	211,569.02
Barbara Nowak	30,954.00	0.00	0.00	30,954.00
Mariusz Szubra	39,324.00	0.00	0.00	39,324.00

2020				
Supervisory Board	Remuneration Supervisory Board	Remuneration Employment contract	Other benefits	Total remuneration and benefits
Piotr Korzeniowski	49,908.00	0.00	311.95	50,219.95
Bogusław Lipiński	49,908.00	0.00	0.00	49,908.00
Michał Lis*	49,908.00	160,469.25	4,769.40	215,146.65
Barbara Nowak	49,908.00	0.00	0.00	49,908.00
Mariusz Szubra	66,648.00	0.00	0.00	66,648.00

\*In 2019 and 2020, Michał Lis was employed with ZUE under the employment contract concerning the position other than Member of the Supervisory Board.

**Compliance of total remuneration with the adopted remuneration policy and its contribution to the achievement of the Company's long-term objectives**

As specified above, remuneration for 2019 was paid to Members of the Management Board according to the employment contracts between them and the Company as well as annexes and appendices thereto (there was no Remuneration Policy in 2019).

Variable remuneration for 2020 was also paid to Members of the Management Board according to the rules preceding the Remuneration Policy, as specified in §15.2 of the Remuneration Policy.

Total remuneration of Members of the Management Board, both before and after the adoption of the Remuneration Policy, encourages them to become fully engaged in their work at the Company's governing bodies, motivates them to achieve certain economic objectives and, first of all, to strengthen the Company's position. The amount of their remuneration is proportionate to the position they hold and the tasks they are expected to perform, and the scope of liability associated with the position of the Management Board Member.

Members of the Management Board are paid both fixed and variable remuneration whose payment is conditional upon their involvement in the work, contribution to the Company's development and effective performance of the tasks they have been entrusted with.

In addition, a variable component encourages the Management Board to strengthen the Company's market position and to improve the Company's financial results as well as its financial and equity condition.

Fixed remuneration of Members of the Supervisory Board guarantees independent control of the Company's economic condition because its amount does not depend on the Company's performance. At the same time, proper control guarantees the stable and safe activity of both the Company and the Supervisory Board, which directly contributes to the achievement of ZUE's long-term economic objectives.

#### Change in remunerations, the Company's results and average pay of the Company's employees other than Members of the Management Board or the Supervisory Board in the past five years

Management Board	Annual remunerations (PLN)				
	2016	2017	2018	2019	2020
Jerzy Czeremuga	514,000.00	437,400.00	568,000.00	680,000.00	706,565.78
Anna Mroczek	525,188.94	520,457.89	636,755.08	746,011.12	812,912.37
Wiesław Nowak	1,074,000.00	1,190,400.00	1,334,000.00	1,460,000.00	1,490,000.00
Maciej Nowak	514,000.00	518,400.00	618,000.00	710,000.00	720,000.00
Marcin Wiśniewski	542,779.24	462,089.63	544,056.10	680,156.56	690,195.70
<b>Total</b>	<b>3,169,968.18</b>	<b>3,128,747.52</b>	<b>3,700,811.18</b>	<b>4,276,167.68</b>	<b>4,419,673.85</b>

Remuneration: basic pay, management allowance, sick pay, sickness benefit and annual bonus.

Supervisory Board	Annual remunerations (PLN)				
	2016	2017	2018	2019	2020
Piotr Korzeniowski	12,000.00	12,000.00	12,000.00	30,954.00	49,908.00
Bogusław Lipiński	12,000.00	12,000.00	12,000.00	30,954.00	49,908.00
Michał Lis	12,000.00	12,000.00	12,000.00	30,954.00	49,908.00
Magdalena Lis*	12,000.00	5,166.67	-	-	-
Mariusz Szubra	12,000.00	12,000.00	12,000.00	39,324.00	66,648.00
Barbara Nowak*	-	6,833.33	12,000.00	30,954.00	49,908.00
<b>Total</b>	<b>60,000.00</b>	<b>60,000.00</b>	<b>60,000.00</b>	<b>163,140.00</b>	<b>266,280.00</b>

\*The composition of the Supervisory Board of ZUE was changed under resolutions passed by the Ordinary General Meeting of ZUE on 6 June 2017.

Remuneration: Fixed remuneration.

Financial year	Payroll (PLN)	Average employment	Average monthly pay of employees other than Members of the Management Board or the Supervisory Board (PLN)	ZUE net profit (PLN '000)	ZUE EBITDA* (PLN '000)
2020	82,670,785.46	836	8,237.56	4,362	22,919
2019	77,936,232.55	818	7,938.45	3,135	19,312
2018	63,542,607.36	704	7,525.68	-64,049	-69,213
2017	48,614,003.77	615	6,582.13	839	11,274
2016	47,631,686.04	656	6,047.64	1,480	9,965

\*Operating profit + depreciation and amortisation.

According to the Remuneration Policy for Members of the Management Board and the Supervisory Board of ZUE, variable remuneration of Members of the Company's Management Board for 2020 (annual bonuses) was determined and paid out according to the Company's existing rules of remunerating Members of the Management Board. The Supervisory Board's resolution no. 1/2021 of 30 March 2021 sets out individual management objectives that will be used to grant variable remuneration to Members of the Management Board after the end of each financial year.

#### **Remuneration from other entities within the Capital Group**

No remuneration from the Capital Group entities other than ZUE was paid to Members of the Management Board or the Supervisory Board of ZUE in 2019 or 2020.

#### **Refund of variable components of remuneration**

The Remuneration Policy does not provide for any refund of variable components of the remuneration paid out to Members of the Management Board according to the said Remuneration Policy.

Members of the Supervisory Board of ZUE are only paid fixed remuneration.

#### **Cash or non-cash benefits paid to close ones of Members of the Management Board and the Supervisory Board**

No cash or non-cash benefits were paid to any close ones of Members of the Management Board or the Supervisory Board of ZUE in 2019 or 2020.

#### **In addition, the Supervisory Board of ZUE S.A. states that:**

There is no incentive scheme at the Company whereby the Company's financial instruments would be offered or granted to any Members of the Management Board or the Supervisory Board. No financial instruments were offered or granted to any Members of the Management Board or the Supervisory Board in the financial years 2019 and 2020.

No demand of refund of any variable remuneration components by any Members of the Management Board or the Supervisory Board was made by the Company in the reporting period.

No deviations from the Remuneration Policy implementation procedure or the deviations referred to in Article 90f of the Act were made at the Company.

**Information on how this report includes the resolution of the Company’s General Meeting embodying the opinion on previous remuneration report**

This report is the first report of the Company prepared on the basis of Article 90 item 1 *et seq.* of the Act. Therefore, it does not contain any explanation as to how it included the resolution of the Company’s General Meeting embodying the opinion on previous report on remunerations of Members of the Management Board and the Supervisory Board of ZUE.

## Conclusions

The Supervisory Board of ZUE reviewed remunerations and all benefits received by individual Members of the Management Board and the Supervisory Board in terms of the compliance thereof with applicable policies (the Remuneration Policy for Members of the Management Board and the Supervisory Board of ZUE). Accordingly, the Supervisory Board state that:

- 1) The remuneration paid out to Members of the Management Board complies with the valid contracts and meets all legal requirements.
- 2) After they have considered careful and stable management of risk, capital and liquidity as well as long-term interests of the Company and its shareholders, the Supervisory Board give positive opinion on the Remuneration Policy for Members of the Management Board and the Supervisory Board of ZUE and the compliance of remunerations paid out to Members of the Management Board and the Supervisory Board of ZUE in 2019 and 2020 with concluded contracts and relevant resolutions.
- 3) The adopted Remuneration Policy for Members of the Management Board and the Supervisory Board of ZUE is a tested tool for the management of remunerations.

**This report has been prepared and approved by the Supervisory Board.**

Mariusz Szubra – Supervisory Board Chairperson .....  
Barbara Nowak – Supervisory Board Vice-Chairperson .....  
Bogusław Lipiński – Supervisory Board Member .....  
Piotr Korzeniowski – Supervisory Board Member .....  
Michał Lis – Supervisory Board Member .....