

Remuneration Policy for Members of the Management Board and Supervisory Board of Stalprodukt S.A.

§ 1

Policy objective

“Remuneration Policy for the Members of the Management Board and Supervisory Board of Stalprodukt S.A.”, hereinafter referred to as the “Policy”, defines the grounds, principles and procedures for determining, calculating and paying out remuneration to the Members of the Management Board and the Supervisory Board. The solutions adopted in the Remuneration Policy have been designed to promote the implementation of the business strategy, long-term interests and stability of the Company.

§ 2

Terms and Definitions

- Company – Stalprodukt S.A. with its registered office in Bochnia;
- Management Board – Company’s Management Board
- Supervisory Board – Company’s Supervisory Board
- Committee – Audit Committee appointed by Company’s Supervisory Board;
- Act – the Act of 16 October 2019 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, and other acts (Journal of Laws of 2019, item 2217, as amended).

§ 3

Remuneration of the Management Board Members

1. Legal basis for the remuneration of the Management Board Members.

The legal relationship between the Company and the Member of the Management Board gives a legal basis for the remuneration of Company's Management Board Members. The Company provides for the possibility to entrust the management of the Company on the basis of three types of legal relationship:

- Employment relationship, as Director General, Member of the Management Board, or Financial Director, Member of the Management Board, performed under an employment contract concluded for an indefinite period;
- Contracting the Company's management service (management contract) concluded for the duration of holding the position of a Member of the Management Board;
- Appointment to the position of a Member of the Management Board for the duration of the term of office.

In accordance with past practice, the Management Board Members perform the activities of directors on the basis of their employment contracts, and thus are subject to all regulations under labour law, including compensation and severance pay under early termination of an employment contract.

The conditions for terminating these contracts are as follows:

- Termination by notice, termination without notice /Article 52.53 of the Polish Civil Code/ or termination by agreement between the parties, if an employee is not appointed as Member of the Management Board for another term or is voted out of the office during the existing term;
- The above does not preclude the employment of the Management Board Member in another position within the Company's organisational structure, to the best of the Company's ability, on terms agreed upon by the parties;
- The parties are entitled to 6 months' notice, retaining their right to remuneration;
- In the event of termination of the agreement, the Management Board Member is entitled to a severance pay in the amount of 6 months' remuneration.

The Supervisory Board shall hold negotiations with a Member of the Management Board to specify the legal basis for establishing the management relationship, the level of remuneration and the rules of remuneration. The legal basis for managing the Company by a Member of the Management Board shall be determined by way of a resolution of the Supervisory Board. The basic principles for remunerating the Management Board Member concerning the fixed and variable components of remuneration must at the same time remain the same, regardless of the legal basis used.

2. Components of remuneration for the Management Board Members

Regardless of the legal form of the relationship between a Management Board Member and the Company, the Management Board Member is entitled to receive financial remuneration consisting of two parts, i.e. a fixed component and a variable component. When appointing a Management Board Member, the Supervisory Board shall adopt a resolution appointing the

Management Board Member or a separate resolution to specify the basic components of the financial remuneration of the Management Board Member, including the amount of fixed and variable remuneration, as well as the rules for making the variable remuneration contingent on financial performance, and the fulfilment of non-financial criteria.

The Supervisory Board may also grant a Management Board Member the right to other non-cash benefits.

2.1. Fixed component of the Management Board Member's remuneration

Each Member of the Company's Management Board may receive a fixed monthly remuneration in the amount specified in the resolution of the Supervisory Board within 6 to 10 times the average monthly remuneration in the Company for the previous month, or in the amount of fixed monthly remuneration, at the discretion of the Board.

When determining the fixed part of remuneration for different members of the Management Board, the Supervisory Board considers the following criteria:

- a) Qualifications, level of professional experience;
- b) Profile of the role to be performed, size of the area to be managed, scope and nature of the tasks to be performed in this area;
- c) Level of remuneration of managers in institutions with a similar profile and scale of operation.

The fixed component of the Management Board's remuneration is paid on the date of remuneration payment to the Company's employees.

2.2. Variable component of the Management Board Member's remuneration

The variable remuneration of a Member of the Company's Management Board depends on the level of implementation of the strategy and objectives related to the Company's achievement of a specific level of financial results and/or key financial indicators, as specified in the financial plan for a given year. The variable remuneration of the Management Board Member may not exceed 30% of the fixed remuneration received in the previous financial year.

When determining the variable part of remuneration for the Management Board Members, the Supervisory Board shall also consider whether non-financial criteria are met, such as, without limitation:

- Addressing public interest,
- Company's contribution to environmental protection,

- Taking actions aimed at preventing and rectifying negative social effects of the Company's operations.

Taking into account non-financial aspects in the payment of the variable part of the remuneration also allows for better care for the long-term and sustainable development of the Company, which in this way secures the expectations of many stakeholders, allows for limiting the negative social effects of the business, including the reduction of environmental impact.

The variable component of the remuneration is paid out after the close of the financial year for which the remuneration is calculated and paid out on the basis of financial statements data certified by an auditor.

Detailed rules of determining, calculating and paying out variable remuneration are defined by the Supervisory Board in a resolution. At the beginning of each financial year during the ongoing term of office, the Supervisory Board shall determine the percentage values which will condition the variable remuneration of a Management Board Member on the adopted Company's budget, including the itemisation of this part of the remuneration according to the Company's financial results, and the fulfilment of non-financial criteria.

The rules for calculating, paying and the possible return of overpaid variable remuneration, a Management Board Member is entitled to, shall be specified in resolutions of the Supervisory Board, and an employment contract or management contract, if concluded.

If it is found that during the financial year no grounds exist for paying out a Management Board Member the variable remuneration, the President of the Management Board is obliged to notify the Chairman of the Supervisory Board of such circumstances. The notification shall in effect withhold the advance payments. The Supervisory Board shall immediately rule on the advisability of withholding advance payments.

If the Supervisory Board confirms that the notification is justified, the Management Board Member shall return the overpaid amount of the variable remuneration. The Management Board Member shall accept in writing the rules for settling overpaid advance payments by deduction.

The adopted rules for payment of the variable component of remuneration shall also be strictly related to the Company's performance and/or financial indicators. Thus, these rules provide an incentive, while on the other hand they are adequate, because the Supervisory Board will be entitled to decide to pay out the variable remuneration as long as the Company performs as planned. Furthermore, the criteria considered for the payment of the variable component of remuneration include the extent to which the business strategy is implemented.

Such an approach to evaluating the work of the Management Board is conducive to the Company achieving its long-term goals, contributes to its sustainable development and an increase in the Company's value for shareholders while achieving favourable financial results.

2.3. Non-financial benefits for the Management Board Member

Each Member of the Company's Management Board is entitled to receive specific non-financial benefits from the Company, including:

- The right to use the Company's assets, including a company car (also used for private purposes), computer, telephone and other technical devices;
- The right to additional insurance, in particular third party liability insurance for the Management Board Member;
- The right to participate, on general terms, in the Company's pension schemes (including the Employee Capital Schemes – PPK);
- Other benefits as determined by the Supervisory Board.

The Company currently runs no additional pension and early retirement schemes apart from the PPK scheme.

The scope and rules of non-financial benefits to which a Member of the Management Board is entitled shall be set out in detail in a resolution of the Supervisory Board, and an employment contract or management contract, if concluded.

2.4. Change in the amount of remuneration

The President of the Management Board and each Member of the Management Board may, in justified cases, submit a request to the Supervisory Board to change the legal basis of the established management relationship and the rules of remuneration of a Member of the Management Board, including to specify different values of the fixed and variable components of remuneration, as well as different scopes and different values of non-financial benefits; however, the fixed component and the variable component of remuneration may not exceed the maximum levels under this Policy.

§ 4

Remuneration of the Supervisory Board Members

1. Legal basis for the remuneration of the Supervisory Board Members

This Policy provides the legal basis for remuneration of Members of the Supervisory Board for performing their roles in a supervisory body, provided that the rules for remuneration of the Supervisory Board Member are not set forth in a resolution appointing the Supervisory Board Member or in a separate resolution.

2. Components of remuneration of the Supervisory Board Members

The Supervisory Board Members receive monthly remuneration from the Company for performing their roles in the Board, calculated as follows (according to their roles on the Board):

- a) Chairman of the Board – monthly remuneration equal to the average monthly remuneration in the Company for the previous month, multiplied by a coefficient of 1.4;
- b) Vice Chairman and Secretary of the Board – monthly remuneration equal to the average monthly remuneration in the Company for the previous month, multiplied by a coefficient of 1.2;
- c) Member of the Board – monthly remuneration equal to the average monthly remuneration in the Company for the previous month, multiplied by a coefficient of 1.1.

2.1. Remuneration of the Committee Members

A member of the Supervisory Board who is also a Member of the Audit Committee receives monthly additional remuneration in the form of an additional gross monthly amount, increased by 20% in relation to the remuneration levels specified in Article 4(2).

3. Remuneration limit

The Company may not pay any financial and non-financial remuneration other than that described above to the Members of the Management Board and Members of the Supervisory Board for managing the Company and performing their roles in the management body and for performing their roles in the supervisory body, respectively. The above provision does not apply to the Supervisory Board Members who do not meet the criteria of independence from the Company, and who may also receive remuneration under employment relationship between them and the Company.

§ 5

Considering the working and remuneration conditions of other employees

The Company's operation is based on staff – mainly manual worker positions – employed under employment contracts concluded for an indefinite period due to its prevailing activity, which is the production and sale of steel products. This form of employment is typical for the sector in which the Company operates.

The Company can employ Members of the Management Board on similar terms, namely, not only appoint them on the basis of resolutions passed by the Supervisory Board, but also employ them under employment contracts concluded for an indefinite period or longer-term

mandate arrangement contracts, with the option of termination by three to six months' notice, which shows great flexibility in the area of formal and legal approach to employment. With respect to the financial remuneration of Management Board Members, the division in place into the fixed component and variable component, and making the amount of the latter mostly dependent on the economic effects of and the results achieved by the Company, is an incentive for the Management Board Members, to an even greater extent than in the case of other employees, whose fixed component of remuneration is predominant, to take well thought-out actions resulting in the Company achieving increasingly better economic effects, and ensuring stability of its operations over longer periods of time.

It should be stressed that the rules for remunerating the Management Board, managers and other employees are similar. They are based on the fixed component of the remuneration and performance-based bonus for a given cost centre, where the employee bonus may be paid out monthly (provided an appropriate level of margin is achieved), while the bonus for Management Board members and managers, only for annual periods. The amount of remuneration of the Management Board Members specified in this Policy, being a multiple of the average remuneration of the Company's employees, allows for a reasonable correlation between the remuneration of the Management Board Members and the remuneration of the staff. The adopted multiplication rates of the average remuneration and the authoritatively limited level of the variable component mean that the level of the Management Board's salaries will not be grossly disproportionate to those received by the employees.

Defining a fixed flat rate remuneration for the Supervisory Board Members guarantees the stable functioning of the Board as a supervisory body, where its Members, not being directly dependent on the financial result, will exercise due care and take no unnecessary risk to supervise the Company's current operations and the actions of the Management Board and its Members.

§ 6

Authorisation from the General Meeting.

The General Meeting shall authorise the Supervisory Board to specify the items defined in Article 3(2)(1)-3(2)(4) of the Policy in detail, including, in particular, the variable component of the financial remuneration, provided that due changes in the amount of the remuneration are considered according to the Company's financial result achieved.

The Supervisory Board may also decide, on the basis of said authorisation, to make this Policy more detailed by adopting appropriate Rules or passing other resolutions.

Should the financial stability of the Company be under threat and its profitability impossible to guarantee because the assumptions have not been executed in a significant part, the Supervisory Board may temporarily withdraw from applying the Policy in whole or in part. The withdrawal from applying the Policy may not be adopted once for a period longer than the remaining time of the Supervisory Board's term.

§ 7

Remuneration reports

The Supervisory Board shall prepare a remuneration report on an annual basis presenting a comprehensive overview of remuneration, including all benefits, regardless of their form, received by or due to individual Members of the Management Board and Supervisory Board in the previous financial year in accordance with the adopted Remuneration Policy.

The Supervisory Board will draw up its first remuneration report for 2020.

The Supervisory Board Members shall be responsible for the information contained in the remuneration reports. The remuneration report for each Member of the Management Board and Supervisory Board shall include, without limitation:

- a) The amount of the total remuneration, broken down into the components referred to in Article 90(d)(3)(1) of the Act, and the proportions between those components;
- b) The explanation of how the total remuneration is consistent with the adopted Policy, and how it contributes to achieving long-term results by the Company;
- c) The information on how the performance criteria have been applied;
- d) The information on changes, on an annual basis, in the remuneration, performance of the Company and the average remuneration of Company's employees who are not members of the Management Board or the Supervisory Board, shown over the previous five financial years, on a total basis, in a way that allows for comparison;
- e) The amount of remuneration from entities belonging to the same Capital Group within the meaning of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, items 351, 1495, 1571, 1655 and 1680);
- f) The number of financial instruments granted or offered, and the main terms and conditions for exercising the rights from those instruments, including the price and date of exercise and changes thereto;
- g) The information on the use of the option to request the return of variable components of the remuneration;

- h) The information on deviations from the procedure for implementing the Remuneration Policy and the deviations applied in accordance with Article 90(f) of the Act, including an explanation of the grounds and procedures thereof, as well as an indication of the items deviated from.

The General Meeting shall adopt a resolution giving its opinion on this report.

The Company shall publish the remuneration report on its website and make it available free of charge for at least 10 years after the end of the General Meeting.

The remuneration report shall also be assessed by an auditor as regards the inclusion of information required under Article 90(g)(1)-(5) and (8) of the Act.

§ 8

Setting out and application of the Policy provisions Description of the decision-making process carried out to establish, implement and review the Remuneration Policy. Resolving conflict of interests

Being an act of the Company's internal regulations, the Policy has been created in a process typical for the Company with the participation of legal services and relevant Management Board Members who are responsible for the day-to-day operation of corporate bodies and organizational structures, as well as subject to the Supervisory Board's opinion. The final decision on the Policy shall be made by the General Meeting. The implementation of the Policy and an ongoing supervision of its functioning shall be carried out and managed by the Management Board in accordance with its division of competences. The Supervisory Board shall exercise overall supervision over the implementation of the Policy on an ongoing basis. When preparing its report, the Supervisory Board shall also carry out a comprehensive review of the Policy.

The bodies implementing the Policy shall conduct ongoing assessment of the possible conflict of interest related to the Policy, taking into account the provisions of the Company's internal regulations.

The Rules to be adopted by the Supervisory Board shall contain provisions aimed at avoiding conflicts of interest related to the Policy, as well as at resolving and managing possible disputes arising from the Policy.

The Supervisory Board may enter into non-competition agreements with a Member of the Management Board during the employment relationship, and non-competition agreements after the termination of the employment relationship on the following conditions:

- Duration of one year from the date of termination of the employment relationship;

- Monthly compensation in the amount determined by the Supervisory Board, paid out throughout the whole duration of the limitation;
- The Company shall have the right to withdraw from the agreement within 6 months from the termination of the employment relationship;
- Entering into agreements after the dissolution or termination of the legal relationship with a Member of the Management Board shall not be allowed;
- In the event of non-performance or undue performance of the non-competition agreements by Members of the Management Board, they shall pay a contractual penalty to the Company in the amount equal to the amount of compensation due for the whole term of the non-competition clause.

§ 9

Policy in force

The provisions of this Policy shall be effective from the date of adoption of this Policy by a resolution of the General Meeting.

The previous rules shall apply to determine, calculate and pay out the variable component of the remuneration of the Management Board Members for the financial years 2019 and 2020, as specified in the resolutions of the Supervisory Board adopted before the effective date of this Policy.

Pursuant to the Act, a resolution on the Remuneration Policy is adopted at least every four years by way of a resolution, and any significant changes in the Policy require adoption by the General Meeting.

The Company shall immediately publish on its website the Remuneration Policy and the resolution on the Remuneration Policy, together with the date of its adoption and the voting results. Said documents should be available at least as long as they are in force.

Signatures of the Members of the Management Board

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Reference documents

- Articles of Association
- Rules of the General Meeting
- Rules of the Supervisory Board
- Rules of the Management Board