

Annex to Resolution No. XL/11/2021 of the General Meeting of 22 June 2021

**Report on the remuneration of Members of the Management Board  
and Supervisory Board of Stalprodukt S.A. for 2019 and 2020**

Bochnia, May 2021

## Introduction

This remuneration report has been prepared pursuant to Art. 90g. Act on public offering and the conditions for introducing financial instruments to an organized trading system and on public companies (Journal of Laws of 2020, item 2080) ("Act").

The current version of the Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Stalprodukt S.A. ("Policy") was approved on June 15, 2020 by Resolution No. XXXIX/11/2020 of the Ordinary General Meeting of Stalprodukt S.A. This policy is available on the website of Stalprodukt S.A. in the "Investor relations" tab, section: "Corporate governance" (<https://www.stalprodukt.com.pl/en/investor-relations/annual-general-meeting-of-shareholders/>).

Pursuant to §7 of the Policy, the Supervisory Board prepares an annual remuneration report and then presents it to the General Meeting, which adopts a resolution on this report. The remuneration report is previously assessed by a statutory auditor in the scope of including the information required pursuant to art. 90 g of paragraphs 1-5 and 8 of the Act.

In addition, in §2 of Resolution No. XXXIX/11/2020, the Ordinary General Meeting authorized the Supervisory Board to detail the elements of the Policy described in art. 90d paragraph 7 of the Act to the extent specified in § 3 points 2.1-2.4 of the Policy. Therefore, at the first meeting of the Supervisory Board of the new term of office, which was held on October 9, 2020, the Supervisory Board introduced new rules and criteria for remunerating Members of the Management Board of the Company, in line with the "Remuneration Policy" adopted by the General Meeting. In particular, by Resolution No. 10/XII/2020, the Supervisory Board adopted the document entitled "Regulations of benefits and remuneration of the Management Board of Stalprodukt S.A., which entered into force on the same day.

The main change - in relation to the previously adopted solutions - consists in resignation from quarterly bonuses for the Management Board and limitation to the payment of an annual bonus. Moreover, the amount of the multiple of average remuneration in the Company for the previous month, which is the basis for the calculation of the basic remuneration of the Management Board members, was limited. Currently, this remuneration ranges from 6 to 10 times the average monthly remuneration for both the president and a member of the Management Board.

Pursuant to the provisions of the "Regulations of Benefits and Remuneration of the Management Board", changes were made to the existing employment contracts with members of the Management Board on October 30, 2020, which entered into force on November 1, 2021.

In connection with the above-mentioned changes to the Management Board remuneration rules, the last quarterly bonus for the Management Board was paid for the results of Q3 2020. In practice, therefore, the new rules for remunerating the Management Board are in force in the Company from Q4 2020.

Pursuant to Art. 36 sec. 2 of the Act of October 16, 2019 amending the Act on public offering and the conditions for introducing financial instruments to organized trading and on public companies and certain other acts (Journal of Laws 2019, item 2217), the Supervisory Board prepares a report for the first time on remunerations jointly for the years 2019 and 2020.

The detailed scope of information required under Art. 90 g of paragraph 1, points 1) - 8) of the Act.

**1. The amount of the total remuneration broken down into components referred to in Art. 90d paragraph 3 point 1 of the Act, and the mutual proportions between these remuneration components.**

**1 Components of the remuneration of the Management Board and Supervisory Board in 2019-2020**

**1.1 Management**

In the years 2019-2020, the remuneration of Members of the Management Board of Stalprodukt S.A. consisted of the following elements: fixed remuneration, variable remuneration (quarterly and/or annual bonus) and additional benefits.

Remuneration of the Board for 2019

First name and last name	Base pay	Quarterly bonus	Annual bonus (for the 2018 results)	Total remuneration	The share of basic pay in total remuneration
Piotr Janeczek	1 306 288	458 668	875 631	<b>2 640 587</b>	49.5%
Józef Ryszka	478 644	229 334	293 123	<b>1 001 101</b>	47.8%
Łukasz Mentel	478 545	229 334	293 123	<b>1 001 002</b>	47.8%
<b>Razem</b>	<b>2 263 477</b>	<b>917 336</b>	<b>1 461 877</b>	<b>4 642 690</b>	<b>48.8%</b>

Remuneration of the Board for 2020

First name and last name	Base pay	Quarterly bonus	Total remuneration	The share of basic pay in total remuneration
Piotr Janeczek	852 251	367 598	1 219 849	69.9%
Józef Ryszka	871 838*	69 580	941 418	92.6%
Łukasz Mentel	445 557	183 799	629 356	70.8%
<b>Razem</b>	<b>2 169 646</b>	<b>620 977</b>	<b>2 790 623</b>	<b>77.7%</b>

\* The above amount includes a retirement benefit in the amount of PLN 343,400

**1.2 Supervisory Board**

In the years 2019-2020, the remuneration of Members of the Supervisory Board of Stalprodukt S.A. consisted of a fixed cash remuneration, based on the appointment and due to the performed function, i.e. chairman, vice-chairman, secretary or member of the Supervisory Board of Stalprodukt S.A. These rules were defined in Resolution No. XI/98 of the General Meeting of Shareholders of Zakład Przetwórstwa Hutniczego Stalprodukt S.A. (previous name of the Company) and were in force until June 2020. According to these rules, members of the Supervisory Board, depending on their function, received remuneration in the following amount:

- a) Chairman of the Supervisory Board - monthly remuneration in the amount of the average monthly wage in the Company for the previous month, multiplied by a factor of 1.4;
- b) Vice-chairman and secretary of the Supervisory Board - monthly remuneration in the amount of the average monthly wage in the Company for the previous month, multiplied by a factor of 1.2;
- c) Member of the Supervisory Board - monthly remuneration in the amount of the average monthly wage in the Company for the previous month, multiplied by a factor of 1.1.

The current rules for remunerating Members of the Supervisory Board are as follows:

For performing functions in the Supervisory Board, the chairman, vice-chairman and secretary of the Supervisory Board and a member of the Supervisory Board receive monthly remuneration from the Company, calculated in the same way as before.

In addition, a member of the Supervisory Board who is also a member of the Audit Committee receives an additional monthly remuneration in the form of an additional monthly gross amount, increased by 20% in relation to the above-mentioned levels of remuneration.

First name and last name	Base pay for 2019	Base pay for 2020
Janusz Bodek <sup>1</sup>	94 505	47 982
Stanisław Kurnik <sup>2</sup>		33 745
Sanjay Samaddar <sup>3</sup>	0	0
Magdalena Janeczek	97 207	84 710
Agata Sierpińska-Sawicz	90 071	78 096
Romuald Talarek	89 105	78 096
<b>Total</b>	<b>370 888</b>	<b>322 629</b>

1 Mr. Janusz Bodek was a member of the Supervisory Board until June 15, 2020.

2 Mr. Stanisław Kurnik was appointed to the Supervisory Board on June 15, 2020.

3 Due to the internal regulations in force at ArcelorMittal Poland S.A., Mr. Sanjay Samaddar resigned from receiving remuneration for performing the function of a member of the Supervisory Board of Stalprodukt.

### 1.3 Additional cash benefits received by the Management Board and Supervisory Board

One member of the Management Board and two members of the Supervisory Board joined the Employee Capital Plans (Polish “PPK”) program and therefore receive additional cash benefits in the form of payment by the Employer of a part of the contribution to the PPK.

The table below contains the annual list of payments to PPK from the Employer (data in PLN).

First name and last name	Function	Payment to the PPK in 2019	Payment to the PPK in 2020
Łukasz Mentel	Member of the Board	579.32	7 258.49

Magdalena Janeczek	Member of the Supervisory Board	117.78	1 165.21
Agata Sierpińska-Sawicz	Member of the Supervisory Board	107.97	1 087.63

In the period 2019-2020, members of the Management Board used civil liability insurance, paid by the Company. The cost of the annual premium in this respect amounted to PLN 13,500 in 2019 and PLN 20,000 in 2020.

#### 1.4 Non-cash benefits

Moreover, members of the Management Board receive non-cash benefits in the form of concluded contracts for the use of company cars for private purposes, settled by a flat-rate tax paid by members of the Management Board.

### **2. Explanation of how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company.**

The new rules for remunerating the Management Board are more transparent than the existing ones, as they only cover the basic wage and the annual bonus of up to 30% of basic wage. These values are in reasonable proportions to each other. These rules will also be consistent with the currently restructured management remuneration system, which also provides for the payment of only the annual bonus and its maximum level.

In addition, according to the "Remuneration Policy", one of the criteria for the payment of the variable part of the remuneration taken into account is the level of implementation of the business strategy. Such an approach to the evaluation of the work of the Management Board is conducive to the accomplishment of long-term goals by the Company, its sustainable development and the increase of the value of the Company for shareholders, while achieving favorable financial results.

In addition, in the opinion of the Supervisory Board, taking into account also non-financial aspects when paying out the variable part of the remuneration allows better care for the long-term and sustainable development of the Company, which thus secures the expectations of many stakeholders, allows to limit the negative social effects of the conducted activity, including minimizing the impact on the natural environment.

### **3. Information on how the performance criteria have been applied**

Both in the current and previously binding Regulations on Remuneration of the Management Board (adopted by the Supervisory Board on February 27, 2006), financial and economic criteria are the basis for assessing the work of the Management Board. The most important of them include such economic figures as, inter alia, the degree of implementation of the sales plan (quantitatively and in terms of value), changes in revenues from sales of products, changes in costs in relation to changes in sales, profit, changes in financial results in relation to the budget and the previous year, and a number of financial measures, such as indicators of liquidity, profitability, debt and efficiency of operations and their changes in relation to the budget.

**4. Information on changes, on an annual basis, in remuneration, company results and average remuneration of employees of this company who are not members of the management board or the supervisory board, in the period of at least the last five financial years, in total, in a manner enabling comparison.**

Comparison of changes in the remuneration of the Management Board, Supervisory Board and average remuneration in the Company.

Years	Remuneration of Management Board (in PLN)	Change (current year vs. previous year)	Remuneration of Supervisory Board (in PLN)	Change (current year vs. previous year)	Average wage of an employee (in PLN)	Change (current year vs. previous year)
<b>2016</b>	4 699 602		1 107 210,00		5 305,00	
<b>2017</b>	3 392 886	-27.8%	394 283,00	-64.4%	5 035,00	-5.1%
<b>2018</b>	3 472 754	2.4%	319 074,00	-19.1%	5 303,00	-5.3%
<b>2019</b>	4 642 690	33.7%	370 888,00	16.2%	5 625,00	6.1%
<b>2020</b>	2 790 623	-39.9%	324 483,00	-12.5%	5 160,00	-8.3%

Stalprodukt S.A. results in the years 2016-2020 and their percentage changes in individual years

Stalprodukt S.A.	2016	2017	2018	2019	2020	2017/2016	2018/2017	2019/2018	2020/2019
<b>Gross profit (loss) on sales</b>	190 888	94 392	125 834	90 113	87 915	50.6%	33.3%	28.4%	-2.4%
<b>Operating profit (loss) (EBIT)</b>	120 555	20 257	33 097	-4 439	22 918	83.2%	63.4%	-	-
<b>EBITDA</b>	170 467	67 362	81 097	47 166	75 672	60,5%	20.4%	41.8%	60.4%
<b>Net profit (loss)</b>	95 731	100 054	125 048	92 808	54 844	4.5%	25.0%	25.8%	40.9%

Results of the Stalprodukt S.A. Capital Group in the years 2016-2020 and their percentage changes in individual years

Stalprodukt S.A. Capital Group	2016	2017	2018	2019	2020	2017/2016	2018/2017	2019/2018	2020/2019
<b>Gross profit (loss) on sales</b>	633 461	557 494	549 100	482 455	421 962	-12.0%	-1.5%	-12.1%	-12.5%
<b>Operating profit (loss) (EBIT)</b>	412 869	359 614	299 847	203 708	196 084	-12.9%	-16.6%	-32.1%	-3.7%
<b>EBITDA</b>	553 430	497 102	448 872	371 488	362 907	-10.2%	-9.7%	-17.2%	-2.3%
<b>Net profit (loss)</b>	345 254	275 428	284 652	154 488	183 776	-20.2%	3.3%	-45.7%	19.0%

5. 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 and of 2020, item 568).

Wysokość wynagrodzenia otrzymanego przez członków Zarządu i Rady Nadzorczej od podmiotów należących do Grupy Kapitałowej Stalprodukt przedstawiona została w poniższej tabeli (dane w zł).

Name and Surname	Position	Remuneration for 2019	Remuneration for 2020
Piotr Janeczek	President of the Management Board	161 000	131 000
Łukasz Mentel	Member of the Management Board	118 062	114 988
Józef Ryszka <sup>1</sup>	Member of the Management Board	57 341	25 845
Janusz Bodek <sup>2</sup>	Chairman of the Supervisory Board	40 521	14 000

*1 Mr. Józef Ryszka served as a member of the Management Board of the Company until April 28, 2020.*

*2 Mr. Janusz Bodek performed the function of Chairman of the Supervisory Board of the Company until June 15, 2020.*

#### **5. The number of granted or offered financial instruments and the main conditions for the exercise of rights from these instruments, including the price and date of exercise and their changes**

In 2019 and 2020, neither the members of the Management Board nor the Supervisory Board were granted or offered any financial instruments.

#### **6. Information on the use of the option to demand the return of variable remuneration components**

In accordance with the "Remuneration Policy", the rules for calculating, paying and possibly returning overpaid variable remuneration for a Management Board Member are determined by the resolutions of the Supervisory Board, and in the case of concluding an employment contract or a managerial contract, also these documents. The "Remuneration policy" also provides that if the Supervisory Board confirms the validity of the notification, the Management Board Member will be obliged to return the overpaid amount of the variable part of the remuneration. A member of the Management Board is obliged to accept in writing the rules of settling overpaid advances by means of a set-off.

#### **7. Information on deviations from the procedure for implementing the remuneration policy and derogations applied pursuant to Art. 90f, including an explanation of the rationale and procedure, and an indication of the elements from which the exceptions were applied.**

As a rule, the "Remuneration Policy" does not contain any exceptions to its implementation.

Chairman of the Supervisory Board  
Stanisław Kurnik

.....

Vice-Chairman of the Supervisory Board  
Sanjay Samaddar

.....

Secretary of the Supervisory Board

Magdalena Janeczek .....

Member of the Supervisory Board  
Agata Sierpińska-Sawicz .....

Member of the Supervisory Board  
Romuald Talarek .....

Bochnia, 21 May 2021