



---

REMUNERATION POLICY  
FOR MEMBERS OF THE MANAGEMENT  
BOARD AND SUPERVISORY BOARD OF  
IZOSTAL S.A.

---

KOLONOWSKIE, 24-06-2020

## CONTENTS

I.	PURPOSE OF IMPLEMENTING REMUNERATION POLICY .....	2
II.	SCOPE AND RESPONSIBLE ENTITIES .....	2
III.	DEFINITIONS USED IN REMUNERATION POLICY .....	2
IV.	REMUNERATION OF MANAGEMENT BOARD MEMBERS .....	3
1.	Components of remuneration.....	3
2.	Fixed remuneration .....	3
3.	Variable remuneration .....	4
4.	Mutual proportion of fixed and variable remuneration components .....	5
5.	Criteria for awarding variable remuneration components .....	5
6.	Manner in which criteria for awarding variable remuneration components contribute to Company's business strategy, long-term interests and stability .....	7
7.	Methods used to determine to what extent criteria for awarding variable remuneration components have been met .....	7
8.	Possibility of deferring payment/recovery of variable remuneration components by Company .....	7
9.	Other remuneration components .....	8
10.	Period for which contracts with Member of the Management Board have been concluded and indication of periods and terms of termination of these contracts.....	8
V.	REMUNERATION OF SUPERVISORY BOARD MEMBERS.....	9
1.	Components of remuneration.....	9
2.	Fixed remuneration .....	9
3.	Variable remuneration components, including bonuses and awards .....	9
4.	Other remuneration components .....	9
5.	Duration of legal relationship resulting from resolutions of General Meeting, period and conditions of its dissolution .....	9
VI.	ADOPTION OF REMUNERATION POLICY .....	10
1.	Mode of adoption of Remuneration Policy.....	10
2.	Decision-making process.....	10
3.	Conflict of interest management .....	10
VII.	MANNER IN WHICH WORKING AND PAY CONDITIONS OF COMPANY EMPLOYEES OTHER THAN MEMBERS OF MANAGEMENT BOARD AND SUPERVISORY BOARD HAVE BEEN TAKEN INTO ACCOUNT WHEN ESTABLISHING REMUNERATION POLICY. ....	11
VIII.	IMPLEMENTATION OF BUSINESS STRATEGY, LONG-TERM INTERESTS AND STABILITY OF COMPANY VERSUS REMUNERATION POLICY.....	11
IX.	ADDITIONAL PENSION AND RETIREMENT SCHEMES .....	12
X.	WITHDRAWAL FROM APPLICATION OF REMUNERATION POLICY .....	12
XI.	SUPERVISION OVER IMPLEMENTATION OF REMUNERATION POLICY .....	13

## I. PURPOSE OF IMPLEMENTING REMUNERATION POLICY

1. This Remuneration Policy has been developed in accordance with the requirements of the applicable Act.
2. In implementing this Remuneration Policy, the Company presents the rules applicable to the remuneration of the members of the Company's bodies - the Management Board and the Supervisory Board.
3. The introduction of the Remuneration Policy is aimed at ensuring corporate transparency and the possibility for shareholders and potential investors to obtain a complete and reliable picture of the remuneration of the members of the Management Board and the Supervisory Board, as well as to increase supervision over the remuneration of the members of the aforementioned bodies.
4. This Remuneration Policy, by introducing transparent rules for remunerating Members of the Company's Management Board and Supervisory Board, as well as ensuring a level of remuneration appropriate to the competencies and scope of duties, contributes to the implementation of the Company's business strategy, long-term interests and stability.

## II. SCOPE AND RESPONSIBLE ENTITIES

1. This Remuneration Policy applies to the Company.
2. This Remuneration Policy applies to all Members of the Management Board and all Members of the Supervisory Board.
3. The information contained in this Remuneration Policy is the responsibility of the Board Members.
4. The Company's Supervisory Board is responsible for supervising compliance with this Remuneration Policy and liable for information included in the annual remuneration report.

## III. DEFINITIONS USED IN REMUNERATION POLICY

In this Remuneration Policy, the following terms shall have the meaning given below:

**Member of the Supervisory Board** - a person acting as a Member of the Company's Supervisory Board;

**Member of the Management Board** - a person acting as a Member of the Company's Management Board;

**Best Practices** - Best Practices for WSE Listed Companies;

**Labour Code** - Act of 26 June 1974 - Labour Code;

**CCC** - Act of 15 September 2000 - Commercial Companies Code;

**Statement on application of corporate governance principles** - statement of the Management Board on application of corporate governance principles contained in the Best Practices;

**Remuneration Policy** - this Remuneration Policy of the Company;

**EPS** - employee pension schemes;

**President of the Management Board** - a person acting as the President of the Company's Management Board;

**Supervisory Board** - Supervisory Board of the Company;

**Supervisory Board Regulations** - regulations of the Supervisory Board of the Company;

**Management Board Regulations** - regulations of the Management Board of the Company;

**Company** - Izostal Spółka Akcyjna with its registered office in Kolonowskie, ul. Opolska 29, 47-113 Kolonowskie, registered in the register of entrepreneurs of the National Court Register managed by the District Court in Opole, 8th Commercial Division of the National Court Register, under KRS number: 0000008917;

**Articles of Association** - the Company's Articles of Association;

**Act** - the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies;

**General Meeting** - Ordinary General Meeting or Extraordinary General Meeting of the Company;

**Management Board** - Management Board of the Company.

#### IV. REMUNERATION OF MANAGEMENT BOARD MEMBERS

##### 1. Components of remuneration

The remuneration of a Member of the Management Board consists of fixed remuneration and variable remuneration.

##### 2. Fixed remuneration

a) The amount of remuneration of a Member of the Management Board under an employment contract shall be determined by way of a resolution of the Supervisory Board and at the same time shall be indicated in the employment contract concluded between the Company and the Member of the Management Board, whereas:

- the fixed remuneration of the President of the Management Board should be determined in the range from 6 to 9 times the average remuneration in the enterprise sector according to the Central Statistical Office (GUS), calculated for the previous quarter;

- the fixed remuneration of the other Members of the Management Board should be established in the range from 5 to 7 times the average remuneration in the enterprise sector according to the Central Statistical Office (GUS), calculated for the previous quarter;
- b) Remuneration granted to Management Board Members on the basis of an employment contract is related to the scope of duties imposed on Management Board Members as Company employees;
- c) The purpose of the Remuneration Policy is to enable employment within the Company's structures and to reward effective and experienced management staff. Therefore, the Company offers remuneration that incentivizes the Members of the Management Board to a high level of efficiency and achievement of the Company's business objectives consistent with the interests of shareholders;
- d) In determining the amount of remuneration of the Members of the Management Board, the Supervisory Board also takes into account information on the level of remuneration applied by entities with a similar profile and scale of operations on the market;
- e) The amount of the fixed remuneration of a Member of the Management Board provides him/her with a stable source of income, takes into account his/her function on the Management Board, the workload necessary to properly perform the function of a Member of the Management Board, as well as the scope of duties and level of responsibility.

### 3. Variable remuneration

The variable remuneration of the Member of the Management Board consists of a quarterly discretionary bonus and an additional bonus.

- a) Quarterly discretionary bonus:
- its granting and amount shall be decided by the Supervisory Board or by the Chairman of the Supervisory Board or other Member of the Supervisory Board authorized by the Supervisory Board;
  - the criteria for its awarding are indicated in the Remuneration Policy.
- b) Additional bonus:
- the Supervisory Board shall decide on its granting and the amount of such granting by way of a resolution;
  - the criteria for its awarding are indicated in the Remuneration Policy.

#### 4. Mutual proportion of fixed and variable remuneration components

- a) The variable remuneration component in the form of a quarterly discretionary bonus may not exceed 100% of the fixed quarterly remuneration awarded on the basis of an employment contract;
- b) The variable remuneration component in the form of an additional annual bonus may not exceed 300% of the fixed monthly remuneration awarded on the basis of an employment contract;

#### 5. Criteria for awarding variable remuneration components

Variable remuneration components are awarded to Members of the Management Board in a transparent manner ensuring effective implementation of the Remuneration Policy which includes clear, comprehensive and diverse criteria for financial and non-financial performance, with the assessment of the performance of the Member of the Management Board being the basis for determining and granting variable remuneration components.

- a) financial criteria for awarding variable remuneration component in the form of a quarterly discretionary bonus:
  - amount of net profit achieved by the Company calculated cumulatively from the beginning to the end of the financial year;
  - implementation of tasks of a financial nature determined by the Supervisory Board;
  - positive assessment of the work of a Member of the Management Board in the performance of financial obligations;
  - granting a variable remuneration component does not affect the stability of the Company or threaten the continuity or stability of the Company's operations;
  - granting a variable remuneration component is justified by the Company's results.
- b) non-financial criteria to allocate the variable remuneration component in the form of a quarterly discretionary bonus:
  - implementation of tasks of a non-financial nature determined by the Supervisory Board;
  - positive evaluation of the work of a Member of the Management Board in the performance of non-financial obligations;
  - ensuring safe and hygienic working conditions for the Company's employees;
  - compliance with the rules and regulations of health and safety at work at the workplace;
  - enforcement of orders, decrees, decisions and ordinances issued by the authorities supervising working conditions;

- guaranteeing equal opportunities for professional development and improvement of qualifications as well as transparent rules for remuneration and awarding bonuses in the Company;
  - enforcement of orders, decrees, decisions and resolutions issued by environmental authorities;
  - improvement of production processes taking into account environmental protection requirements.
- c) financial criteria for awarding variable remuneration component in the form of an additional bonus:
- increase in the Company's market value;
  - Company's net profit much higher than planned;
  - positive assessment of the work of a Member of the Management Board in the performance of financial obligations;
  - implementation of specific tasks of a financial nature determined by the Supervisory Board;
  - positive assessment of the work of a Member of the Management Board in the performance of financial obligations;
  - granting a variable remuneration component does not affect the stability of the Company or threaten the continuity or stability of the Company's operations;
  - granting a variable remuneration component is justified by the Company's results.
- d) non-financial criteria for awarding variable remuneration components in the form of an additional bonus:
- performance of specific non-financial tasks defined by the Company's Supervisory Board
  - positive evaluation of the work of a Member of the Management Board in the performance of non-financial obligations;
  - ensuring safe and hygienic working conditions for the Company's employees;
  - compliance with the rules and regulations of health and safety at work at the workplace;
  - enforcement of orders, decrees, decisions and ordinances issued by the authorities supervising working conditions;
  - guaranteeing equal opportunities for professional development and improvement of qualifications as well as transparent rules for remuneration and awarding bonuses in the Company;
  - enforcement of orders, decrees, decisions and resolutions issued by environmental authorities;

- improvement of production processes taking into account environmental protection requirements.

#### 6. Manner in which the criteria for awarding variable remuneration components contribute to the Company's business strategy, long-term interests and stability

The criteria for awarding variable remuneration components contribute to the performance of tasks set for Members of the Company's Management Board, business strategy and stability of the Company through:

- a) promoting the undertaking of activities aimed at the implementation of the Company's plans and increasing its value and net profit;
- b) introduction in the Company of transparent and fair rules for remuneration and awarding bonuses as well as employment and promotion, which contributes to the possibility of maintenance of experienced and competent staff, including the management staff;
- c) improvement of production processes, which contributes to the efficiency of the Company's business activities and, at the same time, to more effective implementation of the Company's plans;
- d) undertaking business activities and introducing improvements to production processes, taking into account their impact on the surrounding environment, which contributes to the consolidation of the Company's image as a company with a view to environmental protection.

#### 7. Methods used to determine to what extent the criteria for awarding variable remuneration components have been met

- a) The amount of and the triggering of payment of the quarterly discretionary bonus shall be decided by the Supervisory Board or by the Chairman of the Supervisory Board or other Supervisory Board member authorized by the Supervisory Board, at the same time assessing the fulfilment of financial and non-financial criteria for awarding variable remuneration components;
- b) The Supervisory Board shall decide on awarding an additional bonus, its amount and the date of its payment by adopting an appropriate resolution, at the same time assessing the financial and non-financial performance of the criteria for awarding variable remuneration components.

#### 8. Possibility of deferring the payment/recovery of variable remuneration components by the Company

The Company does not provide for periods of deferral of payment and the possibility of demanding by the Company to return variable components of remuneration.

## 9. Other remuneration components

- a) Members of the Management Board receive non-monetary components of remuneration in the form of:
- insurance of members of the Company's bodies against civil liability, if the Company enters into such insurance agreement. The civil liability insurance premium paid by the Company is part of the Employee's remuneration, if the applicable regulations so provide;
  - health insurance on the terms adopted for other employees of the Company, provided that the Company concludes such insurance agreement and the Member of the Management Board submits a declaration of joining the health insurance. The health insurance is included in the remuneration of the Member of the Management Board, if the applicable regulations so provide;
  - possibility of using a company car for private purposes - on the basis of the limit specified in the employment contract and on the terms set out in the applicable Company's ordinance concerning the principles of using cars owned by the Company. The monetary value of the gratuitous benefit for the use of a company car for private purposes shall be determined in accordance with the Company's rules, including the Company's rules on the use of company cars.
- b) Members of the Management Board are entitled to a one-time severance payment in connection with retirement or disability pension in the amount indicated in the employment contract.
- c) The Company does not exclude the possibility of concluding commercial transactions with Members of the Management Board, including purchase or sale of services.

## 10. Period for which contracts with Member of the Management Board have been concluded and indication of periods and terms of termination of these contracts

- a) employment contract with a Member of the Management Board:
- contract concluded for an indefinite period;
  - contract terminated by the Supervisory Board;
  - notice period: 6 months;
  - during the notice period, a Member of the Management Board is entitled to 100% of the remuneration resulting from the employment contract;
  - the Company may terminate the employment contract concluded with a Member of the Management Board without notice (with the so-called immediate effect) in cases specified in the Labour Code;

- a Member of the Management Board may terminate the employment contract concluded with the Company without notice (with the so-called immediate effect) in cases specified by the Labour Code.
- b) non-competition agreement:
- contract concluded for the duration of the employment contract concluded between the Company and a Member of the Management Board and the period of 6 months after the termination of the employment relationship;
  - in return for refraining from competitive activity within 6 months after the termination of the employment contract, the Member of the Management Board is entitled to monthly compensation amounting to 50% of the last received monthly gross basic salary;
  - the contract may be terminated by the Company represented by the Supervisory Board upon termination of the employment relationship with seven days' prior notice.

## V. REMUNERATION OF SUPERVISORY BOARD MEMBERS

### 1. Components of remuneration

The remuneration of a Member of the Supervisory Board consists solely of fixed remuneration.

### 2. Fixed remuneration

The fixed component of the remuneration of a Member of the Company's Supervisory Board is a fixed amount awarded in the form of a monthly lump sum, specified in a resolution of the General Meeting.

### 3. Variable remuneration components, including bonuses and awards

Members of the Supervisory Board are not granted variable remuneration components. Members of the Supervisory Board are not granted bonuses or awards.

### 4. Other remuneration components

Members of the Supervisory Board do not receive non-monetary components of remuneration.

The Company does not exclude the possibility of concluding commercial transactions with Members of the Supervisory Board, including purchase or sale of services.

### 5. Duration of legal relationship resulting from resolutions of General Meeting, period and conditions of its dissolution

- a) Remuneration of the Members of the Supervisory Board based on the resolutions of the General Meeting may be granted only during the term of office of a Member of the Supervisory Board;
- b) The Supervisory Board member's term of office is 5 years;

- c) Both the entire Supervisory Board and its individual members may be dismissed at any time by the General Meeting;
- d) In the event of termination of a legal relationship between a Member of the Supervisory Board and the Company the basis of which are resolutions of the General Meeting, the notice period shall not apply.

## VI. ADOPTION OF REMUNERATION POLICY

### 1. Mode of adoption of Remuneration Policy

This Remuneration Policy was adopted on [•] by Resolution No. [•] of the General Meeting of the Company and is published on the Company's website together with the results of the voting. A resolution on remuneration policy shall be adopted not less frequently than every four years.

### 2. Decision-making process

The decision to develop and implement this Remuneration Policy was made by the Company's Management Board. After the preparation of the Remuneration Policy, it was presented to the Supervisory Board for its opinion, and then submitted to the General Meeting.

### 3. Conflict of interest management

In order to avoid conflicts of interest related to the Remuneration Policy, the Company adopted the following regulations:

- a) the amount of fixed remuneration of a Member of the Management Board shall be determined by the Supervisory Board by way of a resolution;
- b) the decision on awarding and the amount of variable remuneration components of the Management Board Member shall be taken by:
  - the Supervisory Board or chairman of the Supervisory Board authorized by the Supervisory Board or other Member of the Supervisory Board authorized by the Supervisory Board - for the quarterly discretionary bonus;
  - The Supervisory Board by way of a resolution - for the additional bonus;
- c) in accordance with the Regulations of the Supervisory Board, Members of the Supervisory Board should first bear in mind the interests of the Company. A Member of the Supervisory Board should inform the other Members of the Supervisory Board about an existing conflict of interest and should refrain from taking part in the discussion and voting on the adoption of a resolution on the matter in which the conflict of interest has arisen;
- d) in accordance with the Regulations of the Management Board, Members of the Management Board should inform the Supervisory Board about any conflict of interest in connection with the function performed or about the possibility of its occurrence;

- e) Article 377 CCC applies to Members of the Management Board, pursuant to which in the event of a conflict of the Company's interests with those of a Member of the Management Board, his/her spouse, relatives and relations by affinity up to the second degree and persons with whom he or she is personally related, a Member of the Management Board should disclose the conflict of interests and abstain from participating in the resolution of such matters and may request that this be recorded in the minutes;
- f) The Company applies the rules concerning conflicts of interest resulting from the Best Practices.

#### **VII. MANNER IN WHICH WORKING AND PAY CONDITIONS OF COMPANY EMPLOYEES OTHER THAN MEMBERS OF MANAGEMENT BOARD AND SUPERVISORY BOARD HAVE BEEN TAKEN INTO ACCOUNT WHEN ESTABLISHING REMUNERATION POLICY.**

The working and pay conditions of the Company's employees other than the members of the Management Board and the Supervisory Board were considered in the process of establishing this Remuneration Policy.

When determining the remuneration of the Management Board and Supervisory Board Members, account was taken in particular of the remuneration of the senior management staff employed by the Company and the increase in all remuneration in the Company, as well as the scope of duties, competence and experience of individual employees.

#### **VIII. IMPLEMENTATION OF BUSINESS STRATEGY, LONG-TERM INTERESTS AND STABILITY OF COMPANY VERSUS REMUNERATION POLICY**

- 1. The overarching objectives of the Remuneration Policy are:
  - creation of a coherent system of remunerating Members of the Management Board and Members of the Supervisory Board;
  - linking the principles of remunerating Members of the Management Board and Members of the Supervisory Board with monitoring the implementation of the adopted strategic plans and the implementation of financial plans;
  - performance of the Management Board and Supervisory Board duties by stable and experienced staff;
  - implementation of the strategy and development directions of the Company through the implementation of an effective method of remuneration.
- 2. The Remuneration Policy enables the functioning of a stable, competent and experienced composition of the Management Board and Supervisory Board, which is conducive to the

implementation of the adopted business strategy and the long-term interests of the Company.

#### IX. ADDITIONAL PENSION AND RETIREMENT SCHEMES

1. The Company operates EPS's. The right to join an EPS is vested in the Members of the Management Board who have been employed by the Company for at least 12 months and are not older than 70 years.
2. Members of the Supervisory Board are not covered by additional pension and retirement schemes.
3. Main features of EPS:
  - no obligation for the Company's employee to join the EPS;
  - possibility for the Company's employee to opt out of participation in EPS at any time;
  - contribution to EPS is made by the Company (employer) and by the Company's employee;
  - funds accumulated in EPS are the property of the Company's employee and are inherited.

#### X. WITHDRAWAL FROM THE APPLICATION OF REMUNERATION POLICY

1. If it is necessary to pursue the Company's long-term interests and financial stability or to guarantee its profitability, the Company's Supervisory Board may decide to temporarily waive the application of the Remuneration Policy in the case of:
  - waiver of individual components of remuneration by a Member of the Management Board or Member of the Supervisory Board;
  - significant change in the Company's financial situation or performance;
  - significant legal changes concerning remuneration granted to the Members of the Management Board and Members of the Supervisory Board.
2. The Supervisory Board may decide to temporarily waive the following elements of the Remuneration Policy:
  - granting fixed and variable components of remuneration and other benefits;
  - concluding by the Company of employment contracts with Members of the Management Board;
  - individual provisions of employment contracts and non-competition agreements, including the terms and conditions of remuneration payable during the notice period and the terms and conditions of compensation payable in return for refraining from competitive activity.

3. The Supervisory Board adopts a resolution on temporary withdrawal from the application of the Remuneration Policy by the required majority of votes, at the motion of a Member of the Management Board or Member of the Supervisory Board.

#### XI. SUPERVISION OVER IMPLEMENTATION OF REMUNERATION POLICY

1. The Company's Supervisory Board prepares an annual remuneration report in accordance with the requirements of the Act.
2. The first remuneration report will be made in 2021.
3. The first remuneration report will be made for 2020.
4. The General Meeting of the Company adopts a resolution giving its opinion on the remuneration report.
5. Members of the Company's Supervisory Board are liable for the information contained in the remuneration report.
6. The remuneration report is subject to expert auditor's assessment as regards the inclusion of the information required under the Act.