

General Meeting of Grupa LOTOS S.A.

**Concerning: *Adoption of the Remuneration Policy for Members of the Management Board and Supervisory Board of Grupa LOTOS S.A.***

Acting pursuant to Art. 90d.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. of 2019, item 623), we submit, attached hereto, a proposal of the Remuneration Policy for Members of the Management Board and Supervisory Board of Grupa LOTOS S.A., and we request that it be adopted by way of a resolution.

### **RATIONALE**

The Act Amending the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, Public Companies and Certain Other Acts of October 16th 2019 (Dz.U. of 2019, item 2217) introduced Section 4a 'Remuneration policy and remuneration report' to the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. of 2019, item 623) (the "Act").

Pursuant to Art. 90d of the Act, a remuneration policy should specify the rules for remunerating members of the management and supervisory boards and should contribute to the achievement of the company's business strategy, its long-term interests and stability.

Pursuant to Art. 90d.1 of the Act, the body competent to adopt the remuneration policy is the general meeting.

A remuneration policy should include in particular:

- a) description of the fixed and variable components of remuneration, as well as bonuses and other monetary and non-monetary benefits that may be awarded to management and supervisory board members;
- b) relative proportions of the remuneration components referred to in item (a) above;
- c) explanation of how the terms of employment and remuneration of employees other than management and supervisory board members have been taken into account in developing the remuneration policy;
- d) term of the employment, short-term, piece-work or other contracts concluded with management and supervisory board members, notice periods and termination provisions under such contracts and, where no contract has been concluded with a management or supervisory board member, the type and period of the legal relationship established between the management or supervisory board member and the company, along with the notice period and terms and conditions for termination of that legal relationship;
- e) description of the main features of supplementary pension schemes and early retirement schemes;

- f) description of the decision-making process carried out to establish, implement and review the remuneration policy;
- g) description of the measures taken to avoid or manage conflicts of interest relating to the remuneration policy;
- h) explanation of how the remuneration policy contributes to the achievement of the company's business strategy, long-term interests and stability.

Where a company awards variable remuneration to management or supervisory board members, the remuneration policy should also include:

- a) clear, comprehensive and varied financial and non-financial performance criteria for awarding variable remuneration, including the criteria related to taking into account public interest, contributing to environmental protection and taking measures designed to prevent and eliminate adverse social impacts of the company's operations;
- b) explanation of how the criteria set out in item (a) above contribute to the achievement of certain objectives, such as the company's business strategy, long-term interests and stability;
- c) methods used to measure the extent to which the criteria set out in item (a) above are met;
- d) payment deferral periods and option to demand refund of variable remuneration by the company.

In order to ensure transparency and accountability of members of the management and supervisory boards, Art. 90g of the Act requires the supervisory board to prepare annual remuneration reports. Therefore, the submitted document also contains provisions governing the preparation of remuneration reports. The first remuneration report is to cover the years 2019 and 2020. A remuneration report should contain a detailed description of all remuneration components awarded to management and supervisory board members, separately for each member.

The submitted document addresses the above statutory requirements. At the same time, it should be noted that the adoption of the Remuneration Policy will not cause any changes in the existing model of remunerating members of the Management Board and Supervisory Board, set up by the Company pursuant to the Act on Rules of Remunerating Persons Who Manage Certain Companies of June 9th 2016 (Dz.U. of 2019, item 1885) (the "Remuneration Act").

The submitted document was prepared as a general and framework regulation which, on the one hand, serves to perform an obligation arising under the Act and, on the other hand, does not cause a conflict with the rules of remunerating members of the Management Board and Supervisory Board as set out in the remuneration policy in force at Grupa LOTOS S.A. adopted in compliance with the Remuneration Act.

The Company's Management Board is responsible for the information contained in the Remuneration Policy, while the members of the Company's Supervisory Board are responsible for the information contained in the remuneration report (Art. 90d.1 of the Act and Art. 90g.1 of the Act).

We advise that the Supervisory Board of Grupa LOTOS S.A., by Resolution No. ... of June 1st 2020, issued a favourable opinion on the Management Board's request to adopt the Remuneration

Policy for Members of the Management Board and Supervisory Board of Grupa LOTOS S.A., expressed in Resolution No. ....X/2020 of May 27th 2020.

Therefore, in view of the above provisions, we submit the request set out at the beginning of this letter.

Zofia Paryła	Marian Krzemiński	Jarosław Kawula	Jarosław Wittstock	Paweł Majewski
Vice President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	President of the Management Board

**Appendices:**

- 1) *Resolution No. [...] of the Management Board of Grupa LOTOS S.A. of May 27th 2020, together with a proposal of the Remuneration Policy for Members of the Management Board and Supervisory Board of Grupa LOTOS S.A.,*
- 2) *Resolution No. [...] of the Supervisory Board of Grupa LOTOS S.A. of June 1st 2020;*
- 3) *a draft resolution of the General Meeting*