

LPP

Report of the Supervisory Board of LPP SA on Remunerations of Members of the Management and Supervisory Boards in 2021

LPP

This report on remunerations of Members of the Management and Supervisory Boards of LPP spółka akcyjna with its registered office in ("Company") in 2021 ("Report") has been drawn up under Article 90g(1) of the Act of 29 July 2005 on the public offering and conditions for introduction of financial instruments to organised trading and on public companies (consolidated text: Journal of Laws of 2021, no 1983, as amended) in connection with Article 36(2) of the Act of 16 October 2019 on the public offering and conditions for introduction of financial instruments to organised trading, on public companies and on certain other statutory acts (Journal of Laws of 2019, item 2217, as amended) and comprises a comprehensive review of remunerations, including all benefits, paid or due to individual members of governing bodies in 2021, according to the Remuneration Policy for Governing and Supervisory Bodies, adopted by Resolution no 18 of 18 September 2020 of the Annual General Meeting ("Remuneration Policy").



Report of the Supervisory Board of LPP SA on Remunerations of Members of the Management and Supervisory Boards in 2021 ("Report").

All data are given in PLN unless stated otherwise.

1. Introduction

Under Article 90g of the Public Offering Act¹, the Supervisory Board of LPP SA prepares an annual report on remuneration, incorporating a comprehensive overview of remunerations, including all benefits, regardless of their form, received by, or due to, individual Members of the Management and Supervisory Boards during the last financial year, in line with the Remuneration Policy.

This report has been drawn up for 2021.

This report has been approved under Resolution of 19 April 2022 of the Supervisory Board and shall be assessed by a statutory auditor as required under Article 90g(10) of the Public Offering Act.

Unless otherwise stated in this Report, definitions shall be understood as provided for in the Remuneration Policy.

2. Remunerations of Members of the Management and Supervisory Boards

2.1. Total remuneration divided into components and the description of mutual proportions of remuneration elements

Information on the amount of total remuneration divided into components, referred to in Article 90d(3)(1) of the Public Offering Act (i.e. the description of fixed and variable remuneration components as well as bonuses and other cash and non-cash benefits which may be granted to members of the Management and Supervisory Boards), and mutual proportions between these remuneration components are given below.

Marek Piechocki – President of the Management Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 1,680.98 thousand [the amount paid out], other non-payroll benefits PLN 6.44 thousand, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Przemysław Lutkiewicz – Vice-President of the Management Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 1,020.53 thousand [the amount paid out], other non-payroll benefits PLN 6.20 thousand, no variable remuneration; consequently, the fixed remuneration constitutes

¹ Act of 29 July 2005 on the public offering and conditions for introducing financial instruments to organised trading and on public companies [Journal of Laws of 2021, item 1983].

LPP

100% of the salary.

Jacek Kujawa - Vice-President of the Management Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 1,021.12 thousand [the amount paid out], other non-payroll benefits PLN 6.44 thousand, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Sławomir Łoboda - Vice-President of the Management Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 1,020.91 thousand [the amount paid out], other non-payroll benefits PLN 6.44 thousand, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Marcin Piechocki - Vice-President of the Management Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 637.17 thousand [the amount paid out], other non-payroll benefits PLN 6.67 thousand, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

According to the Remuneration Policy, Members of the Management Board received in 2021 non-cash benefits (other non-payroll benefits) comprising the right to use a company car also for private purposes and access to private healthcare.

Miłosz Wiśniewski – Chairman of the Supervisory Board – data for the financial year 1.02.2021 – 31.02.2022, fixed remuneration: PLN 38.27 thousand [the amount paid out], other non-cash benefits 0, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Wojciech Olejniczak – Vice-Chairman of the Supervisory Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 33,91 thousand [the amount paid out], other non-cash benefits 0, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Piotr Piechocki – Member of the Supervisory Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 30,68 thousand [the amount paid out], other non-cash benefits 0, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Magdalena Sekuła - Member of the Supervisory Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 30,68 thousand [the amount paid out], other non-cash benefits 0, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Grzegorz Maria Słupski - Member of the Supervisory Board – data for the financial year 1.02.2021 – 31.01.2022, fixed remuneration: PLN 12,78 thousand [the amount paid out], other non-cash benefits 0, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

Antoni Tymiński – Member of the Supervisory Board - data for the financial year 1.02.2021 – 31.01.2022,



fixed remuneration: PLN 25,56 thousand [the amount paid out], other non-cash benefits 0, no variable remuneration; consequently, the fixed remuneration constitutes 100% of the salary.

In 2021, Members of the Supervisory Board received no non-cash benefits.

2.2. Compliance of remunerations with the Remuneration Policy and correlation between remuneration and the Company's long-term results attained

Below we provide an explanation of how total remuneration is consistent with the adopted Remuneration Policy, including how it contributes to the Company's long-term performance.

In 2021, remunerations were paid to Members of the Management and Supervisory Boards in accordance with the Remuneration Policy adopted by the General Meeting to set out the applicable principles and policies regarding the remuneration of Members of the Management and Supervisory Boards of LPP SA. Due to the above, as provided for in the Policy, Members of the Management and Supervisory Boards, received the fixed part of the remuneration described in section 2.1 above. As regards Members of the Management Board, the conditions for determining a remuneration, including the rules for obtaining and awarding the variable part of the remuneration due for 2021, were set by the Supervisory Board in line with the Remuneration Policy, with due consideration of the criteria referred to in section 2.3 below.

The solutions adopted in the Remuneration Policy contribute to the implementation of the business strategy, the long-term interests and stability of the Company, including the achievement of the assumed economic results, the real long-term financial situation of the Company and the long-term increase in shareholder value, as well as the stability of the Company's operations, *inter alia*, by linking, under the rules set forth in the Incentive Scheme, the variable part of the remuneration of Members of the Management Board (in the form of shares) with the results achieved.

Detailed criteria are described in section 2.3 below.

2.3. Application of performance criteria

Below please find information on how performance criteria have been applied.

Members of the Management Board are entitled to a fixed basic remuneration (including payments and benefits due to persons eligible under the Remuneration Policy for their function and work performed as well as for their responsibility incurred), which does not depend on criteria related to performance or assessment of the person's performance. Variable benefits, in the form of granting an entitlement to

acquire the Company's shares, are based on the Incentive Scheme. Members of the Management Board may also be granted a variable remuneration in the form of an annual bonus (award), the amount of which depends on a person's performance. Such bonus may be in cash or in kind. The decision to grant an annual bonus, including determination of the terms and conditions of payment, falls within the scope of competence of the Supervisory Board. The proportions of the fixed and variable part of the remuneration of Members of the Management Board may be variable due to the fact that the variable part is linked to the results achieved. In 2021, no annual bonuses were awarded or paid. As at the date of this Report, no rights to acquire shares were granted under the Incentive Schemes, as described below in this Report.

2.4. Change in remuneration and the Company's results on an annual basis

The table below gives information, on an annual and joint basis, on the change in the remuneration of members of governing bodies, the Company's results and an average remuneration of employees of LPP SA, other than members of the Management and Supervisory Boards. Data provided is given for 2021 in a comparative mode.

Management Board:

Marek Piechocki – President of the Management Board, change y/y, 2021 vs 2020: +34.47%.

Przemysław Lutkiewicz – Vice-President of the Management Board, change y/y, 2021 vs 2020: +34.15%.

Jacek Kujawa - Vice-President of the Management Board, change y/y, 2021 vs 2020: +34.15%.

Sławomir Łoboda - Vice-President of the Management Board, change y/y, 2021 vs 2020: +34.15%.

Data concerning changes in the value of remuneration of Marcin Piechocki, Vice-President of the Management Board, have not been given due to fact that Mr Marcin Piechocki was appointed to the Management Board in 2021.

Supervisory Board:

Miłosz Wiśniewski – Chairman of the Supervisory Board, change y/y, 2021 vs 2020: +275%.

Wojciech Olejniczak – Vice-Chairman of the Supervisory Board, change y/y, 2021 vs 2020: +200%.

Piotr Piechocki – Member of the Supervisory Board, change y/y, 2021 vs 2020: +200%.

Magdalena Sekuła - Member of the Supervisory Board, change y/y, 2021 vs 2020: +200%.

Antoni Tymiński - Member of the Supervisory Board, change y/y, 2021 vs 2020: +150%.

Data on changes in the value of the remuneration of Grzegorz Maria Słupski have not been recognised due to the fact that Mr Słupski was appointed to the Supervisory Board in 2021.

Results*				
The Group's revenue	1.02.2020	-	1.02.2021	-
	31.01.2021		31.01.2022	
	7,848,079		14,029,674	
	+ 78.77 %			
The Group's net financial result	01.02.2020	-	01.02.2021	-
	31.01.2021		31.01.2022	
	-190,130		953,522	
	+601,51%			
EBITDA	01.02.2020	-	01.02.2021	-
	31.01.2021		31.01.2022	
	1,296,717		3,146,526	
	+142,65%			
Employee's average remuneration	01.02.2020	-	01.02.2021	-
	31.01.2021		31.01.2022	
	6.6		6.843	
	+ 3.68%			

* The detailed description of criteria adopted as part of "results" is given in section 2.3 above.

2.5. Value of the remuneration paid by entities belonging to the LPP Group

In 2021, Members of the Management and Supervisory Boards received neither remuneration nor any other benefits from companies belonging to the LPP SA Group.

According to the Remuneration Policy, it is permissible for Members of the Company's governing bodies to be employed by companies belonging to the LPP Group under employment contracts or other contacts under civil law for a specified or unspecified period of time and to be appointed to the governing bodies of the Group companies, and to be paid a relevant remuneration.

2.6. Financial instruments awarded or offered

According to the adopted Remuneration Policy, Members of the Management Board may receive financial instruments under the Incentive Scheme.

LPP

Due to the COVID-19 pandemic and the consequent long-term closure of on-site stores constituting so far the Company's major source of revenue, no Incentive Scheme for the financial year 1.02.2020 r. – 31.01.2021 was adopted.

As at the date of drawing up this Report, no rights to acquire shares were awarded under the Incentive Programme for the financial year 1.02.2021–31.01.2022.

2.7. Reimbursement of variable elements of the remuneration

In the period covered by this Report, the Company did not exercise the possibility of reimbursement of variable elements of the remuneration.

2.8. Derogations from the procedure for implementing and applying the Remuneration Policy

In the course of implementing the Remuneration Policy and in the period covered by this Report, the Company has applied neither derogations from the procedure for implementing the remuneration policy nor derogations applied under Article 90 f of the Public Offering Act, respectively.

2.9. Benefits for the closest relatives of members of LPP's governing bodies

According to the Policy adopted, remunerations of Members of the Management and Supervisory Boards comprise no cash or non-cash benefits awarded to the closest relatives of persons referred to in Article 90g(5) of the Public Offering Act.

3. Shareholders' advisory resolution

Under Article 90g(6) of the Public Offering Act, the annual meeting adopts a resolution giving opinion on the remuneration report. The said resolution is advisory in nature. Considering the fact that the Report is drawn up by the Supervisory Board in 2022, before adoption the above-mentioned resolution by the general meeting, the Report includes no clarification on the manner of recognition of the advisory resolution of the general meeting, referred to in Article 90g(6) of the Public Offering Act.

Supervisory Board of LPP SA