

LPP

Report
of the Supervisory Board of LPP SA
on Remunerations of Members of
the Management and Supervisory
Boards
for the years 2019 - 2020

This report on remunerations of members of the Management and Supervisory Boards of LPP SA with its registered office in Gdańsk ("Company") for the years 2019-2020 ("Report") has been drawn up under Article 90g paragraph 1 of the Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies (consolidated text: Journal of Laws of 2020, item 2080, as amended) in connection with Article 36 paragraph 2 of the Act of 16 October 2019 on the Amendment of the Act on Public Offering and the Terms and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies and Specific Other Acts (Journal of Laws of 2019, item 2217, as amended). The Report presents an overall review of remunerations, including, first of all, benefits received by individual members of the Company's governing bodies or payable to them in the years 2019-2020 in line with the Remuneration Policy for Members of Management and Supervisory Boards, adopted by resolution of the General Meeting of Shareholders no 18 of 18 September 2020 ("Remuneration Policy").

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Report of the Supervisory Board of LPP SA on remunerations of Members of the Management and Supervisory Board for the years 2019-2020

Unless provided otherwise, all figures are given in PLN k.

1. Overview

According to Article 90g of the Public Offering Act¹, the Supervisory Board of LPP SA draws up annually a report on remunerations, presenting their comprehensive review, including all benefits in any form, received by individual Members of the Management and Supervisory Boards or payable to them in the last financial years in line with the Remuneration Policy.

The Report was drawn up for the years 2019 and 2020² jointly. Information on previous financial years the Management Board of LPP S.A. had not been required to report on was omitted according to Article 90g paragraph 3 of the Public Offering Act.

This report was approved by resolution of the Management Board, dated 25 May 2021, and will be assessed by a statutory auditor as required under Article 90g paragraph 10 of the Public Offering Act.

Unless this report provides otherwise, definitions shall have the meaning as set forth in the Remuneration Policy.

2. Remunerations of Members of the Management and Supervisory Boards

2.1. Value of the total remuneration broken down into components and description of their mutual proportions

The table and supplementary information given below provide information on the value of the total remuneration broken down into components referred to in Article 90d paragraph 3

¹ Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies [Journal of Laws of 2020, item 2080].

² Article 36 paragraph 2 of the Act of 16 October 2019 on the Amendment of the Act on Public Offering and the Terms and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies and Specific Other Acts [Journal of laws of 2019, item 2217].

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subparagraph 1 of the Public Offering Act (i.e. fixed and variable components of the remuneration as well as bonuses and other cash and non-cash benefits which may be awarded to Members of the Management and Supervisory Boards) and their mutual proportions.

Marek Piechocki, President of the Management Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration - PLN 1,262k [amount paid out], other non-cash benefits – PLN 4.8k, total value – PLN 1,267k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Marek Piechocki, President of the Management Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration: PLN 1,832k [amount paid out], other non-cash benefits – PLN 5.2k, total value - PLN 1,837k [amount paid out], no fixed remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Przemysław Lutkiewicz, Vice-President of the Management Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration- PLN 767k [amount paid out], other non-cash benefits – PLN 4.8k, total value – PLN 772k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Przemysław Lutkiewicz, Vice-President of the Management Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 1,107k [amount paid out], other non-cash benefits – PLN 5.2k, total value – PLN 1,112k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Jacek Kujawa, Vice-President of the Management Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration - PLN 767k [amount paid out], other non-cash benefits – PLN 4.8k, total value – PLN 772k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Jacek Kujawa, Vice-President of the Management Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 1,107k [amount paid out], other non-cash benefits – PLN 5.2k, total value – PLN 1,112k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Sławomir Łoboda, Vice-President of the Management Board – data for the financial year 01.01.2020 – 31.01.202: fixed remuneration – PLN 767k [amount paid out], other non-cash benefits – PLN 4.8k, total value – PLN 772k [amount paid out], no variable remuneration,

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therefore, the fixed remuneration constitutes 100% of the salary.

Sławomir Łoboda, Vice-President of the Management Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 1,107k [amount paid out], other non-cash benefits – PLN 5.2k, total value – PLN 1,112k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

According to the Remuneration Policy, in the years 2019 – 2020, Members of Management Board received a non-cash benefit i.e. the right to use a company car for private purposes.

Jerzy Lubianiec, President of the Supervisory Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration – PLN 30k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 30k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Jerzy Lubianiec, President of the Supervisory Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 96k [amount paid out], other non-cash benefits – PLN 0, total value - PLN 96k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Wojciech Olejniczak, Vice-President of the Supervisory Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration – PLN 10k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 10k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Wojciech Olejniczak, Vice-President of the Supervisory Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 21k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 21k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Piotr Piechocki, Member of the Supervisory Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration – PLN 10k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 10k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Piotr Piechocki, Member of the Supervisory Board – data for the financial year 01.01.2019 –

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31.01.2020: fixed remuneration – PLN 21k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 21k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Magdalena Sekuła, Member of the Supervisory Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration – PLN 11k [amount paid out], other non-cash benefits - PLN 0, total value – PLN 11k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Magdalena Sekuła, Member of the Supervisory Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 21k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 21k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Antoni Tymiński, Member of the Supervisory Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration – PLN 10k [amount paid out], other non-cash benefits – PLN 0, total value -PLN 10k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Antoni Tymiński, Member of the Supervisory Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 21k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 21k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Miłosz Wiśniewski, Member of the Supervisory Board – data for the financial year 01.01.2020 – 31.01.2021: fixed remuneration – PLN 10k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 10k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

Miłosz Wiśniewski, Member of the Supervisory Board – data for the financial year 01.01.2019 – 31.01.2020: fixed remuneration – PLN 21k [amount paid out], other non-cash benefits – PLN 0, total value – PLN 21k [amount paid out], no variable remuneration, therefore, the fixed remuneration constitutes 100% of the salary.

In 2019 and 2020, Members of the Supervisory Board received no non-cash benefits.

2.2. Compliance with the Remuneration Policy and Correlation between the Value of Remunerations and Attainment of the Company's Long-Term Results

Below, this Report clarifies how a total remuneration is compliant with the Remuneration Policy, including how it contributes to the attainment of the Company's long-term results.

In 2020, as of the date of adoption of the said document, the Company paid remunerations to Members of the Management and Supervisory Boards exclusively in line with the Remuneration Policy adopted by the General Meeting of Shareholders with a view to determining the principles and policies regarding remunerations of Members of the Management and Supervisory Boards of LPP SA. Consequently, Members of the Management and Supervisory Boards received, under the Remuneration Policy, a fixed part of the remuneration, set forth in point 2.1 above. For Members of the Management Board, remuneration terms and conditions, including rules for receiving and awarding a variable part of the remuneration payable for 2020, were determined by the Supervisory Board in accordance with the Remuneration Policy, with due consideration of criteria referred to in point 2.3 below.

The solutions adopted in the Remuneration Policy contribute to the execution of a business strategy and to long-term interests and stability of the Company, including the attainment of expected economic results, the Company's actual financial position, a long-term growth of its value for stockholders and stability of its operations by, among others, establishing a relation, following the rules set forth in the Incentive Plan, between the variable part of remunerations of Members of the Management Board, in the form of shares, with results attained.

The detailed criteria are described in point 2.3 below.

2.3. Application of Result Criteria

Below, the Report incorporates information on how result criteria are applied.

Members of the Management Board are paid a basic fixed remuneration (comprising payments and bonuses owed to persons eligible under the Remuneration Policy for their function and work performed as well as the liability level) which is not subject to the result criteria or evaluation of a given person's work performance. Variable benefits in the form of the awarded

right to acquire the Company's shares are based on the Incentive Programme. Members of the Management Board may also be awarded a variable remuneration in the form of an annual bonus the value of which depends on the results gained. Such bonus may have either cash or material form. The decision on awarding the annual bonus, including determination of the terms and conditions for its disbursement, falls within the scope of competence of the Management Board. Proportions of the fixed and variable parts of remunerations of Members of the Management Board may change due to the fact that the value of the variable part is correlated with the results attained. In the years 2019 and 2020, no annual bonuses were awarded or paid. However, eligible persons were granted rights to subscribe to shares under the Incentive Programmes as referred to hereinbelow.

2.4. Changes in Remunerations and the Company's Results y/y

Below, the Report provides information on changes y/y and overall changes in remunerations of Members of the Company's governing bodies, its results and the average remuneration of LPP employees other than Members of the Management and Supervisory Boards. Data is given for 2019 and 2020 in a comparative form. Under Article 90g paragraph 3 of the Public Offering Act, this Report does not provide information or data for previous reporting periods.

Management Board:

Marek Piechocki, President of the Management Board, change y/y, 2020 vs 2019: -30.45%.

Przemysław Lutkiewicz Vice-President Board, change y/y, 2020 vs 2019: -30.28%.

Jacek Kujawa Vice-President Board, change y/y, 2020 vs 2019: -30.24%.

Sławomir Łoboda Vice-President Board, change y/y, 2020 vs 2019: -30.24%.

Supervisory Board:

Jerzy Lubianiec, President of the Supervisory Board, change y/y, 2020 vs 2019: -69,17%.

Wojciech Olejniczak, President of the Supervisory Board, change y/y, 2020 vs 2019: -50%.

Piotr Piechocki, Member of the Supervisory Board, change y/y, 2020 vs 2019: -50%.

Magdalena Sekuła, Member of the Supervisory Board, change y/y, 2020 vs 2019: -50%.

Antoni Tymiński, Member of the Supervisory Board, change y/y, 2020 vs 2019: -50%.



Miłosz Wiśniewski, Member of the Supervisory Board, change y/y, 2020 vs 2019: -50%.

Results of the LPP Group:

Group's revenue for 01.02.2020-31.01.2021: PLN 7,848,079k

Group's revenue for 01.01.2019-31.01.2020: PLN 9,899,243k

Change in revenue y/y: -20,7%

Net profit of the LPP Group for 01.02.2020-31.01.2021: PLN -190,130k

Net profit of the LPP Group for 01.01.2019-31.01.2020: PLN 421,039k

Change in profit y/y: -145,2%

Group's EBITDA for 01.02.2020-31.01.2021: PLN 1,226,069k

Group's EBITDA for 01.01.2019-31.01.2020: PLN 1,899,456k

Change in EBITDA y/y: -35,5%

Average remuneration of the Group's employees for 01.02.2020-31.01.2021: PLN 6.6k

Average remuneration of the Group's employees for 01.01.2019-31.01.2020: PLN 6.8k

Change in average remuneration y/y: -4,6%

Due to the outbreak of the COVID-19 pandemic at the beginning of 2020, public administration authorities in Poland and almost all other countries where the LPP SA Group operates introduced restrictions in conducting economic activity, including temporary trading bans in on-site stores located in larger shopping centres. In consequence of repeated lock-downs, the Management and Supervisory Boards of LPP SA undertook numerous actions aimed at limiting operating costs. One of them was the reduction, from 1 April 2020 to 1 July 2020, of remunerations of Members of the Management Board to the minimum wages. In the same period, Members of the Supervisory Board (and its Audit Committee) also decided not to collect their remunerations.

2.5. Value of Remunerations Paid by Entities belonging to the LPP SA Group

In 2019 and 2020, Members of the Management and Supervisory Boards received no remunerations or other benefits from the LPP SA Group companies.

Under the Remuneration Policy, Members of the Company's governing bodies are permitted to be employed in companies belonging to the LPP Group under employment contracts or other civil law agreements for a specified or unspecified period of time, be appointed to the governing bodies of such companies and be remunerated for the above.

2.6. Financial Instruments Awarded or Offered

According to the Remuneration Policy adopted, Members of the Management Board may be awarded financial instruments as part of the Incentive Programme.

In the financial year 1.01.2019 – 31.01.2020, the Company awarded its treasury shares to Members of the Management Board as part of the Incentive Programme for the financial year 1.01.2018 – 31.12.2018. Treasury shares were awarded under the resolution of the Management Board, dated 10 April 2019, as follows:

- (i) Marek Piechocki - 303 shares, price 303 x PLN 2, performance date: 10.04.2019;
- (ii) Jacek Kujawa – 184 shares, price 184 x PLN 2, performance date: 10.04.2019;
- (iii) Przemysław Lutkiewicz – 184 shares, price 184 x PLN 2, performance date: 10.04.2019
- (iv) Sławomir Łoboda – 184 shares, price 184 x PLN 2, performance date: 10.04.2019.

W financial year 1.02.2020 – 31.01.2021, the Company awarded its treasury shares to Members of the Management Board as part of the Incentive Programme for the financial year 1.01.2019-31.01.2020. Treasury shares were awarded under the resolution of the Management Board, dated 18 August 2020, as follows:

- (i) Marek Piechocki - 322 shares, price 322 x PLN 2, performance date: 18.08.2020;
- (ii) Jacek Kujawa – 195 shares, price 195 x PLN 2, performance date: 18.08.2020;
- (iii) Przemysław Lutkiewicz – 195 shares, price 195 x PLN 2, performance date: 18.08.2020;
- (iv) Sławomir Łoboda – 195 shares, price 195 x PLN 2, performance date: 18.08.2020.

In both cases, the Incentive Programme was based on treasury shares i.e. shares held by the Company itself.

Due to the COVID-19 pandemic and consequent long-term closure of on-site stores being thus far the Company's main source of revenue, no incentive programme was adopted for the financial year 1.02.2020 – 31.01.2021.

2.7. Disbursement of Variable Remuneration Components

In the reported period, the Company did not exercise the option of disbursing variable remuneration components.

2.8. Deviations from the Procedure for Implementation and Application of the Remuneration Policy

In the course of implementation of the Remuneration Policy and in the reported period, the Company neither deviated from the procedure for implementing the Remuneration Policy nor applied deviations under Article 90f of the Public Offering Act.

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 their closest relatives as referred to in Article 90g paragraph 5 of the Public Offering Act.

3. Shareholders' Advisory Resolution

According to Article 90g paragraph 6 of the Public Offering Act, the general meeting of shareholders adopts a resolution encompassing an opinion on the remuneration report. This resolution is advisory in nature. Considering the fact that this Report was drawn up by the Supervisory Board in 2021 for the first time before the adoption of the resolution in question by the General Meeting, it provides no clarification as to how it has given recognition to the

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advisory resolution of the General Meeting of Shareholders, referred to in Article 90g paragraph 6 of the Public Offering Act.

Management Board LPP SA