



PKPCARGO

**Report on compensation
of Members of the PKP CARGO S.A.
Management Board and Supervisory Board
in 2021**

Company: PKP CARGO S.A.
Address: ul. Grójecka 17, 02-021 Warsaw
Court of registration: District Court for the capital city of Warsaw in Warsaw,
12th Commercial Division of the National Court Register
KRS number: 0000027702
NIP: 9452381960
REGON: 277586360

Warsaw, 23 May 2022

I. Introduction

This Report on compensation disbursed to the PKP CARGO S.A. Management Board and Supervisory Board Members in 2021 (hereinafter: "**Report**") has been prepared by the Supervisory Board in compliance with the obligations arising from Article 90g of the Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies (consolidated text: Journal of Laws of 2021, item 1983, of 2 November 2021, as amended) (hereinafter: "**Act on Offerings**") in conjunction with Resolution No. 23/2020 of the Ordinary Shareholder Meeting of PKP CARGO SA of 29 June 2020 on the adoption of the *Compensation policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board* (hereinafter: "**Policy**").

In respect of Members of the Management Board and Supervisory Board, the Policy, as a rule, has not significantly changed the regulations governing compensation payable to this group prior to the adoption of the Policy. As regards the variable components of compensation of Management Board Members, also before the implementation of the Policy the Supervisory Board granted a bonus for the respective financial year on the basis of adopted management objectives.

This second Report is prepared for 2021.

II. Report on compensation

1. Total compensation broken down by component, as defined in Article 90d(3)(1) of the Act on Offerings, and the relative proportion of these compensation components

1.1. Compensation of the Management Board

Management Board Members are entitled to fixed monthly compensation ("**Base Compensation**") and variable compensation contingent on the attainment of financial or non-financial objectives ("**Bonus**"), as well as other additional cash and non-cash benefits.

The Base Compensation may vary depending on the function discharged and the scope of powers of the respective Management Board Member.

The amount of the Bonus is set in a sustainable manner, in line with the Company's financial standing and the adopted management objectives ("hereinafter: "**Objectives**"), in consideration of the increased risk associated with the function and the effects of actualization of such risk for the Company or Management Board Members.

Rules of granting Bonuses, setting the Objectives, specifying weights of the Objectives and criteria for their attainment and settlement are defined by a separate resolution of the PKP CARGO S.A. Supervisory Board.

The Supervisory Board sets the Objectives no later than by the end of the 4th month of each consecutive financial year in which the Objectives are to be attained.

The total amount of the Bonus may not exceed 50% of the Base Compensation payable to the Manager in the financial year for which the Bonus is due.

The Supervisory Board adopts a resolution to grant a Bonus after the Shareholder Meeting adopts a resolution:

- a) to approve the PKP CARGO S.A. Management Board's Activity Report for the financial year for which the Bonus is set,
- b) approving the Financial Statements of PKP CARGO S.A. for the financial year for which the Bonus is set,
- c) to grant a discharge to the Manager on the performance of his or her duties for the financial year for which the Bonus is set.

1.1.1. Compensation of Management Board Members broken down by component

In 2021, the compensation of the Management Board Members was as follows:¹

Name of Management Board Member Function Date of performing the function	Fixed monthly compensation (in PLN)	Compensation for non-competition obligations / % share in total compensation	Other benefits (in PLN)				Income components on account of reimbursement of travel and accommodation expenses / % share in total compensation	Variable compensation/bonus (in PLN) ²		Extraordinary allowances (in PLN) / % share in total compensation	Disability/retirement pension (in PLN) / % share in total compensation	Total compensation (in PLN) % share in total compensation
	Net Base Compensation* ^{**3/} / % share in total compensation		Severance pay / % share in total compensation	Taxable income on account of the Employee Capital Scheme contribution / % share in total compensation** ^{*4}	Taxable income on account of transportation benefits / % share in total compensation** ^{**5}	Taxable income, subject to social insurance contributions, for using a company car for private purposes** / % share in total compensation		Single-year bonus / % share in total compensation	Multiple-year bonus ^{*6/} / % share in total compensation			
Władysław Szczepkowski acting President of the Management Board from 18 October 2021	118,400.00 98.80%	0.00	0.00	1,440.00 1.20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	119,840.00 100%
Zenon Kozendra Management Board Member – Employee Representative from 14 July 2016	516,000.00 58.95%	0.00	0.00	12,936.00 1.48%	0.00	2,400.00 0.27%	0.00	344,000.00 39.30%	0.00	0.00	0.00	875,336.00 100%
Czesław Warszewicz President of the Management Board from 27 March 2018 to 18 October 2021	460,800.00 56.63%	96,000.00 11.80%	144,000.00 17.70%	0.00	916.24 0.11%	1,560.00 0.19%	0.00	110,462.40 13.57%	0.00	0.00	0.00	813,738.64 100%
Witold Bawor Management Board Member in charge of Operations from 26 October 2017 to 18 October 2021	412,800.00 51.04%	86,000.00 10.63%	129,000.00 15.95%	10,031.51 1.24%	916.24 0.11%	1,493.33 0.18%	0.00	168,474.00 20.85%	0.00	0.00	0.00	808,715.08 100%
Leszek Borowiec Management Board Member in charge of Finance from 27 March 2018 to 18 October 2021	412,800.00 56.68%	86,000.00 11.81%	129,000.00 17.71%	0.00	0.00	1,546.67 0.21%	0.00	98,955.90 13.59%	0.00	0.00	0.00	728,302.57 100%
Piotr Wasaty Management Board Member in charge of Commerce from 1 September 2020 to 18 October 2021	412,800.00 65.50%	86,000.00 13.65%	129,000.00 20.47%	0.00	916.24 0.15%	1,453.33 0.23%	0.00	0.00	0.00	0.00	0.00	630,169.57 100%

¹ Including the compensation of former Management Board Members disbursed under a management contract and non-competition agreement.

² Pursuant to paragraph 4 sec. 7 of the Policy, measurement of the Objectives and granting of the Bonus may take place no earlier than after the Shareholder Meeting at which the following are approved: (i) the Management Board's report on the Company's activities in the financial year for which the Bonus is granted, (ii) the Company's financial statements for the financial year for which the Bonus is granted, (iii) a discharge is granted on the performance of duties by the Management Board Member for the financial year for which the Bonus is granted. Accordingly, as at the date of this Report, these conditions, as future events, have not yet been fulfilled

³ Under a management contract and non-competition agreement.

⁴ Under the Act of 4 October 2018 on Employee Capital Schemes (Journal of Laws of 2018, item 2215).

⁵ Under the Agreement of 27 November 2013 on discounted transport services binding on PKP CARGO S.A.

⁶ Bonuses granted by a resolution of the PKP CARGO S.A. Supervisory Board for 2017 and 2018.

Grzegorz Fingas Management Board Member in charge of Commerce from 1 April 2016 to 23 March 2020	0.00	0.00	0.00	5,160.00 1.48%	0.00	0.00	0.00	344,000.00 98.52%	0.00	0.00	0.00	349,160.00 100%
Total	2,333,600.00	354,000.00	531,000.00	29,567.51	2,748.72	8,453.33	0.00	1,065,892.30	0.00	0.00	0.00	4,325,261.86
% share in total compensation	53.95%	8.18%	12.28%	0.68%	0.07%	0.20%		24.64%				100%

Source: Proprietary material

1.1.2. Bonus

In 2021, the management objectives for the President and Members of the Management Board (Resolution No. 6/VII/2021 of the PKP CARGO S.A. Supervisory Board of 22 February 2021) were as follows:

full name of Management Board Member Function Date of performing the function	description of the criteria/objective (shared objectives)	weight of the objective	a) minimum threshold b) corresponding compensation	a) maximum threshold b) corresponding compensation
Shared objectives				
Czesław Warszewicz President of the Management Board from 27 March 2018 to 18 October 2021	1. EBITDA per employee (PKP CARGO Group) Source of data: Consolidated Financial Statements	10%	a) above 100% of the weighted average value of attainment of all objectives b) 0.96 times monthly compensation	a) above 120% of the weighted average value of attainment of all objectives b) 4.80 times monthly compensation
	2. EBITDA (PKP CARGO Group) Source of data: Consolidated Financial Statements	10%		
Zenon Kozendra Management Board Member – Employee Representative from 14 July 2016	3. Return on sales (ROS) (PKP CARGO Group) Source of data: Consolidated Financial Statements	10%		
Witold Bawor Management Board Member in charge of Operations from 26 October 2017 to 18 October 2021	4. The level of indicators prescribed in loan agreements not exceeded as at 31 December 2021	10%		
	5. Freight volume in key cargo categories: hard coal, aggregates and construction materials (PKP CARGO S.A.) Source of data: Management Board Activity Report	10%		
Leszek Borowiec Management Board Member in charge of Finance from 27 March 2018 to 18 October 2021	6. Freight volume in the intermodal cargo category (PKP CARGO Group) Source of data: Management Board Activity Report	10%		
	7. Return on intermodal transport services (PKP CARGO S.A.) Source of data: SAP HANA	10%		
Piotr Wasaty Management Board Member in charge of Commerce from 1 September 2020 to 18 October 2021	8. Monthly average wagon turnover (PKP CARGO S.A.) Source of data: Statistics on Freight Transport Services	10%		
	9. Ratio of the haul of loaded wagons to the total haul of wagons (PKP CARGO S.A.) Source of data: SAP HANA	10%		

	10 Accident rate – TRR (PKP CARGO Group) Source of data: Management Board Activity Report	10%		
Individual objectives				
Czesław Warszewicz President of the Management Board from 27 March 2018 to 18 October 2021	Optimization of employment in the Head Office and Units and performance of the Maglev project. Decrease in employment costs by a specified amount. Source of data: Consolidated Financial Statements	100%	a) objective attained b) 1.2 times monthly compensation	a) objective attained b) 1.2 times monthly compensation
Zenon Kozendra Management Board Member – Employee Representative from 14 July 2016	Signing the amendments to the Collective Bargaining Agreement in 2021 concerning agreed areas. Source of data: current release (ESPI)	100%		
Witold Bawor Management Board Member in charge of Operations from 26 October 2017 to 18 October 2021	Improvement of freight process parameters with regard to reduction of unit cost of freight compared to the previous year. Source of data: Consolidated Financial Statements	100%		
Leszek Borowiec Management Board Member in charge of Finance from 27 March 2018 to 18 October 2021	Implementation of TMS in accordance with the project schedule. Source of data: Management Board Activity Report	100%		
Piotr Wasaty Management Board Member in charge of Commerce from 1 September 2020 to 18 October 2021	Business activity of the Sales area. Increase in revenue from rail transportation and freight forwarding services of PKP CARGO in 2021 (compared to 2020). Source of data: Consolidated Financial Statements	100%		

Source: Proprietary material

The Supervisory Board adopted the following assumptions for the Objectives:

- 1) The shared objectives are the same for all Management Board Members, that is each Management Board Member is equally responsible for the attainment of each Objective;
- 2) Individual objectives were set for each Management Board Member;
- 3) payments resulting from the Objectives apply pro rata to the period for which the Objectives were set and the time of performance of the function by the respective Management Board Members;
- 4) the degree of attainment of each indicator of shared objectives is calculated in relation to the reference value corresponding to 100% of attainment;
- 5) the compensation multiplier is calculated based on the weighted average value of attainment of all indicators for shared objectives and the compensation multiplier is based on the attainment of the individual objective.

As at the date of preparing this Report, the Supervisory Board did not measure the Objectives set for the President and Members of the PKP CARGO S.A. Management Board for attainment in 2021, described in detail in Resolution No. 6/VII/2021 of the PKP CARGO S.A. Supervisory Board of 22 February 2021.

1.1.3. Additional non-cash benefits

Management Board Members used technical tools and equipment owned by PKP CARGO S.A. to assist them in the proper performance of their duties, including from company cars.

Management Board and Supervisory Board Members are covered by the D&O insurance purchased by the Company. Considering the fact that the D&PO policy covers all the members of the Management Board and Supervisory Board in general, not naming them specifically, it is impossible to assign taxable income to a specific person because during the term of the insurance the composition of the boards may change (see, among others, the judgment of the Voivodeship Administrative Court in Wrocław of 26 September 2018, file ref. no. I SA/Wr 525/18). In view of the foregoing, the value of such insurance calculated per a board member is not presented in the tables below as one of the compensation components.

1.2. Compensation of Supervisory Board Members

A Supervisory Board Member is only entitled to a fixed monthly compensation, the amount of which is set by the Shareholder Meeting, in consideration of the need to guarantee the independence of Supervisory Board Members in the performance of their duties arising from their function and in compliance with generally applicable provisions of law.

A Supervisory Board Member is entitled to monthly compensation regardless of the number of meetings of the Supervisory Board or committees appointed by the Supervisory Board.

Compensation of the Supervisory Board Members are not related to the Company's financial performance.

In 2021, the compensation of the Supervisory Board Members was as follows:

Name of Supervisory Board Member Function Date of performing the function	Fixed compensation (in PLN)	Other benefits (in PLN)		Other income components on account of reimbursement of travel and accommodation expenses (in PLN) **** % share in total compensation	Total compensation (in PLN)
	Base compensation / % share in total compensation	taxable on account of the refundable Employee Capital Scheme contribution** / % share in total compensation	taxable on account of transportation benefits** / % share in total compensation		
Krzysztof Mamiński Supervisory Board Chairman from 6 March 2017	0.00*	0.00	0.00	0.00	0.00
Marcin Kowalczyk Supervisory Board Vice-Chairman from 14 January 2021	120,866.80 98.85%	1,408.95 1.15%	0.00	0.00	122,275.75 100%
Krzysztof Czarnota Supervisory Board Member from 20 May 2016	125,243.52 99.20%	0.00	0.00	1,002.96 0.80%	126,246.48 100%
Zofia Dzik Supervisory Board Member from 11 May 2016	125,243.52 100%	0.00	0.00	0.00	125,243.52 100%
Antoni Duda Supervisory Board Member from 21 August 2020	125,243.52 98.82%	0.00	0.00	1,497.73 1.18%	126,741.25 100%
Dariusz Górski Supervisory Board Member from 26 June 2019	125,243.52 98.52%	1,878.60 1.48%	0.00	0.00	127,122.12 100%
Paweł Sosnowski Supervisory Board Member from 7 June 2018	125,243.52 99.88%	156.55 0.12%	0.00	0.00	125,400.07 100%
Jerzy Sośnierz Supervisory Board Member from 1 May 2018	125,243.52 97.86%	0.00	0.00	2,744.73 2.14%	127,988.25 100%
Tadeusz Stachaczyński Supervisory Board Member from 20 May 2016	125,243.52 97.84%	1,878.60 1.47%	0.00	882.59 0.69%	128,004.71 100%
Władysław Szczepkowski Supervisory Board Member from 14 March 2017 to 18 October 2021	99,656.13 98.52%	1,494.80 1.48%	0.00	0.00	101,150.93 100%

Izabela Wojtyczka Supervisory Board Member from 15 July 2020	125,243.52 99.27%	0.00	916.24 0.73%	0.00	126,159.76 100%
Total	1,222,471.09 98.88%	6,817.50 0.55%	916.24 0.07%	6,128.01 0.50%	1,236,332.84 100%

* pursuant to § 5(1)(3) of the Act of 9 June 2016 on the Rules for Setting the Compensation of Persons Managing Certain Companies (Journal of Laws 2020.1907; consolidated text of 29 October 2020), a member of a management body does not receive any remuneration for serving as a member of any corporate body of a subsidiary of the company which is a member of the same group within the meaning of Article 4(14) of the Competition and Consumer Protection Act of 16 February 2007 (Journal of Laws 2021.275, consolidated text of 11 February 2021).

** under the Act of 4 October 2018 on Employee Capital Schemes (Journal of Laws of 2018, item 2215).

*** under the Agreement of 27 November 2013 on discounted transport services binding on PKP CARGO S.A.

**** under Article 392 § 3 of the Commercial Company Code (Journal of Laws of 2020, item 1526, as amended)

Source: Proprietary material.

2. Explanation of how the total compensation complies with the adopted compensation policy, including how it contributes to the long-term performance of the Company

The compensation system for Management Board Members is incentive-based. When setting the benefits available to Management Board Members, it was decided that the Bonus is partially correlated to the Company's performance, which results in increased efforts to attain the objectives set in the Company's business strategy and business plans by the Management Board Members.

As a consequence, the adopted compensation system indirectly contributes to growth in the Company's business, product offering and market position, and translates into improved financial performance.

In turn, the compensation of Supervisory Board Members consists solely of fixed compensation set by the Shareholder Meeting, which is intended to reduce the exposure to risk.

In the opinion of the Supervisory Board, the level of compensation of Members of the Management Board and Supervisory Board in 2021 was appropriate to ensure the attainment and maintenance of an appropriate level of motivation in individuals holding top competences, which are necessary for the optimal management and supervision of the Company.

The amount of compensation was commensurate with the competences and experience as well as the scope of duties of the respective Members of the Management Board and Supervisory Board and the related responsibilities. Hence, the compensation rules adopted and applied by the Company contribute to its growth.

3. Information on the way of applying the performance criteria

The Bonus payable to Management Board Members is contingent, among other criteria, on the attainment of the Objectives correlated with the Company's Annual Business Plan and the projection of the PKP CARGO Group's financial results.

Following the Supervisory Board's approval of the Company's Annual Business Plan, the Nomination Committee adopts a recommendation for the Supervisory Board on setting the Objectives to be attained by the Management Board Members. The basis for the qualitative and quantitative Objectives are the parameters adopted in the Company's Business Plan and the projection of the PKP CARGO Group's financial results.

The Bonus may be granted by way of a resolution of the Supervisory Board, provided that the Management Objectives have been attained, after the prior adoption of resolutions by the Shareholder Meeting: approving the financial statements of PKP CARGO S.A. and the Management Board's report on the activity of PKP CARGO S.A. and granting a discharge on the performance of duties by the Management Board Members in the financial year for which the Bonus is payable.

4. Information on change, on an annual basis, of compensation, the Company's results and the average compensation of employees who are not Management Board or Supervisory Board Members in the period of at least last five financial years, cumulatively, so as to make it possible to compare

Pursuant to Article 90g(3) of the Act on Offerings, the Supervisory Board presents information for the years 2019-2021, that is for the financial years for which it is required to prepare the Report.

Presented below are changes in the compensation of Management Board Members for 2019-2021:

Compensation (in PLN)	Year 2019	Year 2020	Year 2021	% change 2021 vs. 2020	Change in amount 2021 vs. 2020	Remarks
Władysław Szczepkowski	Not applicable	Not applicable	119,840.00	Not applicable	Not applicable	delegated from 18 October 2021
Zenon Kozendra	517,533.54	510,646.50	875,336.00	71.42%	364,689.50	
Czesław Warszewicz	577,334.92	562,945.57	813,738.64	44.55%	250,793.07	dismissed on 18 October 2021
Witold Bawor	517,533.54	511,542.14	808,715.08	58.09%	297,172.94	dismissed on 18 October 2021
Leszek Borowiec	516,000.00	503,995.64	728,302.57	44.51%	224,306.93	dismissed on 18 October 2021
Piotr Wasaty	Not applicable	172,650.25	630,169.57	265.00%	457,519.32	dismissed on 18 October 2021
Grzegorz Fingas	517,533.54	515,096.73	349,160.00	-32.21%	-165,936.73	dismissed on 23 March 2020
Average employee compensation, excluding compensation of Management Board Members*	5,264.59	5,373.90	5,656.12	5.3%	282.22	
Number of employees as at 31 December, excluding the Management Board and Supervisory Board Members	17,254	15,903	14,884	-6.8%	-1,019	

* The average monthly compensation is calculated as the ratio of the sum of gross compensation to the average number of employees (in FTEs, i.e. after converting part-time employees to full-time employees) in the respective period.

Source: Proprietary material.

Presented below are the financial results of the Company and the PKP CARGO Group for 2019-2021:

	2019	2020	2021	Change 2021 vs. 2020	% change 2021 vs. 2020
financial result of the Company (PLN million)					
Revenues from contracts with customers	3,572.0	2,936.6	3,085.3	+148.7	+5.1%
Operating profit before depreciation and amortization (EBITDA)	624.0	400.5	345.1	-55.4	-13.8%
Net profit / loss	-8.3	-173.9	-223.3	-49.4	-
financial result of the PKP CARGO Group (PLN million)					
Revenues from contracts with customers	4,781.6	4,075.6	4,266.5	+190.9	+4.7%
Operating profit before depreciation and amortization (EBITDA)	859.9	580.2	513.2	-67.0	-11.5%
Net profit / loss	36.0	-224.3	-225.3	-1.0	-

Source: Proprietary material.

5. Amount of compensation from companies belonging to the same 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)

Any additional involvement of a Management Board Member or Supervisory Board Member in the management or supervisory bodies of other members of the PKP CARGO Group shall not constitute grounds for the collection by such Management Board Member or Supervisory Board Member of any additional compensation from the Company or members of the PKP CARGO Group.

In 2021, the following payouts were made from the subsidiaries for the PKP CARGO S.A. Management Board Members:

- 1) PLN 12,624.00 for Mr. Piotr Wasaty – PKP CARGO S.A. Management Board Member in charge of Commerce – the amount of compensation was paid out by a subsidiary of PKP CARGO S.A. in error – the company has requested reimbursement of the amount;

- 2) PLN 90,308.00 for Mr. Witold Bawor – PKP CARGO S.A. Management Board Member in charge of Operations – the amount of received compensation is connected with a bonus granted to management board members of a subsidiary for attained objectives and refers to a period when Mr. Witold Bawor sat on the management board of the subsidiary and at the same time was not a PKP CARGO S.A. Management Board Member yet.

6. The number of granted or offered financial instruments and main conditions for exercising rights from these instruments, including the price and date of exercising and changes to them

In 2021, the Company did not grant any financial instruments.

7. Information on using the possibility of reclaiming variable compensation components

In the reporting period, no grounds existed for the Company to reclaim any variable compensation components.

8. Information on derogations from the procedure of implementing the compensation policy and derogations applied in accordance with Article 90f of the Act on Offerings, including explanation of reasons and procedure and specification of elements from which derogation was applied

In 2021, due to the absence of grounds, the Supervisory Board did not decide to apply any derogations from the application of the adopted Policy.

9. Information on recognizing, in the compensation of Management Board and Supervisory Board Members, cash or in-kind benefits granted to relatives, pursuant to Article 90g(5) of the Act on Offerings

In 2021, compensation of the PKP CARGO S.A. Management Board and Supervisory Board Members did not include benefits granted to relatives because no such benefits were determined;

10. Explanation of how the Report takes into account the resolution referred to in Article 90g(6) of the Act on Offerings

On 28 June 2021, the Shareholder Meeting adopted Resolution No. 25/2021, which approved the report on compensation. The resolution did not include any comments, recommendations or guidelines.

11. Extraordinary events in the reporting period

On 26 April 2021, the Supervisory Board, with Resolutions No. 15/VII/2021, 16/VII/2021, 17/VII/2021, granted variable compensation for the financial year 2017 for:

- 1) Mr. Grzegorz Fingas – PKP CARGO S.A. Management Board Member in charge of Commerce
- 2) Mr. Zenon Kozendra – PKP CARGO S.A. Management Board Member – Employee Representative
- 3) Mr. Witold Bawor – Management Board Member in charge of Operations.

On 24 May 2021, the Supervisory Board, with Resolutions No. 22/VII/2021, 23/VII/2021, 24/VII/2021, 25/VII/2021, 26/VII/2021 granted variable compensation for the financial year 2018 for:

- 1) Mr. Czesław Warszewicz – President of the PKP CARGO S.A. Management Board
- 2) Mr. Grzegorz Fingas – PKP CARGO S.A. Management Board Member in charge of Commerce
- 3) Mr. Leszek Borowiec – PKP CARGO S.A. Management Board Member in charge of Finance
- 4) Mr. Witold Bawor – PKP CARGO S.A. Management Board Member in charge of Operations
Mr. Zenon Kozendra – PKP CARGO S.A. Management Board Member – Employee Representative

Below, grounds are presented for adopting resolutions by the Supervisory Board to grant variable compensation to PKP CARGO S.A. Management Board Members in 2017-2018:

N o.	Management Board composition and the period in office	Grounds for adopting a resolution by the Supervisory Board after the Shareholder Meeting adopted a resolution:			Attainment level of objectives	Summary
		granting a discharge to the Manager on the performance of his or her duties for the financial year for which the Bonus is set	approving the PKP CARGO S.A. Management Board's Activity Report for the financial year for which the Bonus is set	approving the PKP CARGO S.A. financial statements for the financial year for which the Bonus is set		
2017						
1.	Grzegorz Fingas Management Board Member in charge of Commerce 1 January -31 December 2017	Resolution no. 10//2018 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 13 June 2018	Resolution no. 4/2018 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 13 June 2018 to approve the Management Board Report on the Activity of the PKP CARGO Group for 2017.	Resolution no. 2/2018 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 13 June 2018 to approve the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2017 prepared according to EU IFRS.	107%/120%.	Conditions for disbursing a bonus were fulfilled. The bonus was paid out.
2.	Zenon Kozendra Management Board Member – Employee Representative 1 January -31 December 2017	Resolution no. 11//2018 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 13 June 2018		Resolution no. 3/2018 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 13 June 2018 to approve the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2017 prepared according to EU IFRS.	107%/120%.	Conditions for disbursing a bonus were fulfilled. The bonus was paid out.
3.	Witold Bawor Management Board Member in charge of Operations 26 October - 31 December 2017	Resolution no. 12//2018 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 13 June 2018			107%/120%.	Conditions for disbursing a bonus were fulfilled. The bonus was paid out.
2018						
1.	Czesław Warszewicz President of the Management Board 27 March -31 December 2018	Resolution no. 8/2019 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 26 June 2019	Resolution no. 4/2019 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 26 June 2019 to approve the Management Board Report on the Activity of the PKP CARGO Group for 2018	Resolution no. 2/2019 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 26 June 2019 to approve the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2018 prepared according to EU IFRS	92%.	Conditions for disbursing a bonus were fulfilled. The bonus was paid out.
2.	Leszek Borowiec Management Board Member in charge of Finance 27 March -31 December 2018	Resolution no. 9/2019 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 26 June 2019		Resolution no. 3/2019 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 26 June 2019 to approve the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2018 prepared according to EU IFRS	92%.	Conditions for disbursing a bonus were fulfilled. The bonus was paid out.
3.	Witold Bawor Management Board Member in charge of Operations 1 January - 31 December 2018	Resolution no. 10/2019 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 26 June 2019			92%.	Conditions for disbursing a bonus were fulfilled. The bonus was paid out.
4.	Grzegorz Fingas Management Board Member	Resolution no. 11/2019 adopted by the Ordinary Shareholder			92%.	Conditions for disbursing a bonus were fulfilled.

	in charge of Commerce 1 January - 31 December 2018	Meeting of PKP CARGO S.A. on 26 June 2019				The bonus was paid out.
5.	Zenon Kozendra Management Board Member – Employee Representative	Resolution no. 12/2019 adopted by the Ordinary Shareholder Meeting of PKP CARGO S.A. on 26 June 2019			92%.	Conditions for disbursing a bonus were fulfilled. The bonus was paid out.

Source: Proprietary material.

In connection with the failure by the President of the Management Board and Management Board Members of PKP CARGO S.A. to attain the objectives described in detail in Resolution No. 1856/VI/2019 of the PKP CARGO S.A. Supervisory Board of 24 April 2019 to determine strategic objectives (MBO) for the President of the Management Board and Management Board Members of PKP CARGO S.A. to be attained in 2019, on 24 May 2021, the Supervisory Board, with Resolution No. 27/VII/2021 refrained from awarding variable compensation to the President of the Management Board and to Management Board Members of PKP CARGO S.A. for the financial year 2019.

On 30 August 2021, the Supervisory Board of PKP CARGO S.A. with Resolution No. 69/VII/2021, also refrained from awarding variable compensation to the President of the Management Board and to Management Board Members of PKP CARGO S.A. for the financial year 2020.

On 18 October 2021, the Supervisory Board, with Resolutions No. 74/VII/2021, 75/VII/2021, 76/VII/2021, 77/VII/2021 dismissed the following from the Management Board:

1. Mr. Czesław Warsewicz – President of the PKP CARGO S.A. Management Board
2. Mr. Leszek Borowiec – PKP CARGO S.A. Management Board Member in charge of Finance
3. Mr. Piotr Wasaty – PKP CARGO S.A. Management Board Member in charge of Commerce
4. Mr. Witold Bawor – PKP CARGO S.A. Management Board Member in charge of Operations

III. Conclusion

1. Description of amendments to the Policy in 2021

With Resolution No. 26/2021 adopted by the Ordinary Shareholder Meeting on 28 June 2021 to adopt amendments to the “Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board”, the following changes were introduced:

- 1) § 5 sec. 3 of the “*Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board*” worded as follows:

“3. Monthly compensation of Supervisory Board Members is established by the Shareholder Meeting in consideration of the need to guarantee the independence of Supervisory Board Members in the performance of their duties arising from their function and shall not be greater than the product of the multiplier 2.75 and the average monthly wage in the enterprise sector without profit-sharing in the fourth quarter of the previous year, as announced by the President of Statistics Poland.”

was worded as follows:

“3. Monthly compensation of Supervisory Board Members is established by the Shareholder Meeting in consideration of the need to guarantee the independence of Supervisory Board Members in the performance of their duties arising from their function and shall not be greater than that specified in the Act of 9 June 2016 on the Rules for Setting the Compensation of Persons Managing Certain Companies.”;

- 2) § 5 sec. 4 of the “*Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board*” reading as follows:

“4. The compensation of a Supervisory Board Member consists exclusively of fixed compensation. In order to ensure independence, such compensation may not be reduced and its payment may not be suspended or canceled, except as provided for in the generally applicable laws.”

was worded as follows:

- “4. The compensation of a Supervisory Board Member consists exclusively of fixed compensation. In order to ensure independence, such compensation may not be reduced and its payment may not be suspended or canceled, except as provided for in the generally applicable laws and in this Policy.”;
- 3) In § 5 of the *“Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board”*, the existing sections 7-9 were renumbered to 8-10 respectively;
- 4) In § 5 of the *“Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board”*, a new section 7 was inserted, reading as follows:
- “7. Supervisory Board Members are entitled to use the travel allowances available to the Company’s employees on the terms governed by separate regulations.”;
- 5) In § 6 sec. 2 of the *“Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board”*. worded as follows:
- “2. The Company shall not grant any individual benefits under old-age or disability pension plans to Management Board Members; Supervisory Board Members may participate on a voluntary basis in the employee capital scheme established by the Company.”;

was worded as follows:

- “2. The Management Board and Supervisory Board Members may participate on a voluntary basis in the employee capital scheme established by the Company in accordance with the general terms of this scheme.”.

2. Evaluation of the practical application of the “Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board”

In the opinion of the Supervisory Board:

- 1) the compensation paid to members of the Management Board and Supervisory Board in the period covered by the Report were consistent with the adopted Policy and fulfilled the requirements provided for by law,
- 2) the adopted Policy is an effective tool for compensation management, contributes to the proper and effective risk management in the Company and its subsidiaries, discourages risk taking in excess of the risks approved by the Supervisory Board and enables the conduct of a flexible policy of awarding variable compensation components.