



PKPCARGO

**Report on compensations disbursed to Members of the
PKP CARGO S.A. Management Board and Supervisory Board
in 2019–2020**

Warsaw, 24 May 2021

I. Introduction

This Report on compensations disbursed to Members of the PKP CARGO S.A. Management Board and Supervisory Board in 2019–2020 (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 2020, item 2080, of 27 October 2020, 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 compensations 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 Report is the first one to be prepared and covers jointly the years 2019–2020.

II. Report on compensations

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 components

1.1. Compensations of the Management Board

Members of the Management Board 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 any updates of such risk for the Company or Management Board Members.

1.1.1. Compensation of Management Board Members broken down into components

In 2019, the compensation of the Management Board Members was as follows:

Name of Management Board Member Function Date of performing the function	Fixed monthly compensation*	Other benefits				Income components on account of reimbursement of travel and accommodation expenses	Variable compensation/bonus		Extraordinary allowances	Disability/retirement pension	Total compensation/ % share in total compensation
	Net Base Compensation/ % share in total compensation	Compensation for non-competition obligations	Severance pay	Taxable income on account of the Employee Capital Scheme contribution / % share in total compensation**	Taxable income on account of transportation benefits / % share in total compensation**		Single-year bonus	Multiple-year bonus			
Czesław Warszewicz President of the Management Board from 27.03.2018	576,000.00 99.77%	0.00	0.00	0.00	1,334.92 0.23%	0.00	0.00	0.00	0.00	0.00	577,334.92 100%
Witold Bawor Management Board Member in charge of Operations from 26.10.2017	516,000.00 99.704%	0.00	0.00	645.00 0.125%	888.54 0.172%	0.00	0.00	0.00	0.00	0.00	517,533.54 100%
Zenon Kozendra Management Board Member – Employee Representative from 14.07.2016	516,000.00 99.704%	0.00	0.00	645.00 0.125%	888.54 0.172%	0.00	0.00	0.00	0.00	0.00	517,533.54 100%
Leszek Borowiec Management Board Member in charge of Finance from 27.03.2018	516,000.00 100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	516,000.00 100%
Grzegorz Fingas Management Board Member in charge of Commerce from 01.04.2016 to 23.03.2020	516,000.00 99.704%	0.00	0.00	645.00 0.125%	888.54 0.172%	0.00	0.00	0.00	0.00	0.00	517,533.54 100%
Total % share in total compensation	2,640,000.00 99.776%	0.00	0.00	1,935.00 0.073%	4,000.54 0.151%	0.00	0.00	0.00	0.00	0.00	2,645,935.54 100%

* under the management contract and non-competition agreement.

** 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.

Source: Proprietary material

In 2020, the compensation of the Management Board Members was as follows¹:

Name of Management Board Member Function Date of performing the function	Fixed monthly compensation	Other benefits				Income components on account of reimbursement of travel and accommodation expenses / % share in total compensation	Variable compensation/bonus		Extraordinary allowances	Disability/retirement pension	Total compensation/ % share in total compensation
	Net Base Compensation* **/ % share in total compensation	Compensation for non-competition obligations / % share in total compensation	Severance pay / % share in total compensation	Taxable income on account of the Employee Capital Scheme contribution / % share in total compensation** *	Taxable income on account of transportation benefits / % share in total compensation** **		Single-year bonus ²	Multiple-year bonus			
Czesław Warszewicz President of the Management Board from 27.03.2018	561,600.00 99.76%	0.00	0.00	0.00	1,345.57 0.24%	0.00	-	0.00	0.00	0.00	562,945.57 100%
Witold Bawor Management Board Member in charge of Operations from 26.10.2017	503,100.00 98.35%	0.00	0.00	7,546.50 1.475%	895.64 0.175%	0.00	-	0.00	0.00	0.00	511,542.14 100%
Zenon Kozendra Management Board Member – Employee Representative from 14.07.2016	503,100.00 98.52%	0.00	0.00	7,546.50 1.48%	0.00	0.00	-	0.00	0.00	0.00	510,646.50 100%
Leszek Borowiec Management Board Member in charge of Finance from 27.03.2018	503,100.00 99.82%	0.00	0.00	0.00	895.64 0.18%	0.00	-	0.00	0.00	0.00	503,995.64 100%
Piotr Wasaty Management Board Member in charge of Commerce from 01.09.2020	172,000.00 99.62%	0.00	0.00	0.00	0.00	650.25 0.38%	-	0.00	0.00	0.00	172,650.25 100%
Grzegorz Fingas Management Board Member in charge of Commerce from 01.04.2016 to 23.03.2020	118,966.59 23.096%	258,000.00 50.088%	129,000.00 25.044%	8,234.50 1.599%	895.64 0.174%	0.00	-	0.00	0.00	0.00	515,096.73 100%
Total % share in total compensation	2,361,866.59 85.05%	258,000.00 9.29%	129,000.00 4.65%	23,327.50 0.84%	4,032.49 0.15%	650.25 0.02%	-	0.00	0.00	0.00	2,776,876.83 100%

* Members of the Management Board submitted statements that from 1 June 2020 to 31 August 2020 they will be on a non-paid leave from the provision of services to the Company for a total of 9 days, which resulted in a reduction of their fixed monthly compensation (Base Compensation) by 10% in this period.

** under the management contract and non-competition agreement.

*** 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

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

² Pursuant to paragraph 4 sec. 7 of the Policy, the settlement of the Objectives and the 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, such information is unknown.

1.1.2. Bonus

In 2019, the management objectives for the President and Members of the Management Board were as follows:

Name of Management Board Member Function Date of performing the function	Description of the criteria/objective (shared objectives)	Weight of the objective	Reference value of the objective (for 100% of attainment)	(a) minimum threshold (b) corresponding compensation	(a) maximum threshold (b) corresponding compensation	% of the objective attained, bonus granted
Czesław Warsewicz President of the Management Board from 27.03.2018	1. EBITDA per employee (PKP CARGO Group) <i>Source of data: Consolidated Financial Statements</i>	10%	PLN 42.5 thousand / FTE	(a) above 100% of the weighted average value of attainment of all objectives (b) 1 monthly compensation	(a) above 125% of the weighted average value of attainment of all objectives (b) 6 monthly compensations	Total weighted average value of attainment of all objectives: 75% Bonus: 0.00
	2. EBITDA (PKP CARGO Group) <i>Source of data: Consolidated Financial Statements</i>	15%	PLN 1,035 million			
Witold Bawor Management Board Member in charge of Operations from 26.10.2017	3. Return on sales (ROS) (PKP CARGO Group) <i>Source of data: Consolidated Financial Statements</i>	15%	4.8%			
	4. Freight volume in key cargo categories: hard coal, aggregates and construction materials (PKP CARGO S.A.) <i>Source of data: Management Board Activity Report</i>	15%	18,094 million ntkm			
Zenon Kozendra Management Board Member – Employee Representative from 14.07.2016	5. Freight volume in the intermodal cargo category (PKP CARGO Group) <i>Source of data: Management Board Activity Report</i>	15%	4,477 million ntkm			
	6. Monthly average wagon turnover (PKP CARGO S.A.) <i>Source of data: Statistics on Freight Transport Services</i>	10%	... ³			
Leszek Borowiec Management Board Member in charge of Finance from 27.03.2018	7. Ratio of the haul of loaded wagons to the total haul of wagons (PKP CARGO S.A.) <i>Source of data: Statistics on Freight Turnover of Rolling Stock</i>	10%	... ³			
	8. Accident rate – TRR (PKP CARGO Group) <i>Source of data: Management Board Activity Report</i>	10%	8.48			
Grzegorz Fingas Management Board Member in charge of Commerce from 01.04.2016 to 23.03.2020						

Source: Proprietary material

³ Trade secret of PKP CARGO S.A.

The Supervisory Board adopted the following assumptions for the Objectives:

- 1) the 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) payments resulting from the said 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;
- 3) the degree of attainment of each indicator is calculated in relation to the reference value corresponding to 100% of attainment;
- 4) the compensation multiplier is calculated based on the weighted average value of attainment of all indicators.

In 2019–2020, the Supervisory Board did not adopt any resolutions on the granting of variable compensation.

In 2020, the management objectives for the President and Members of the Management Board were as follows:

Name of Management Board Member Function Date of performing the function	description of the criteria/objective (shared objectives)	weight of the objective	Reference value of the objective (for 100% of attainment)	(a) minimum threshold (b) corresponding compensation	(a) maximum threshold (b) corresponding compensation	% of the objective attained, bonus granted
Czesław Warszewicz President of the Management Board from 27.03.2018	1. EBITDA per employee (PKP CARGO Group) Source of data: Consolidated Financial Statements	15%	PLN 40.4 thousand / FTE	(a) above 100% of the weighted average value of attainment of all objectives (b) 1 monthly compensation	(a) above 125% of the weighted average value of attainment of all objectives (b) 6 monthly compensations	Total weighted average value of attainment of all objectives: 28% Bonus amount: not applicable⁴
	2. EBITDA (PKP CARGO Group) Source of data: Consolidated Financial Statements	10%	PLN 924 million			
Witold Bawor Management Board Member in charge of Operations from 26.10.2017	3. Return on sales (ROS) (PKP CARGO Group) Source of data: Consolidated Financial Statements	10%	1.2%			
	4. Freight volume in key cargo categories: hard coal, aggregates and construction materials (PKP CARGO S.A.) Source of data: Management Board Activity Report	10%	14,532 million ntkm			
Zenon Kozendra Management Board Member – Employee Representative from 14.07.2016	5. Freight volume in the intermodal cargo category (PKP CARGO Group) Source of data: Management Board Activity Report	15%	5,050 million ntkm			
	6. Return on intermodal transport services (PKP CARGO S.A.) Source of data: SAP HANA	10%	... ⁵			
Leszek Borowiec Management Board Member in charge of Finance from 27.03.2018						

⁴ Pursuant to paragraph 4 sec. 7 of the Policy, the 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.

⁵ Trade secret of PKP CARGO S.A.

Piotr Wasaty Management Board Member in charge of Commerce from 01.09.2020	7. Monthly average wagon turnover (PKP CARGO S.A.) Source of data: Statistics on Freight Transport Services	10%	... ⁵			
	8. Ratio of the haul of loaded wagons to the total haul of wagons (PKP CARGO S.A.) Source of data: SAP HANA	10%	... ⁵			
	9. Accident rate – TRR (PKP CARGO Group) Source of data: Management Board Activity Report	10%	6.83			

Source: Proprietary material

The Supervisory Board adopted the following assumptions for the Objectives:

- 1) The 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) 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;
- 3) the degree of attainment of each indicator is calculated in relation to the reference value corresponding to 100% of attainment;
- 4) the compensation multiplier is calculated based on the weighted average value of attainment of all indicators.

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.

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 shall be entitled to monthly compensation regardless of the number of meetings of the Supervisory Board or committees appointed by the Supervisory Board.

Compensation of Supervisory Board Members is not linked to results achieved by the Company.

In 2019, the compensation of the Supervisory Board Members was as follows:

Name of the Supervisory Board Member function period in office	Fixed compensation	Other benefits		Other income components on account of reimbursement of travel and accommodation expenses****	Total compensation
	Base compensation	Taxable income on account of the refundable Employee Capital Scheme contribution**	Taxable income on account of transportation benefits***		
Krzysztof Mamiński Supervisory Board Chairman from 06.03.2017	0.00	0.00	0.00	0.00	0.00*
Mirosław Antonowicz Supervisory Board Vice-Chairman from 01.06.2017 to 31.08.2020	0.00	0.00	0.00	0.00	0.00*
Krzysztof Czarnota Supervisory Board Member from 20.05.2016	144,226.32	0.00	0.00	8,020.72	152,247.04
Zofia Dzik Supervisory Board Member from 11.05.2016	144,226.32	180.28	0.00	0.00	144,406.60
Dariusz Górski Supervisory Board Member from 26.06.2019	74,116.31	180.28	0.00	0.00	74,296.59
Małgorzata Kryszkiewicz Supervisory Board Member from 17.12.2015 to 24.07.2020	144,226.32	180.28	0.00	0.00	144,406.60
Paweł Sosnowski Supervisory Board Member from 07.06.2018	144,226.32	180.28	0.00	0.00	144,406.60
Jerzy Sośnierz Supervisory Board Member from 01.05.2018	144,226.32	0.00	0.00	7,980.00	152,206.32
Tadeusz Stachaczyński Supervisory Board Member from 20.05.2016	144,226.32	180.28	0.00	5,495.38	149,901.98
Władysław Szczepkowski Supervisory Board Member from 14.03.2017	144,226.32	180.28	888.54	0.00	145,295.14
Raimondo Eggink Supervisory Board Member from 13.04.2015 to 30.06.2019	72,113.16	0.00	0.00	0.00	72,113.16
Total	1,155,813.71	1,081.68	888.54	21,496.10	1,179,280.03

* 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

In 2020, the compensation of the Supervisory Board Members was as follows:

Name of the Supervisory Board Member function period in office	Fixed compensation	Other benefits		Other income components on account of reimbursement of travel and accommodation expenses****	Total compensation
	Base compensation	taxable on account of the refundable Employee Capital Scheme contribution**	taxable on account of transportation benefits***		
Krzysztof Mamiński Supervisory Board Chairman from 06.03.2017	0.00	0.00	0.00	0.00	0.00*
Mirosław Antonowicz Supervisory Board Vice-Chairman from 01.06.2017 to 31.08.2020	0.00	0.00	0.00	0.00	0.00*
Krzysztof Czarnota Supervisory Board Member from 20.05.2016	152,657.64	0.00	0.00	4,261.84	156,919.48
Zofia Dzik Supervisory Board Member from 11.05.2016	152,657.64	0.00	0.00	0.00	152,657.64
Antoni Duda Supervisory Board Member from 21.08.2020	55,399.95	0.00	0.00	615.30	56,015.25
Dariusz Górski Supervisory Board Member from 26.06.2019	152,657.64	2,279.30	0.00	0.00	154,936.94
Małgorzata Kryszkiewicz Supervisory Board Member from 17.12.2015 to 24.07.2020	86,177.70	1,472.93	0.00	0.00	87,650.63
Paweł Sosnowski Supervisory Board Member from 07.06.2018	152,657.64	2,279.30	0.00	0.00	154,936.94
Jerzy Sośnierz Supervisory Board Member from 01.05.2018	152,657.64	0.00	0.00	4,854.37	157,512.01
Tadeusz Stachaczyński Supervisory Board Member from 20.05.2016	152,657.64	2,279.30	0.00	5,482.20	160,419.14
Władysław Szczepkowski Supervisory Board Member from 14.03.2017	152,657.64	2,279.30	0.00	0.00	154,936.94
Izabela Wojtyczka Supervisory Board Member from 15.07.2020	70,173.27	0.00	449.96	0.00	70,623.23
Total	1,280,354.00	10,590.13	449.96	15,213.71	1,306,608.20

* 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 2019–2020 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 how the performance criteria were applied

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 Annual Business Plan, the Nomination Committee adopts a recommendation for the Supervisory Board on setting the Objectives to be attained by Members of the Management Board. 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 Members of the Management Board in the financial year for which the Bonus is payable.

4. Information on the annual change of compensation, of the performance of the Company, and of average compensation of employees of the Company other than Management Board or Supervisory Board Members, over at least the five most recent financial years, presented together in a manner which permits comparison

Pursuant to Article 90g(3) of the Act on Offerings, the Supervisory Board presents information for the years 2019-2020, that is for the financial years for which it is required to prepare the Report.

Presented below are changes in the compensations for 2019-2020:

Compensation	2019	2020	% change 2020 vs. 2019	Change in amount 2020 vs. 2019	remarks
Czesław Warszewicz	PLN 577,334.92	PLN 562,945.57	-2.49%	PLN -14,389.4	
Witold Bawor	PLN 517,533.54	PLN 511,542.14	-1.16%	PLN -5,991.4	
Zenon Kozendra	PLN 517,533.54	PLN 510,646.50	-1.33%	PLN -6,887.04	
Leszek Borowiec	PLN 516,000.00	PLN 503,995.64	-2.33%	PLN -12,004.4	
Piotr Wasaty	0	PLN 172,650.25			appointed on 1.09.2020
Grzegorz Fingas	PLN 517,533.54	PLN 515,096.73	-0.47%	-2436.81	resigned on 23.03.2020
average employee compensation, excluding compensations of Management Board Members*	5,264.59	5,373.9	2.1%	PLN 109.31	
Number of employees as at 31 December, excluding Members of the Management Board and Supervisory Board	17.254	15.903	-7.8%	PLN -1,351.00	

* The average monthly compensation is calculated as the ratio of the sum of gross compensations 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 2019-2020:

	2019	2020	Change 2020 vs. 2019	% change 2020 vs. 2019
financial result of the Company (PLN million)				
Revenues from contracts with customers	3,572.0	2,936.6	-635.4	-17.8%
Operating profit before depreciation and amortization (EBITDA)	624.0	400.5	-223.5	-35.8%
Net profit / loss	-8.3	-173.9	-165.6	uncount.
financial result of the PKP CARGO Group (PLN million)				
Revenues from contracts with customers	4,781.6	4,075.6	-706.0	-14.8%
Operating profit before depreciation and amortization (EBITDA)	859.9	580.2	-279.7	-32.5%
Net profit / loss	36.0	-224.3	-260.3	-723.1%

Source: Proprietary material.

5. Amount of compensation from members to the same group as defined in 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 other members of the PKP CARGO Group.

6. Number of financial instruments granted or offered, and the main conditions for the exercise of rights under these instruments, including the exercise price and date and any change thereof

In 2019 and 2020, the Company did not grant any financial instruments.

7. Information on the use of the possibility to reclaim variable compensation components

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

8. Information on any deviations from the procedure for the implementation of the compensation policy and on any derogations applied in accordance with Article 90f of the Act on Offerings, including the explanation of the prerequisites and the procedure applied and the indication of the specific elements derogated from

In 2020, 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 compensations of members of the management board and the supervisory board, cash or in-kind benefits granted to relatives, pursuant to Article 90g(5) of the Act on Offerings

In the compensation of the President of the Management Board, under the line item "Other benefits", the following amounts are included: PLN 446.38 in 2019 and PLN 449.93 in 2020 for the spouse's transportation benefits.

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

In light of the fact that the Report prepared by the Supervisory Board in 2021 is the first such report, it does not contain an explanation of how the resolution of the Shareholder Meeting referred to in Article 90g(6) of the Act has been taken into account.

11. Extraordinary events in the reporting period

In the first half of 2020, as a consequence of the global COVID-19 pandemic, PKP CARGO S.A. experienced a decline in economic activity, which exerted an unfavorable impact on the Company's operating and financial standing. In consideration of the foregoing and with a view to protecting jobs, the Management Board considered it justifiable to apply the instruments provided for in the Act of 2 March 2020 on Special Solutions Associated with Preventing, Counteracting and Combating COVID-19, Other Infectious Diseases and Crises Caused by Them ("**Act**"), involving reductions in the working time of all Company employees for a period of 3 months and the submission of an application for payment from the Guaranteed Employee Benefits Fund to subsidize the compensations of those Company employees who have been subjected to reduced working hours as a result of COVID-19. Under an agreement between the Management Board and representative trade unions operating in the Company, from 1 June 2020 to 31 August 2020, employees worked reduced hours by 10%, not below 0.5 FTE, and were entitled to a compensation reduced pro rata to the reduced working hours.

In solidarity with the Company's employees, the Management Board Members also submitted statements that from 1 June 2020 to 31 August 2020 they will be on a non-paid leave from the provision of services to the Company for a total of 9 days, which resulted in a reduction of their fixed monthly compensation (Base Compensation) by 10%.

III. Summary

1. Description of amendments to the Policy in 2020

Following the adoption, on 29 June 2020, of the *Compensation policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board*, the Extraordinary Shareholder Meeting of PKP CARGO S.A., by Resolution No. 6/2020 of 16 November 2020 on setting the rules and amounts for compensating PKP CARGO S.A. Supervisory Board Members, updated the compensation rules applicable to Members of the PKP CARGO S.A. Supervisory Board.

As a result of the resolution adopted by the Extraordinary Shareholder Meeting of PKP CARGO S.A., the need was introduced to take into account the generally applicable provisions of law amending the rules for setting the base amount referred to in Article 1(3)(11) 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), which resulted in a reduction of the compensations of Supervisory Board Members.

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:

- a) the compensations 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,
- b) 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.