

*Consolidated text*

**COMPENSATION POLICY  
FOR MEMBERS OF THE PKP CARGO S.A. MANAGEMENT BOARD AND SUPERVISORY  
BOARD**

**§1  
General provisions**

1. The purpose of this *Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board* (hereinafter referred to as the “**Policy**”) is to define the directions for the principles governing the disbursement of compensation to Members of the PKP CARGO S.A. Management Board and Supervisory Board and the rules for granting other benefits in a manner that ensures the pursuit of the adopted business strategy of PKP CARGO S.A. (“**Company**”) while guaranteeing the Company’s security and stability.
2. The compensation principles laid down in this Policy are in compliance with the generally applicable laws, the provisions of pertinent contracts and internal regulations adopted by the Company, in particular the provisions of the Company’s Articles of Association, bylaws of the Company’s authorities and resolutions adopted by them. The Company may disburse compensation only in compliance with the principles described in the Policy, which is a deed taking precedence over any other compensation principles in force in the Company.
3. When defining the Policy in consideration of the working conditions and terms of compensation for the Company’s employees other than Management Board Members or Supervisory Board Members, the scope of responsibility associated with the function performed in the Company is taken into account, including:
  - a) objectives related to the pursuit of the adopted business strategy, while striving to ensure the highest competence and experience of persons holding the positions of Management Board Members and Supervisory Board Members;
  - b) terms of compensation justified by the scope of responsibility associated with the function discharged in the Company.
4. The pursuit of the Company’s business strategy should lead to the accomplishment of the vision, mission and strategy of the Company and the PKP CARGO Group, in particular by adapting the terms of compensation to the pursued management objectives and functions discharged by members of the Management Board and Supervisory Board.
5. The Company’s business strategy is based on the following pillars:
  - a) boosting competitive advantages in the Company’s key business,
  - b) improving the operational and organizational efficiency of the Company and the PKP CARGO Group.
6. When defining the types of benefits and the principles governing their granting to:
  - a) Management Board Members, it was decided that the benefits should be at least partly correlated with the Company’s performance, which should result in increased efforts to attain the objectives set in the Company’s business strategy and business plans,
  - b) Supervisory Board Members, in an effort to minimize the possibility of increasing risk tolerance in exercising supervision, it was decided that the benefits should not be directly contingent on the Company’s performance.
7. The following elements are expected to be conducive to ensuring stability and the pursuit of the Company’s business strategy and long-term interests:
  - a) the amount, principles and structure of compensation of Management Board Members and Supervisory Board Members, taking into account the workload necessary for the proper discharge of functions in the Company, the scope of duties and responsibilities related to the discharge of functions in the Company, the consolidation of attitudes consistent with the Code of Ethics adopted by the Company and the introduction of variable compensation components for Management Board Members, the final amount of which is contingent on the level of attainment of the management objectives,

- b) taking into account the Company's current financial standing when granting compensation, while ensuring the highest competence and experience of persons holding the positions of Management Board Members and Supervisory Board Members;
8. Outside the scope governed by the Policy, the detailed terms of compensation for Supervisory Board Members are laid down in resolutions of the Shareholder Meeting.

## §2

### Rules for establishing and applying the Policy

1. The Management Board's powers in developing and applying the Policy include:
  - a) development and implementation of the Policy based on the assumptions devised in collaboration with the Supervisory Board, taking into account the opinions of shareholders expressed in the resolution containing an opinion on the report referred to in § 9 sec. 3,
  - b) submission of motions to the Shareholder Meeting for updates to the Policy concerning issues related to Supervisory Board Members,
  - c) provision of information to the Supervisory Board necessary to verify the Policy or its application, in particular regarding the data covered by the report referred to in 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 ("**Report**"), within a time limit enabling preparation of the Report in accordance with the principles described in § 9.
2. The Supervisory Board's powers in developing and applying the Policy include:
  - a) presentation of recommendations to the Management Board regarding the efficiency of and updates, if any, to the Policy;
  - b) submission of motions to the Shareholder Meeting for updates to the Policy concerning issues related to Management Board Members;
  - c) preparation, updating, approval and implementation of detailed elements of the Policy outside the scope covered by resolutions of the Shareholder Meeting;
  - d) preparation of the Report.
3. The Nomination Committee shall review the Policy at least once per calendar year. If the need to update the Policy is identified, the Nomination Committee shall submit a recommendation to such effect to the Supervisory Board. The Company's Management Board may also submit a motion to the Shareholder Meeting to update the Policy.
4. With regard to compensation and fringe benefits, the Company, when applying the Policy, shall pay attention to ensuring equal treatment regardless of age, race, culture, gender, disability, sexual orientation, religion, nationality, political beliefs or views, trade union membership, ethnic origin, religion or marital status.

## §3

### Contracts with Management Board Members

1. The Company shall enter into management contracts with Management Board Members for the duration of their discharge of functions in the Management Board, with the obligation to discharge such functions personally. The term of office shall be determined by the Company's Articles of Association.
2. The management contract with a Management Board Member shall be terminated on the date of expiration of the function of Management Board Member.
3. The management contract with a Management Board Member may be terminated by the Company subject to the period of notice specified in the management contract, which may not be shorter than one month and may provide for the Management Board Member's right to severance pay in the event of termination or expiration of the management contract.
4. Due to Management Board Members' access to confidential information of the Company and other members of the PKP CARGO Group, the Company shall enter into non-competition agreements with Management Board Members during their discharge of functions in the Management Board and thereafter.
5. The obligation of a Management Board Member to refrain from involvement in any activity competitive to that of the Company and other members of the PKP CARGO Group following the termination or expiration of the management contract ("**Non-Compete Clause**") shall apply for the period specified in the non-competition agreement, as set by the Supervisory Board on a case by case basis for each Management Board Member.

6. In exchange for observing the Non-Compete Clause, the Management Board Member shall be entitled to compensation for every month of refraining from involvement in competitive activity during the term of the Non-Compete Clause.
7. Any Management Board Member suspended in the performance of his or her duties, shall not be entitled to the following for the period of such suspension: Base Compensation, Bonus or any additional cash benefits unless the Supervisory Board decides otherwise.

#### §4

#### Components of compensation of Management Board Members

1. Management Board Members shall be entitled to:
  - a) fixed monthly compensation ("**Base Compensation**"),
  - b) variable compensation contingent on the attainment of financial or non-financial objectives ("**Bonus**"<sup>1</sup>),
  - c) additional cash or non-cash benefits.
2. The Base Compensation and the Bonus may vary depending on the function discharged and the scope of powers of the respective Management Board Member.
3. The amount of the Base Compensation, in consideration of the applicable laws, is set by the Supervisory Board, following the issue of a recommendation by the Nomination Committee, in an amount equal from eight to twelve times 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 and based on an analysis of market rates of compensation for persons holding the position of Management Board Member, including in entities with a similar profile of business and a similar scope and scale of operations, taking into account the needs and capabilities of the Company as well as the individual qualifications and level of experience of the respective Management Board Member, in line with the management tasks assigned to such Management Board Member.
4. The Base Compensation also includes a fee for the transfer to the Company of all proprietary copyrights to works created by the Management Board Member and industrial property rights to inventions, utility designs, industrial designs, developed trademarks or topographies of integrated circuits created as a result of the performance of duties of a Management Board Member.
5. The amount of the Bonus should be set in a sustainable manner, in line with the Company's financial standing and the adopted management objectives. In particular, the amount of the Bonus shall be set 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.
6. The Bonus award criteria should be set in a manner ensuring the provision of sustainable incentives to individual Management Board Members to achieve the objectives and pursue the strategies of the Company and the PKP CARGO Group, taking into account the Company's interests, and should be set in a manner contributing to the Company's environmental protection efforts.
7. The following resolutions must be adopted by the Shareholder Meeting before a Management Board Member may acquire the right to the Bonus for the respective financial year:
  - a) a resolution approving the Management Board's report on the Company's activity for the financial year for which the Bonus is set,
  - b) a resolution approving the Company's financial statements for the financial year for which the Bonus is set,
  - c) a resolution granting a discharge to the Management Board Member on the performance of his or her duties for the financial year for which the Bonus is set.
8. Subject to the provisions of sec. 7, the Bonus shall be paid on the basis of a resolution of the Supervisory Board awarding the Bonus to the respective Management Board Member for the financial year in question.
9. Each Bonus the granting or amount of which is subject to assessment by the Supervisory Board shall be set and settled on the basis of a resolution of the Supervisory Board.
10. The amount of the Bonus may not exceed 50% of the Base Compensation payable to the respective Management Board Member in the financial year for which the Bonus is due. The Bonus shall be payable pro rata to the period of discharging the function during the respective financial year.

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<sup>1</sup> "Bonus" is defined as "variable compensation contingent on the attainment of financial or non-financial objectives" only for the purposes of this document. This definition is not the same as that of the word "bonus" used in Article 90d(3)(1) of the Act.

11. 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.
12. The Company shall not grant any cash benefits other than those referred to in sec. 1.

## **§5**

### **Compensation of Supervisory Board Members**

1. Each Supervisory Board Member shall discharge his or her function only on the basis of appointment for the term of office specified in the Company's Articles of Association.
2. The mandate of a Supervisory Board Member shall expire in situations specified in the generally applicable laws and the Company's Articles of Association.
3. The amount of monthly compensation of a Supervisory Board Member shall be 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 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.
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.
5. 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. The absence of a Supervisory Board Member at a meeting of the Supervisory Board that has not been excused by the Supervisory Board shall result in a reduction of the monthly compensation payable to the Supervisory Board Member pro rata to the number of unexcused absences during the month in question.
6. Due to the function discharged in the Supervisory Board, in particular that of the Chairperson or Vice-Chairperson of the Supervisory Board or Chairperson or Member of a committee appointed by the Supervisory Board, in consideration of the scope of entrusted duties, the monthly compensation of a Supervisory Board Member may be increased by the Shareholder Meeting.
7. Supervisory Board Members are entitled to use the travel allowances available to the Company's employees on the terms governed by separate regulations.
8. If the appointment or dismissal of a Supervisory Board Member occurs during a calendar month, the compensation due such Supervisory Board Member shall be calculated pro rata to the number of days of the discharge of his or her function in the Supervisory Board; this provision applies accordingly to other cases when the mandate of a Supervisory Board Member expires.
9. The compensation of a Supervisory Board Member shall not be contingent on the Company's performance unless the Shareholder Meeting adopts a resolution to grant compensation to a Supervisory Board Member in the form of the right to a share in the Company's profit for the respective financial year, intended for distribution among the Company's shareholders, in accordance with Article 347 § 1 of the Commercial Company Code.
10. The monthly compensation of Supervisory Board Members shall be paid in arrears by the 10th day of the calendar month following the month for which it is due.

## **§6**

### **Variable compensation of an exceptional nature**

1. Other than the forms of compensation specified in §§ 3-5 of the Policy, the Company does not grant any individual benefits to Management Board Members or Supervisory Board Members, in particular under early retirement plans, nor shall Management Board Members or Supervisory Board Members receive any shares, options or other rights to acquire shares or any payments based on changes in share prices.
2. Members of the Management Board and Supervisory Board may participate on a voluntary basis in the employee capital scheme established by the Company in accordance with the general terms of this scheme.

## **§7**

## **Avoiding conflicts of interest <sup>1 2</sup>**

1. In consideration of the provisions of this Policy and in order to avoid any conflicts of interest related to the Policy, when determining the amounts of compensation in the Company, the division of powers provided for in Articles 378 and 392 of the *Commercial Company Code* shall apply.
2. In particular, a conflict of interest may arise when:
  - a) a Management Board Member or a Supervisory Board Member may obtain a benefit or avoid a loss pertaining to his or her compensation or financial standing as a result of a loss or failure to obtain a benefit by the Company or the PKP CARGO Group; this provision applies accordingly to persons or entities closely related to such Management Board Member or Supervisory Board Member;  
or
  - b) the personal interests of a Management Board Member or a Supervisory Board Member remain divergent with the interests of the Company or the PKP CARGO Group; this provision applies accordingly to persons or entities closely related to such Management Board Member or Supervisory Board Member.
3. A Management Board Member or a Supervisory Board Member who has acquired knowledge or suspicion of a conflict of interest pertaining to the Policy involving himself or herself or any other Management Board Member or Supervisory Board Member is required to promptly notify the Supervisory Board Chairperson (when the conflict of interest concerns a Supervisory Board Member) or the President of the Management Board (when the conflict of interest concerns a Management Board Member). If the situation referred to in the preceding sentence concerns the President of the Management Board or the Chairperson of the Supervisory Board, such Management Board Member or Supervisory Board Member shall notify other Management Board Members (when the conflict of interest concerns the President of the Management Board) or other Supervisory Board Members (when the conflict of interest concerns the Chairperson of the Supervisory Board), as the case may be, about his or her acquired knowledge or suspicion.
4. In the event of a conflict of interest situation, the persons concerned are required to comply with the relevant regulations adopted by the Company, including those laid down in the Bylaws of the Supervisory Board or the Bylaws of the Management Board.
5. If the Supervisory Board or the Management Board receives the information referred to in sec. 3, the Supervisory Board or the Management Board, as the case may be, shall verify such information and take actions aimed at removing the conflict of interest.

## **§8**

### **Waiver of the Compensation Policy**

1. If it is necessary for the pursuit of the Company's long-term interests or financial stability or to guarantee its profitability, a temporary waiver of the provisions of the Policy ("**Waiver**") may be applied for important reasons.
2. A decision about a Waiver, at its own initiative or at the request of the Management Board, shall be made by the Supervisory Board in consultation with the Nomination Committee.
3. The grounds for a Waiver include, in particular, the need to take extraordinary actions aimed at maintaining or regaining the Company's ability to fulfill its financial obligations that are due and payable.
4. In a resolution on the application of a Waiver, the Supervisory Board shall specify in particular:
  - a) the duration of the Waiver,
  - b) the elements of the Policy covered by the Waiver,
  - c) the grounds justifying the need to apply the Waiver.
5. Each case of a Waiver shall be disclosed in the Report along with a description of the reasons for its application and the elements of the Policy covered by the Waiver.
6. No Waiver may be applied to the elements of the Policy specified in § 2 sec. 3.

## **§9**

### **Report**

1. The Report shall be prepared by the Supervisory Board following the end of each financial year; the first Report shall be prepared jointly for the financial years 2019 and 2020.
2. Supervisory Board Members shall be responsible for the information included in the Report.

3. The Supervisory Board shall prepare the Report within a time limit enabling a review of the Report by an auditor and the inclusion of an item in the agenda of the Ordinary Shareholder Meeting providing for the adoption of a resolution expressing an opinion about the Report.
4. A mandatory submission of the Report for the auditor's review shall take place within the framework of the audit of the financial statements. The Management Board shall ensure that the review of the Report is included in the scope of the contract with the audit firm hired to audit the financial statements for the respective financial year.
5. The Company shall provide the Report during the period and in accordance with the terms provided for in the Act.

**§10**  
**Miscellaneous**

1. Any update to the Policy shall require a resolution of the Shareholder Meeting.
2. A resolution on updates to the Policy shall be adopted by the Shareholder Meeting at least once every 4 years.
3. The Company shall publish the Policy and updates on its website promptly after its adoption by the Shareholder Meeting. In the event of an update to the Policy, the new wording shall contain a description of all material changes made to the previous version of the Policy along with a description of the manner in which the resolution of the Shareholder Meeting expressing an opinion about the Report has been taken into account.
4. The draft of this Policy has been adopted by the Management Board and approved by the Supervisory Board in consideration of the recommendations provided by the Nomination Committee.
5. The Compensation Policy adopted by the Company has not changed significantly from the rules governing compensation of Management Board Members and Supervisory Board Members which were in force before its entry into force.