

REPORT ON THE REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF EUROCASH S.A.

The report on the remuneration of the members of the Management Board and the Supervisory Board of Eurocash S.A. (hereinafter referred to as "Eurocash" or "the Company") was drawn up on the basis of:

- (i) Article 90g of the Pond of 29 July 2005 on the public offer and conditions for the introduction of financial instruments into an organised trading venue and on public companies;
- (ii) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of shareholders to engage in the long term.

The rules for the remuneration of the members of the Management Board and the Supervisory Board of Eurocash S.A. Are laid down in the Remuneration Policy of the Members of the Management Board and the Supervisory Board of Eurocash S.A. adopted by resolution of the Ordinary General Meeting of 25 August 2020.

1. The amount of the total remuneration broken down by component referred to in Article 90d sec. 3 p.1 and the proportions between those components of remuneration

Information on remuneration in 2019 and 2020

The remuneration of the members of the Management Board of the Company consists of fixed remuneration, variable remuneration and supplementary benefits.

Fixed remuneration is received in connection with the employment of members of the Management Board at Eurocash S.A. as well as in connection with the performing a function in the Management Boards in other companies belonging to the Eurocash Group. This fixed remuneration model was introduced from September 2019, which is why the statements covering the years 2019 and 2020 show the difference in the distribution of fixed remuneration received in Eurocash S.A. and the related companies. Other cash benefits included amounts received by members of the Management Board as part of car for business and private use, a package of medical care for members of the Management Board and their families, supplementary life insurance, civil liability insurance.

Two members of the Management Board shall also be reimbursed for travel expenses to their habitual residence

The variable part of the remuneration of the members of the Management Board in the form of an annual bonus depends on the level of implementation of the Company's budget and the achievement by individual members of the Management Board of additional annual objectives set for them separately. The objectives set for each evaluation period are both qualitative and quantitative and relate to the Company's objectives set out in the annual budget.

The remuneration of members of the Supervisory Board consists exclusively of fixed remuneration fixed at a fixed annual rate, payable on a quarterly basis. Between 2019 and 2020, there were changes in the composition of the Supervisory Board, which is why some members of the Supervisory Board received a salary proportional to the term of office in a given calendar year.

Table 1 - Remuneration of Management Board members in 2019

Name	Fixed salary at Eurocash S.A. (PLN)	Other cash benefits at Eurocash S.A. (PLN)	Other cash benefits at Eurocash S.A. (travel expenses) (PLN)	Variable remuneration at Eurocash S.A. (annual bonus) (PLN)	Total salary in Eurocash S.A. (PLN)	Fixed remuneration in other entities belonging to the Eurocash S.A. Capital Group (PLN)	Total remuneration in the Eurocash S.A. Capital Group (PLN)	Ratio between variable and fixed remuneration in Eurocash S.A. Capital Group (columns B, D,F/C)
	Until	B	C	D	That	F	G	H
Luis Amaral	480 000,00	17 316,24	936 870,00	0,00	1 434 186,24	0,00	1 434 186,24	0%
Rui Amaral	1 300 000,00	17 316,24	255 510,00	500 000,00	2 072 826,24	440 000,00	2 512 826,24	25%
Arnaldo Guerreiro	855 000,00	28 836,24	0,00	0,00	883 836,24	300 000,00	1 183 836,24	0%
Pedro Martinho	950 000,00	28 836,24	0,00	0,00	978 836,24	340 000,00	1 318 836,24	0%
Katarzyna Kopaczewska	840 000,00	17 316,24	0,00	0,00	857 316,24	300 000,00	1 157 316,24	0%
Jacek Owczarek	870 000,00	29 658,34	0,00	0,00	899 658,34	300 000,00	1 199 658,34	0%
Przemysław Ciał	675 000,00	31 500,50	0,00	0,00	706 500,50	240 000,00	946 500,50	0%

Table 2 - Remuneration of Management Board members in 2020

Name	Fixed salary at Eurocash S.A. (PLN)	Other cash benefits at Eurocash S.A. (PLN)	Other cash benefits at Eurocash S.A. (travel expenses) (PLN)	Variable remuneration at Eurocash S.A. (annual bonus) (PLN)	Total salary in Eurocash S.A. (PLN)	Fixed remuneration in other entities belonging to the Eurocash S.A. Capital Group (PLN)	Total remuneration in the Eurocash S.A. Capital Group (PLN)	Ratio between variable and fixed remuneration in Eurocash S.A. Capital Group (columns A,B,C,F/D)
	Until	B	C	D	That	F	G	H
Luis Amaral	332 000,00	17 357,00	1 015 256,00	0,00	1 364 613,00	0,00	1 364 613,00	0%
Rui Amaral	480 000,00	17 600,00	276 888,00	1 800 000,00	2 574 488,00	1 270 000,00	3 844 488,00	88%
Arnaldo Guerreiro	300 000,00	28 943,00	0,00	600 000,00	928 943,00	900 000,00	1 828 943,00	49%
Pedro Martinho	300 000,00	29 153,00	0,00	0,00	329 153,00	898 000,00	1 227 153,00	0%
Katarzyna Kopaczewska	300 000,00	17 357,00	0,00	600 000,00	917 357,00	900 000,00	1 817 357,00	49%
Jacek Owczarek	300 000,00	43 777,00	0,00	660 000,00	1 003 777,00	900 000,00	1 903 777,00	53%
Przemysław Ciał	240 000,00	42 438,00	0,00	480 000,00	762 438,00	690 000,00	1 452 438,00	49%
Noel Collett	480 000,00	46 958,00	0,00	480 000,00	1 006 958,00	720 000,00	1 726 958,00	38%

Table 3 - Remuneration of Supervisory Board members in 2019

Name	Fixed salary at Eurocash S.A. (PLN)
Renato Arie	140 632,75
Jacek Sz wajcowski	76 535,54
Francisco José Valente Hipólito dos Santos	216 583,75
Hans Joachim Koerber	216 583,75
Jorge Mora	140 632,75
Ewald Raben	140 632,75
Joao Borges de Assuncao	76 534,75
Alice Kornasiewicz	76 535,54

Table 4 - Remuneration of supervisory board members in 2020

Name	Fixed salary at Eurocash S.A. (PLN)
Renato Arie	225 610,00
Przemysław Budkowski	44 167,46
Francisco José Valente Hipólito dos Santos	225 610,00
Hans Joachim Koerber	225 610,00
Jorge Mora	225 610,00
Ewald Raben	181 443,00

2. Clarification of how the total remuneration is consistent with the remuneration policy adopted, including how it contributes to the company's long-term performance.

The company's Remuneration Policy is intended to m.in:

- a) ensuring the employment of highly qualified managers involved in the implementation of the company's and group's business strategy and the achievement of the assumed business goals, long-term interests, including an increase in the market value of shares;
- b) the creation of a sustainable and competitive remuneration system, based on transparent rules for its determination and criteria taking into account the Company's financial results.

The level of remuneration of the Members of the Management Board and the Supervisory Board in 2019 and 2020 was adequate to ensure the possibility of obtaining and maintaining an adequate level of motivation of persons with the highest competences, which are necessary for the optimal management and supervision of the Company. The amount of the fixed and variable remuneration corresponded both to the competence, experience and to the tasks of individuals and the related responsibilities.

3. Information on how the performance criteria have been applied

The variable part of the remuneration of the members of the Management Board in the form of an annual bonus depends on the level of implementation of the Company's budget. Two basic principles are introduced:

- (a) the bonus is paid on the basis of a decision of the Supervisory Board based on an assessment of the achievement of the objectives set out in the approved budget of the Company,
- (b) at the beginning of each year, a budget is set for bonuses related to the implementation of the Company's budget.

In order to be eligible for a bonus, a Member of the Management Board must also pursue the additional objectives set for him or her. The objectives set for each evaluation period are both qualitative and quantitative and relate to the Company's objectives set out in the annual budget.

In 2019 Eurocash S.A. implemented its budget and therefore the members of the Management Board were entitled to an annual bonus of the amount obtained as a result of the evaluation of the achievement of the annual ranking goals (Top performer – 12 monthly salary, Performer – 6 monthly salary, Low performer – no bonus). The bonus for 2019 was paid in 2020.

In 2020, in order to better prepare the Company for challenges and opportunities during the uncertain period of operation of the economy during Covid-19 epidemic, the Company implemented a cost-cutting process, in connection with which all members of the Management Board expressed their willingness to participate in cost reductions and proposed the suspension of the bonus program for Board Members covering m.in. annual bonuses for 2020, in addition, the Chairman of the Management Board proposed to reduce his gross monthly salary to PLN 3000, by the end of 2021.

4. Information on the change, on an annual basis, of the remuneration, performance of the company and of the average remuneration of its employees who are not members of the management or supervisory board during at least the last five financial years, on a cumulative basis, in such a way as to make it possible to compare

Table 1 – Comparison of the remuneration of members of the Management Board on an annual basis

	2016	2017	2018	2019	2020
Luis Amaral	735 301	497 437	497 316	1 434 186	1 364 613
Change		-237 864	-121	936 870	-69 573
change in %		-32%	0%	188%	-5%
Rui Amaral	2 088 833	2 669 857	1 577 736	2 512 826	3 844 488
Change		581 024	-1 092 121	935 090	1 331 662
change in %		28%	-41%	59%	53%
Arnaldo Guerreiro	1 407 478	1 405 957	1 048 836	1 183 836	1 828 943
Change		-1 521	-357 121	135 000	645 107
change in %		0%	-25%	13%	54%
Pedro Martinez	1 230 768	1 229 402	1 229 326	1 318 836	1 227 153
Change		-1 366	-76	89 510	-91 683

change in %		0%	0%	7%	-7%
Katarzyna Kopaczewska	1 318 027	1 148 437	977 316	1 157 316	1 817 357
Change		-169 590	-171 121	180 000	660 041
change in %		-13%	-15%	18%	57%
Jacek Owczarek	1 366 478	1 449 062	1 108 836	1 199 658	1 903 777
Change		82 584	-340 226	90 822	704 119
change in %		6%	-23%	8%	59%
Przemysław Ciaś		1 033 370	810 302	946 501	1 452 438
Change			-223 068	136 199	505 938
change in %			-22%	17%	53%
Noel Collett					1 726 958
Change					
change in %					

(Disclaimer – the remuneration of the members of the Management Board of Luis Amaral and Rui Amaral for the period 2016-2018 does not take into account the reimbursement of travel expenses to the place of residence, which affects the amount of the difference between the remuneration for 2019 and 2018)

Table 2.

Financial results of Eurocash S.A. and eurocash group during the last five financial years

	2016	2017	2018	2019	2020
Gross profit of the Group	235 918 759,32	20 312 674,24	155 551 249,52	113 422 815,89	107 920 830,26
change in million		-215 606 085,08	135 238 575,28	-42 128 433,63	-5 501 985,63
change in %		-91%	666%	-27%	-5%
Group net profit	190 016 746,50	-29 559 705,11	111 652 270,32	79 125 592,65	68 073 609,38
change in million		-219 576 451,61	141 211 975,43	-32 526 677,67	-11 051 983,27
change in %		-116%	-478%	-29%	-14%
Gross profit of EC S.A.	125 010 194,26	-29 745 444,74	194 006 583,49	207 878 033,50	161 733 187,08
change in million		-154 755 639,00	223 752 028,23	13 871 450,01	-46 144 846,43
change in %		-124%	-752%	7%	-22%
Net profit of EC S.A.	102 614 073,31	-71 713 088,16	149 621 055,49	174 612 455,12	128 935 032,58
change in million		-174 327 161,47	221 334 143,65	24 991 399,63	-45 677 422,54
change in %		-170%	-309%	17%	-26%

Table 3

Average salary of employees employed on an employment contract at Eurocash S.A. in 2016-2020

Year	Average salary (without management) (PLN)	Increase in average salary year-on-year (without board)
2016	4 449,63	
2017	4 926,65	11%
2018	5 319,02	8%
2019	5 650,36	6%
2020	5 990,20	6%

5. Amount of remuneration from entities belonging to the same group within the meaning of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351, 1495, 1571, 1655 and 1680 and 2020, item 568)

The amount of remuneration received by the Members of the Management Board from entities belonging to the Eurocash Group is indicated in column F of the table set out in point 1 above.

6. Number of financial instruments awarded or offered and main conditions for exercising the rights of those instruments, including the price and date of implementation and their amendment

In 2019 and 2020, neither the members of the Management Board nor the Supervisory Board were granted or offered financial instruments

7. Information on how to use the possibility to request reimbursement of variable remuneration components

The Remuneration Policy does not, as a general rule, provide for the possibility for the Company to demand reimbursement of paid variable remuneration components unless exceptional circumstances arise. In 2019 and 2020, there were no circumstances justifying the request for reimbursement of the variable remuneration components paid and the Company did not make use of this possibility.

8. Information on deviations from the procedure for implementing remuneration policies and derogations applied in accordance with Article 90f, including an explanation of the conditions and procedures, and an indication of the elements from which derogations have been applied.

In accordance with the Remuneration Policy adopted on 25 August 2020, it may only be waived if this is necessary to pursue the long-term interests and financial stability of the Company or to guarantee its viability. In 2020, in the absence of any conditions, the Supervisory Board did not decide to de-apply the adopted Remuneration Policy.

Conclusions:

The Supervisory Board has reviewed the remuneration and other benefits received by individual members of the Management Board and the Supervisory Board for compliance with the applicable Remuneration Policy and concludes that:

1. remuneration and other benefits paid to members of the Management Board and the Supervisory Board comply with the applicable Remuneration Policy and comply with the requirements laid down by law,
2. the current Remuneration Policy is an effective tool for managing remuneration and enables a flexible policy for the allocation of variable remuneration components.