

REMUNERATION POLICY FOR MANAGEMENT AND SUPERVISORY BOARD MEMBERS OF EUROCASH S.A.

The growth of Eurocash S.A. and of the Eurocash Group necessitates that top class specialists are engaged and their remuneration is related to the business goals and the increase in the value of Eurocash S.A. financial instruments.

I. GENERAL PROVISIONS

§1

1. The remuneration policy for the Management and Supervisory Board members of Eurocash S.A. (hereinafter: the “**Company**”) underlies the principles of remunerating the members of the Company’s collective bodies, that is members of the Management Board and of the Supervisory Board.
2. This Remuneration Policy is aimed to:
 - a) ensure engagement of highly qualified managers committed to performance of the Company’s and the Group’s business strategy and to reaching the assumed business goals and long-term interests, including increase in the market value of shares;
 - b) create a balanced and competitive remuneration system based on transparent principles and on criteria which factor in the financial results of the Company;
 - c) ensure higher corporate transparency and the ability to hold the Management Board members to account, and also ensure improved shareholder supervision over their remuneration, which is indispensable for the shareholders to exercise their rights and to get engaged;
 - d) set up the procedure for establishing, implementing and reviewing the Remuneration Policy.
3. The Remuneration Policy has been developed on the basis of:
 - a) The Act of 29 July 2005 on Public Offer and Conditions of Introduction of Financial Instruments to Organized Trading System and on Public Companies (the “**Act**”);
 - b) 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 long-term shareholder engagement;
 - c) Good Practices of Companies Listed on the WSE 2016;
 - d) The Company Statutes (the “**Statutes**”).

II. ADOPTION AND MODIFICATIONS TO REMUNERATION POLICY

§ 2

1. Members of the Company’s Management Board are responsible for the development, introduction and implementation of the Remuneration Policy, and for modifications thereto.
2. Draft Remuneration Policy and modifications thereto are subject to the opinion of the Remuneration Committee of the Supervisory Board, approval of the Supervisory Board and are adopted by a resolution of the General Meeting.

3. The Supervisory Board is authorized to describe certain elements of the Remuneration Policy in more detail, including:
 - a) the principles of establishing and the amounts of the fixed and variable components of remuneration, bonuses and other benefits in cash or in kind;
 - b) the criteria for granting the variable remuneration components, bonuses and incentive schemes, and specifically for establishing the periods after which the Company Management Board members may obtain the entitlement to be remunerated in the form of financial instruments, and the principles of disposal thereof;
 - c) establishing the vesting periods.

III. ASSUMPTIONS OF REMUNERATION POLICY

§ 3

The Remuneration Policy of the Company was prepared on the basis of the following assumptions:

1. The Remuneration Policy was developed and determined taking into account the principles of competitiveness of remuneration with regard to remuneration levels on equivalent positions in the retail and FMCG sectors, in companies having a similar business profile and companies listed on the stock exchange in the WIG 30 group.
2. The remuneration level of the Management Board and the Supervisory Board Members should be adequate to allow the Company to generate, uphold and retain adequate motivation of people with top qualifications required for optimum management and supervision of the Company. The level of both fixed and variable remuneration should be adequate for the skills, expertise and the scope of responsibilities of the individual persons and for the ensuing responsibility.
3. The terms of granting variable remuneration and incentive schemes whereunder the financial and business results of the Company and the reaching of strategic and individual goals are of key significance for the amounts of individual bonuses, represent the key constituent of the system whose purpose is to commit the Management Board Members to implementation of business goals of the Company, and also ensure their participation in the Company's profits.
4. Incentive schemes may create additional incentive mechanisms for the managers and key employees of the companies in the Eurocash S.A. Group, enhancing their implementation of medium-term strategic goals and creation of value for the shareholders. The offer of shares under incentive schemes may, in particular, depend on the reaching of predetermined goals consisting in sales increase or operating profit increase. Additionally, given the specific features of the Eurocash Group operations and focusing on the development strategy on acquisitions of other entities in the retail and FMCG industries, the application of incentive schemes may become dependent on reaching additional medium-term goals related to sales increase, operating profit increase or increase in shares prices on the stock exchange *Giełda Papierów Wartościowych w Warszawie S.A.* Defining an increase in the shares prices as one of the goals will make it possible to take account of the long term effects of potential acquisitions of other entities, should such effects not be reflected in the Company's financial results but should the long term effects be discounted in the prices of the shares in Eurocash.

5. The Company took into account the terms of work and compensation of the Company employees other than the Management Board members in process of establishing the Remuneration Policy by referring to these conditions and taking into account the principles of remuneration applicable to employees of other members of the Management Board in principles of remuneration of the Management Board members. The bonus system applicable to the Management Board members is analogous to that applicable to other employees of the Company and is based on the same evaluation criteria. The incentive schemes active in the Company may provide for goals and joint bonus pool attributable to the Management Board members, the managers and persons of key significance for the operations of the Company and of the Eurocash Group and may offer a scenario for outstanding employees to take up shares in the Company under such scheme. The purpose of such schemes is to have the Management Board members, the managers and the Company share the same business goals.
6. The Company has implemented a decision making process to prepare and implement the Remuneration Policy which that included:
 - 6.1. verification of the applicable principles of remuneration and cooperation with members of the Management Board and Supervisory Board,
 - 6.2. an analysis of whether the remuneration paid according to the current rules meet the objectives set out in § 3 above,
 - 6.3. exchange of information and cooperation between the Supervisory Board and the Management Board in order to jointly develop the Remuneration Policy,
 - 6.4. submission of the Remuneration Policy to a vote by the General Meeting.
7. Periodic verification of the Remuneration Policy is carried out as part of the cooperation of the Company's bodies, i.e. the Management Board, Supervisory Board and the General Meeting.
 - 7.1 The Management Board of the Company carries out a periodical analysis of how the assumptions of the Remuneration Policy are implemented and presents the suggested modifications and the related projects to the Remuneration Committee of the Supervisory Board. The Remuneration Committee of the Supervisory Board is authorized to submit drafts of modifications to the Remuneration Policy.
 - 7.2 The Remuneration Committee of the Supervisory Board carries out periodical evaluations of the principles governing remuneration of the Management Board members and takes account of them when recommending to the Supervisory Board to determine the remuneration amounts and awarding additional benefits to the individual members of the Management Board.
 - 7.3 Every year the Remuneration Committee of the Supervisory Board verifies and evaluates the degree and adequacy of implementation of the Remuneration Policy and presents the results of the assessment to the Supervisory Board for approval.. The evaluation is included in the Report submitted by the Supervisory Board to the General Meeting. The General Meeting adopts and modifies the Remuneration Policy and adopts a resolution containing an opinion on the Report.
8. The Remuneration Policy is a continuation of the principles of remunerating of the Management Board and Supervisory Board members adopted and used by the Company so far.
9. The Company has taken measures to avoid conflicts of interest, understood as situations in which decisions of an employee, associate or member of the Company's bodies are made taking into

account their own, personal or financial interests or the interests of another person or entity, in particular a competitive one, while the decisions such are or even may be contrary to the interests of the Company, and to manage conflicts of interest in the form of:

- a) development and implementation of internal procedures for managing conflicts of interest,
- b) training employees, the Management Board members and Supervisory Board in the field of conflict of interest management,
- (c) implementation of management processes for the reporting and resolution of conflicts of interest.

IV. TERMS OF EMPLOYMENT OF COMPANY AUTHORITIES' MEMBERS

§ 4

1. Unless, due to special circumstances, the Supervisory Board decides otherwise the Company employs Management Board members pursuant to open-ended employment contracts. The contracts provide for a notice period of 12 months and a compensation for termination of the employment contract. Members of the Company's Management Board may also act as Management Board Members in subsidiaries belonging to Eurocash Group, receiving remuneration for performing such duties.
2. The Supervisory Board may decide that a non-competition obligation be introduced to an employment contract with a Management Board member prohibiting competitive activities following termination of the Management Board member function and providing for an adequate compensation in this respect. The contract with a Management Board member may provide for a refund of expenses related to the function.
3. The Company does not employ Supervisory Board members pursuant to employment contracts or on another basis. The remuneration of the Supervisory Board members is established by the General Meeting in a resolution.
4. The Supervisory Board members are appointed for a joint term of office of three years. Removal of a Supervisory Board member is only effective when a new Supervisory Board is concurrently appointed.

V. REMUNERATION OF COMPANY AUTHORITIES' MEMBERS

§ 5

1. Remuneration of the Management Board and the Supervisory Board members is established and paid in accordance with the Remuneration Policy.
2. Terms of remunerating and the amount of remuneration are established separately for the Company's Management Board members and for the Company's Supervisory Board members.
3. Remuneration of the Management Board members is composed of fixed remuneration, variable remuneration and additional benefits.
4. Remuneration of the Supervisory Board members is composed only of fixed remuneration established at a fixed annual rate, payable quarterly.

§ 6

1. The amount of the fixed remuneration of Management Board members is established in a Supervisory Board resolution on the basis of such criteria as qualifications, expertise, scope of responsibilities and accountability of the Management Board member, in line with the principles on remuneration competition as set forth in item 3.2. above.
2. The amount of remuneration of the Supervisory Board members is established in a General Meeting resolution. The remuneration of a Supervisory Board member takes account of the scope of accountability of a member of the Supervisory Board of a listed company, and also of the degree of the required engagement of the Board member in the performance of his/her duties. The fixed remuneration of the Supervisory Board Chairman and of the Supervisory Board members may be set at various rates.

§ 7

1. The variable part of the Management Board members' remuneration, which takes the form of an annual bonus, depends on the degree of implementation of the Company budget.
2. The purpose of the bonus system is to link management of the Company with the shareholders' and investors' interests. This is how the Company promotes added value for the Company, evaluated from the perspective of the benefits gained by the shareholder and by the investor. Two basic limitations are introduced:
 - (a) the bonus is paid on the basis of a decision of the Supervisory Board made as a result of the assessment of the delivery of the goals defined in the approved Company budget;
 - (b) at the beginning of each year a budget is adopted for bonuses related to the Company budget.
3. To be eligible for the bonus, the Management Board member has to additionally deliver other goals, that were set for him/her individually. The goals set for every appraisal period are both qualitative and quantitative and refer to the Company goals set forth in the annual budget.
4. The bonus budget referred to in item (b) above is broken down into groups in which the executive committee members' share (the composition of the executive committee is: the management board and selected managers holding key positions) cannot exceed 50% of the total bonus budget in the Company. The decision on the distribution of this amount needs to be made in compliance with detailed principles. This appraisal system is well-established at the Company, as a result of which clear-cut procedures to establish the efficiency level reached in every instance are known and applied.
5. If extraordinary results are reached, the bonus budget of the Company may be increased. The Supervisory Board may then establish more flexible principles of bonus distribution to appropriately reflect the reasons of such extraordinary results.
6. Delivery of goals is evaluated after completion of an appraisal period. The date of bonus payment should relate to the publication of the financial results and as far as the annual bonus goes – to the completion of audit of consolidated and individual financial statements of the Company for the financial year representing the bonus year. Accordingly, the annual bonus is paid not later than in May of the year following the year under appraisal.

7. The variable part of the remuneration of the Management Board members in the form of an annual bonus may amount up to 150% of the fixed annual remuneration of a of the Management Board member, depending on his individual results, the Company's results and the results of the Eurocash Group.
8. In special cases (such as, for example: implementation of a distinctively significant strategic project, or special contribution to the implementation of the Company's strategic goals or financial results) the Supervisory Board may award a Management Board member a discretionary additional annual bonus of up to 100% of such Management Board member's fixed remuneration.
9. The Remuneration Policy does not provide for periods of deferral in bonus payment or for a demand by the Company of a refund of the bonuses already paid out unless extraordinary circumstances occur. In the event of such extraordinary circumstances, the payment of the bonus may be deferred by up to 12 months.

§ 8

1. The variable part of the Management Board members' remuneration in the form of a bonus for implementation of the 3-year financial plan depends on the implementation level of the adopted Company budget and the defined aggregated EBIT level for 3 consecutive calendar years (the "Long-term Bonus"). The Long-term Bonus may also be awarded to other key employees of the Company.
2. The aim of introducing the Long-term Bonus is to link the remuneration of the Management Board members and of the managers with long term Company growth and the implementation of the Company's strategic goals, which will lead to long-term advantages to the investors and shareholders.
3. The condition for the granting of the Long-term Bonus, in addition to the implementation of the adopted Company budgets for 3 consecutive calendar years is to have EBIT increase by at least 10% per annum during that period.
4. If in any of these years EBIT does not increase by the assumed 10%, however, the aggregate EBIT increase for the 3 consecutive calendar years is achieved, the Supervisory Board may grant a Management Board member a portion of the Long-term Bonus pro rata to the number of years in which the assumed EBIT was reached.
5. The amount of the Long-term Bonus of a Management Board member cannot exceed 150% of his/her annual fixed remuneration.

§ 9

1. Members of the Management Board may be granted the right to additional benefits in the form of the right (option) to shares issued by the Company as part of incentive schemes (hereinafter, "Incentive and Bonus Schemes" or "Schemes") adopted by the General Meeting.
2. The schemes are designated for managers, officers and persons of key significance for the operations of the Company and of the Eurocash Group.
3. Incentive and Bonus Schemes grant the right to take up Company shares, provided that specified financial parameters are met, and in particular:

- 3.1. a sales increase (both organic and via sales agents) – being a material factor improving the Group's competitiveness in the long run. A sales increase makes it possible for the Company value to grow by implementing economy of scales and synergies. To take account of the results derived from the possible acquisition transactions, it is also suggested to follow a scenario where medium-term sales increase is also considered;
- 3.2. an operating profit increase – reflecting improved profitability, which may be affected by the sales increase, actual acquisitions or improved cost efficiency. The operating profit figure may vary in consequence of one-off transactions, therefore the Schemes allow for an approach recognizing a medium-term operating profit increase; and
- 3.3. an increase in the Company shares listings on the stock exchange *Gielda Papierów Wartościowych w Warszawie S.A.* - accounts for future results which is specifically significant when value is created via acquisition transactions. Acquisitions of other entities on the FMCG market and active participation in the consolidation of the market are the major components of the Eurocash Group growth strategy. For this reason, the increase in shares prices related with the implementation of the growth strategy of the Eurocash Group should be included in the incentive scheme for the managers and key employees of the Eurocash Group.
4. The Schemes are to give rise to additional incentive mechanisms. The participants should, in principle, remain employed with the Eurocash Group for at least 3 years. The financial advantages from the participation in the Incentive and Bonus Schemes should relate to the increase in shares prices and result from the difference between the price of acquisition and the market price of shares. This will contribute to stimulating a constant improvement in the management system of the Company's Group which, in the long run, should positively alter the financial results of the Company's Group and the pricing of its shares on the stock exchange *Gielda Papierów Wartościowych w Warszawie S.A.*
5. The Supervisory Board may eliminate certain Management Board members from the Scheme if this enhances the implementation of the Company's strategy.
6. The Supervisory Board members cannot participate in the Schemes.

§ 10

1. The Management Board members may be assigned additional benefits, such as:
 - 1.1. a business car for business and private use;
 - 1.2. a personal computer and business phone;
 - 1.3. a medical care package for the Management Board member and his/her immediate family, following the Company policy;
 - 1.4. additional life insurance;
 - 1.5. accommodation provided by the employer when the permanent place of work is at a significant distance from the permanent place of residence;
 - 1.6. training courses financed by the Company;
 - 1.7. liability insurance for company authorities;
 - 1.8. other benefits granted to all the employees under the regulations applicable at Company.
2. The Management Board members may be members of the Employee Pension Plan on the same terms with all other employees.

VI. TEMPORARY DEPARTURE FROM THE REMUNERATION POLICY

§ 11

1. Upon request of the Management Board justified with extraordinary circumstances set forth in point 3 below, the Supervisory Board may decide that a temporary departure from the application of the Remuneration Policy is required.
2. Departure from the Remuneration Policy is only possible if it is required for the long-term interests and financial stability of the Company or to secure its profitability.
3. The reasons allowing for a temporary departure from the Remuneration Policy are in particular:
 - 3.1. a significant decrease in the Company's EBIDTA throughout a period exceeding one year;
 - 3.2. a significant decrease in the average market price of the Company shares in regulated trading; during at least one quarter of a year;
 - 3.3. changes in the market or regulatory environment which may negatively impact the economic or financial position of the Company or its outlook.
4. Departure from the Remuneration Policy may apply to both the Fixed Remuneration and the variable remuneration.
5. Departure from the Remuneration Policy requires a resolution of the Supervisory Board.
6. The Departure may last no longer than 1 year.

VII. REPORTING ON REMUNERATION

§ 12

1. The Supervisory Board prepares an annual Report containing all information required under Art. 90 g of the Act, which Report is submitted to the General Meeting.
2. The General Meeting expresses its opinion on the Report in a resolution. The General Meeting has only advisory capacity with regard to the Report.
3. The Report of the Supervisory Board should contain a review of fixed and variable remuneration, including all benefits granted to the individual Management Board and Supervisory Board members, regardless of the form in which they were granted, paid out or were due in accordance with the Remuneration Policy in the recent financial year.
4. The Supervisory Board resolution should provide information on the manner of implementation of the General Meeting's resolution expressing opinion on the Report for the previous financial year.
5. Members of the Supervisory Board are responsible for the information contained in the Report.
6. The Report is subject to evaluation by a certified auditor with respect to the information referred to in Art. 90 g of the Act.

VIII. FINAL PROVISIONS

§ 13

1. The Remuneration Policy and the resolution of the General Meeting regarding its adoption, along with the date on which the resolution was adopted and the results of the vote are immediately published on the www page of the Company.
2. The Company publishes the Report immediately on its www page and makes it available free of charge for the period set forth in Art. 90 g Sec. 9 of the Act.
3. Individual internal provisions of the Company shall apply to matters not regulated under the Remuneration Policy, in particular the Statutes and internal by-laws of the General Meeting, the Supervisory Board and the Management Board of the Company, and also contracts with the Management Board members.

§ 14

The Remuneration Policy becomes effective as of 25 August 2020 and should be applied to establish the terms and amounts of remuneration for the Company's Authorities' members as of its effective date.