

## **REMUNERATION POLICY FOR MEMBERS OF THE SUPERVISORY BODY AND THE MANAGEMENT BODY OF LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA**

### **Recitals**

This Remuneration Policy for Members of the Supervisory Body and the Management Body of Lubelski Węgiel Bogdanka Spółka Akcyjna (hereinafter "LWB"), hereinafter referred to as the "Policy", has been drawn up in connection with the entry into force on 30 November 2019 of the amendment to the provisions of the Act of 29 July 2005 on Public Offerings and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies and Certain Other Acts (Journal of Laws of 2019, item 623), introducing a number of significant changes for capital market participants.

### **CHAPTER 1. Scope and objectives of the Remuneration Policy for Members of the Supervisory Body and the Management Body of Lubelski Węgiel Bogdanka Spółka Akcyjna**

#### **§1.**

1. This Policy shall apply to the rules of remuneration:
  - a) of members of the supervisory body at Lubelski Węgiel Bogdanka S.A. (Supervisory Board),
  - b) of members of the management body at Lubelski Węgiel Bogdanka S.A. (Management Board),in a way that reflects the link between the implementation of the strategy in force at the LW Bogdanka Group and the remuneration system, as well as the mission and values in the LWB approach to the remuneration system, which:
  - defines the pillars of remuneration, and management of the structure and corporate and organizational processes,
  - defines the structure of remuneration, the level of its various components and the rules for their award,
  - confirms the compliance of the adopted remuneration rules with generally applicable laws,
  - takes into account market practices and approaches to remuneration that ensure the sustainability of the company's operations.
2. The solutions adopted in the Policy have been established to contribute to the realization of the business strategy, long-term interests and stability of LWB and its development, which is to be fostered in particular by the amount, principles and structure of the remuneration of Management Board members and Supervisory Board members, as well as by taking into account the current financial standing of LWB when awarding them.
3. The basic principle of the Policy is to ensure the competitive level and efficiency of remuneration, as well as its transparency depending on the recorded results. The overall framework of the Policy is designed to ensure consistency of remuneration elements while keeping risk management and long-term strategy in line.
4. LWB pays remuneration to Management Board and Supervisory Board members in accordance with this Policy, taking into account the acts of the Company's statutory bodies exercising their powers under the provisions of the Act of 9 June 2016 on the principles of setting the remuneration of persons managing certain companies.
5. The policy was adopted taking into account the financial standing of LWB.
6. In determining the content of this Policy, the terms and conditions of work and pay of the company's employees other than Management Board and Supervisory Board members were taken into account by setting them in such a way that takes into account the division of remuneration into a fixed part and a variable part, as well as linking the variable part of

remuneration to the level of achievement of objectives/tasks. The objectives set for implementation by Management Board members for a given year are then cascaded to the LW Bogdanka Group companies and the employees of LWB.

## **CHAPTER 2. Description of the decision-making process carried out to establish, implement and review the remuneration policy**

### **§1.**

1. The draft Policy shall be prepared by the Management Board and submitted to the Supervisory Board for its opinion and amendments, if any. Subsequently, the Management Board presents the draft Policy, which it has developed and which has been submitted to opinion to the Supervisory Board, to the Shareholder Meeting.
2. In developing the Policy, the Management Board shall be guided by generally applicable laws and market practices.
3. The final version of the Policy shall be adopted by the Shareholder Meeting by way of resolution.
4. A resolution on the Policy shall be adopted at least every four years.
5. An amendment to the Policy shall require adoption by way of resolution by the Shareholder Meeting.
6. If the need to amend the Policy is identified within less than four years from the adoption of the last amendment, the Management Board shall develop a proposal for amendment and submit the draft to the Supervisory Board for its opinion and amendments, if any. The Management Board shall submit the draft Policy to the Shareholder Meeting with the Supervisory Board's opinion. The Supervisory Board may, on its own initiative, request the Shareholder Meeting to amend the Policy.
7. LWB shall immediately post the Policy and the Shareholder Meeting resolution on the Policy, together with the date of its adoption and the results of the vote, on its website. These documents shall remain available for at least as long as they are applicable.
8. If it is necessary to realize the long-term interests and financial stability of LWB or to guarantee its profitability, the Supervisory Board may decide to temporarily deviate from the Policy by adopting a resolution indicating the manner and scope of deviation from the principles set forth in this Policy.

## **CHAPTER 3. Rules for setting the remuneration of Supervisory Board members**

### **§ 1. General provisions**

1. The Shareholder Meeting shall set, by way of resolution, the remuneration of Supervisory Board members, appropriate to the function performed by the respective Supervisory Board member.
2. LWB does not have additional pension and early retirement programs for Supervisory Board members.
3. LWB does not grant remuneration to Supervisory Board members in the form of financial instruments.

### **§ 2. Rules for the conclusion and termination of contracts with Supervisory Board members**

1. Members of the LWB Supervisory Board shall serve on the basis of appointment within the framework of a 3-year joint term of office. Detailed rules for the appointment of the Supervisory Board shall be contained in the Articles of Association of LWB.
2. The term of office of a Supervisory Board member shall commence upon appointment and expire on the date of the Shareholder Meeting approving the financial statements for the most recent full financial year of discharging his or her function, or else on the date of dismissal, resignation or death of the Supervisory Board member.

### **§ 3. Description of fixed and variable components of remuneration of Supervisory Board members**

1. The remuneration of a LWB Supervisory Board member shall consist exclusively of a fixed part comprising a monthly remuneration (Fixed Remuneration) constituting the product of the basis

of assessment referred to in the Act of 9 June 2016 on the Principles of Remuneration of Persons Managing Certain Companies, account being taken of the detailed provisions defining its value, multiplied by the factor of:

- a) for the Supervisory Board Chairperson - up to 2.75;
  - b) for other Supervisory Board members - up to 2.75.
2. The remuneration of a Supervisory Board member may be increased by up to 10% due to his or her function in the company's supervisory body or participation in a committee functioning within it.
  3. Supervisory Board members shall be entitled to the remuneration referred to in section 1 regardless of the number of meetings convened.
  4. Supervisory Board members shall not be entitled to variable remuneration components (Variable Remuneration).
  5. In connection with the Enea Group's internal regulations on the rules of remuneration in the supervisory bodies of subsidiaries, the designated Enea Group representatives on the Company's Supervisory Board ("Enea Group Representative") shall not be entitled to remuneration for their functions on the Supervisory Board. Enea S.A. shall inform the Company which Supervisory Board members are Enea Group Representatives within the meaning of this section.
  6. If the appointment or dismissal of a Supervisory Board member occurred during a calendar month, the remuneration referred to in section 1 above shall be calculated in proportion to the number of days the member served on the Supervisory Board in that month.
  7. The payment of the above remuneration shall be made by the 10th day of the following month for the previous month of discharging the function.
  8. Remuneration shall not be due for the month in which a Supervisory Board member was not present at any duly convened meeting, and the absence was not excused.
  9. The Supervisory Board shall decide whether a Supervisory Board member's absence from a meeting is excused or unexcused by way of resolution.
  10. The Company shall pay the costs incurred in connection with the performance by Supervisory Board members of the functions entrusted to them.
  11. Pursuant to the provisions of the Personal Income Tax Act, the Company shall calculate and collect advance income tax payments on the remuneration of Supervisory Board members during the year.

## **CHAPTER 4. Rules for setting the remuneration of Management Board members**

### **§ 1. General provisions**

1. Based on a resolution of the Shareholder Meeting, the remuneration of Management Board members is set by the Supervisory Board.
2. The Supervisory Board shall supervise the introduced remuneration regulations insofar as they apply to Management Board members, inter alia verify fulfillment of the criteria and conditions justifying obtaining variable components of remuneration before payment of all or part of such remuneration.
3. LWB does not have additional pension and early retirement programs for Management Board members.
4. LWB shall not grant remuneration to Management Board members in the form of financial instruments.

### **§2. Rules for the conclusion and termination of contracts with Management Board members**

1. Management Board members shall be appointed for a joint term of office, which lasts three years.
2. A Management Board member shall perform his or her function on the basis of a management contract, concluded for the duration of his or her function, with the obligation to provide services in person, regardless of whether he or she act as part of his or her business activity.
3. The content of the contract concluded with a Management Board member shall be determined by the Supervisory Board.

4. The contract referred to in section 2 shall enter into force as of the date indicated in the content of the contract concluded with the Management Board member and shall be concluded for the duration of the Management Board member's term of office.
5. In the event of expiry of the mandate, in particular due to death, dismissal, resignation or expiration of the term of office, the contract referred to in section 2 shall terminate on the last day of office without further action.
6. Each party to the management contract shall have the right to terminate the contract referred to in section 2 with immediate effect in the event of a material breach of the provisions of the contract by the other party, in particular when:
  - a) the Management Board member has committed a crime, as determined by a final court judgment, preventing him or her from performing his or her duties under the contract referred to in section 2;
  - b) through a documented intentional act or omission or neglect of his or her duties, the Management Board member exposes the Company to losses;
  - c) the Management Board member has not obtained the consent of the Supervisory Board to take up a position in the bodies of another commercial company, acquire shares in another commercial company, perform work or provide services for other entities on the basis of an employment contract, mandate contract or any other legal relationship;
  - d) the Company has been in arrears in the payment of the remuneration due without good reason for more than 2 months.
7. Either party shall have the right to terminate the contract for reasons other than those set forth in section 6, with a maximum of 3 (three) months' notice, provided that if during the notice period the event referred to in section 5 occurs resulting in termination of the contract due to cessation of performance of the function, the contract shall be terminated in accordance with section 5.
8. In the event that the Company terminates by notice or otherwise the management contract for reasons other than a material breach by the other party to the contract, the Management Board member may be granted a severance payment in an amount not exceeding 3 (three) times the fixed portion of his or her remuneration, provided that he or she has served for at least 12 (twelve) months prior to the termination of such contract.
9. The severance pay referred to in section 8 shall not be due to the Management Board member in the event of:
  - a) termination by notice or otherwise of, or amendment to, the contract as a result of a change to the function discharged by the Management Board member,
  - b) termination by notice or otherwise of, or amendment to, the contract as a result of an appointment of the Management Board member to a subsequent term of office of the Management Board,
  - c) becoming a member of the management board in a company within the ENEA Group;
  - d) resignation.

### **§ 3. Description of fixed and variable components of remuneration of Management Board members**

1. The total remuneration of a LWB Management Board member shall consist of a fixed part, representing the monthly base salary (Fixed Remuneration), and a variable part, representing the supplementary remuneration for the Company's financial year (Variable Remuneration).
2. The amount of the monthly Fixed Remuneration of Management Board Members shall be determined by the Supervisory Board, taking into account the rules for setting the remuneration adopted by a resolution of the Shareholder Meeting, provided that:
  - a) the fixed remuneration of the President of the Management Board shall be determined in an amount range between seven and fifteen times the base of assessment referred to in the Act of 9 June 2016 on the Principles of Remuneration of Persons Managing Certain Companies, taking into account the detailed provisions defining its value;
  - b) the fixed remuneration of the other Management Board members shall be determined in an amount range between seven and fifteen times the base of assessment referred to in the Act of 9 June 2016 on the Principles of Remuneration of Persons Managing Certain Companies, taking into account the detailed provisions defining its value;

3. The Variable Remuneration of Management Board Member shall depend on the level of the Management Board member's achievement of Management Objectives and may not exceed 100% of the Management Board Member's Fixed Remuneration in the previous financial year.
- 4) The general catalog of Management Objectives shall include:
  - a) achievement or change of the production or sales volume,
  - b) the value of revenues, in particular from sales, from operations, from other operating activities or from financial activities,
  - c) reduction of losses, reduction of management costs or cost of doing business,
  - d) implementation of a strategy or restructuring plan,
  - e) achievement or change of certain indicators, in particular profitability, liquidity, management efficiency or solvency,
  - f) implementation of investments, taking into account, in particular, scale, rate of return, innovation, timeliness of implementation,
  - g) change in the company's market position, calculated as market share or according to other criteria, or relationships with counterparties designated as key according to specified criteria,
  - h) implementation of the personnel policy and the increase in employee engagement."
5. The Supervisory Board shall be authorized to define the details of the Management Objectives and determine the weights of these objectives and objective and measurable criteria for their implementation and evaluation (KPIs), taking into account that:
  - a) the Variable Remuneration shall be paid to the relevant Management Board member upon approval of the Management Board' report on the company's activities and the company's financial statements for the previous financial year and the acknowledgement by the Shareholder Meeting of the fulfilment of duties by the member;
  - b) the criteria for implementation and evaluation of Management Objectives should be clear, comprehensive and diversified in terms of financial and non-financial performance. Non-financial criteria shall take into account, among other things, the public interest and the Company's contribution to environmental protection understood as, among other things:
    - a) implementing community-based or innovative social programs;
    - b) taking measures to prevent the negative effects of coal mining, monitoring them on an ongoing basis, and eliminating them. Within the framework of these criteria, the company carries out a number of tasks related to the protection of the natural environment in mining areas;
    - c) implementing activities that minimize the negative impact of the LW Bogdanka Group's operations on the environment,
    - d) striving for rational management of the environmental resources and raw materials used by the LW Bogdanka Group.The criteria for attainment and evaluation of Management Objectives may relate, in particular, to the level of production for the year, the level of financial performance of the Company/ ENEA Group, and the assessment of cooperation between the Company's Management Board and the Supervisory Board;
  - a) payment of a portion of the Variable Remuneration may be deferred for a period up to 36 months, depending on the fulfillment of the conditions within a certain period of time in accordance with the set Management Objectives, then this portion of the Variable Remuneration may be paid in full or in part at the end of the accounting period;
  - b) the Variable Remuneration shall be recalculated on a pro rata basis, depending on the number of days of provision of services by Management Board members in the respective financial year;
  - c) the Supervisory Board shall determine the fulfillment of the conditions of the Variable Remuneration of individual Management Board members for whom Management Objectives have been set for the given financial year and who served in the financial year, by determining the amount due on the basis of the audited financial statements and other documents depending on the Objectives set.
6. LWB shall have a claim for reimbursement of the Variable Remuneration paid if, after its payment, it is demonstrated that it was awarded to a Management Board member on the basis of data that turned out to be untrue.

7. The expiration of the mandate of the person appraised with respect to the performance of Management Objectives shall not result in the loss of the right to the Variable Remuneration on the terms specified in items 3-5 above, provided, however, that the total time of holding a position in the Company or a position in the management body of a company in the ENEA Group during the financial year being assessed was more than 3 (three) months.
8. The Management Board member may not receive remuneration for discharging the function of a member of the corporate body in the Company's subsidiary in the group within the meaning of Article 4 Item 14 of the Competition and Consumer Protection Act of 16 February 2007.
9. The Supervisory Board shall be authorized to determine the scope and rules for providing the Management Board member with the technical devices and resources constituting the Company's property required to perform the function, and may determine the limits or the methods of setting them for the costs that the Company incurs in connection with provision and use of the devices and resources by the Management Board member for business purposes.
10. The Supervisory Board may enter into a non-compete agreement with a Management Board member effective after termination of his or her function, however such agreement may only be entered into if the member has served on the Management Board for a period of at least 6 months, and the amount of the compensation for each month of the non-compete may not exceed 50% of the monthly fixed remuneration received by the member before termination of his or her function.
11. Entering into a non-compete agreement with a Management Board member after termination of the management contract by notice or otherwise shall not be permitted.
12. The non-compete period may not exceed 6 months after the Management Board member ceases to hold office.
13. In the event of non-performance or improper performance of the non-compete agreement by a Management Board member, he or she shall be required to pay a contractual penalty to the Company, which shall not be less than the amount of the compensation due for the entire non-compete period.

## **CHAPTER 5. Description of measures taken to avoid or manage conflicts of interest related to the remuneration policy**

### **51.**

1. A situation in which there is a real conflict between the private interests of a Management Board member or a Supervisory Board member and his or her business interests, or a situation in which the activities of a Management Board member or Supervisory Board member may adversely affect his or her impartiality or disinterestedness in the future is referred to as a conflict of interest (Conflict of Interest).
2. Prevention of the occurrence of Conflict of Interest with respect to the issues normalized in this Policy is supported by the division of powers in determining the amount of remuneration provided for in Articles 378 and 392 of the Commercial Company Code, taking into account the provisions of Chapters 3 and 4 of this Policy.
3. Management Board members and Supervisory Board members, in connection with their appointment to the management or supervisory body, are required to make representations to the Company to identify likely Conflicts of Interest.
4. If a Management Board member or Supervisory Board member identifies the likelihood of a Conflict of Interest on issues governed by the Policy he or she shall report his or her comments to the Supervisory Board Chairperson. If the Conflict of Interest concerns the Supervisory Board Chairperson, the notification shall be addressed to the Supervisory Board Vice-Chairperson. If a Conflict of Interest is identified, the member of the body shall refrain from taking the floor in the discussion and from participating in the voting on the resolution on the issue in which the Conflict of Interest occurred.
5. An agreement with the Management Board member shall impose an obligation on the member to inform the Management Board of his or her intention to serve in the bodies of another commercial company, to acquire shares in it or to obtain the Supervisory Board's approval for the above actions, and may provide for a prohibition on serving in the bodies of any other commercial company or impose other restrictions on the Management Board member's activities.

6. In the event of receipt of the notification referred to in section 4, the Supervisory Board shall initiate a procedure to update the Policy, in accordance with the provisions of Chapter 2 of this Policy, in order to eliminate or prevent the occurrence of the identified Conflict of Interest.

## **CHAPTER 6. Miscellaneous**

### **§1.**

1. This Policy was adopted pursuant to Resolution No. 4 of the LWB Shareholder Meeting dated 29 July 2020.
2. The Policy shall come into force with effect from 29 July 2020, and shall be applicable to the payment of remuneration to Management Board and Supervisory Board members from that date.
3. The Policy shall not apply to the payment of remuneration to which the persons subject to the Policy acquired claims before the effective date of the Policy.