

**RESOLUTION NO. 152/XI/2021
OF THE SUPERVISORY BOARD OF GRUPA LOTOS S.A.
of May 27th 2021**

concerning: adoption of the Report on Remuneration of Members of the Management Board and Supervisory Board for 2019 and 2020

Acting pursuant to the first sentence of Art. 13.2 of the Articles of Association and Art. 90g.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005(Dz.U. of 2020, item 2080), the Supervisory Board of Grupa LOTOS S.A. resolves as follows:

Section 1

1. The Supervisory Board adopts the Report on Remuneration of Members of the Management Board and Supervisory Board for 2019 and 2020 (the "Report"), attached as an appendix hereto.
2. The Supervisory Board resolves to submit the Report to the Annual General Meeting of Grupa LOTOS S.A.

Section 3

This Resolution shall become effective upon its adoption.

1. Votes in favour:	_____6_____	Members of the Supervisory Board
2. Votes against:	_____0_____	Members of the Supervisory Board
3. Abstaining votes:	_____0_____	Members of the Supervisory Board

The Resolution has been passed by open ballot.

Supervisory Board

1. Beata Kozłowska-Chyła
2. Piotr Ciach
3. Katarzyna Lewandowska
4. Dariusz Figura
5. Grzegorz Rybicki
6. Adam Lewandowski



Report on Remuneration of Members of the Management Board and Supervisory Board for 2019 and 2020



[Contents](#)

INTRODUCTION	2
I. FINANCIAL YEAR 2019	4
1. Total remuneration amount, broken down into the components referred to in Art. 90d.3.1 of the Public Offering Act, and the relative proportions of the remuneration components.....	4
2. Explanation of how the total remuneration is consistent with the Remuneration Policy, including of how it contributes to the Company's long-term performance.....	8
3. Explanation of how performance criteria were applied	9
4. Information on any changes occurring during the year with respect to remuneration of Management Board and Supervisory Board members, the Company's performance, as well as the average remuneration paid to the Company's employees other than Management Board or Supervisory Board Members, over the period of at least the last five financial years, presented cumulatively and in a manner enabling comparison	11
II. FINANCIAL YEAR 2020	14
1. Total remuneration amount, broken down into the components referred to in Art. 90d.3.1 of the Public Offering Act, and the relative proportions of the remuneration components.....	14
2. Explanation of how the total remuneration is consistent with the Remuneration Policy, including of how it contributes to the Company's long-term performance.....	19
3. Explanation of how performance criteria were applied	21
4. Information on any changes occurring during the year with respect to remuneration of Management Board and Supervisory Board members, the Company's performance, as well as the average remuneration paid to the Company's employees other than Management Board or Supervisory Board Members, over the period of at least the last five financial years, presented cumulatively and in a manner enabling comparison	24
III. OTHER INFORMATION	27

INTRODUCTION

This Report on Remuneration of Members of the Management Board and Supervisory Board of Grupa LOTOS S.A. (the “Report”) presents an overview of remuneration, including all benefits, received by or due to members of those bodies in the financial years 2019 and 2020. This Report has been prepared in accordance with the requirements of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (consolidated text: Dz.U. of 2020, item 2080, as amended) (the “Public Offering Act”), and refers to the internal regulations governing remuneration, i.e. the Remuneration Policy for Members of the Management Board and the Supervisory Board of Grupa LOTOS S.A. (the “Remuneration Policy”).

The obligation to prepare and implement the Remuneration Policy derived from Directive (EU) 2017/828 of the European Parliament and of the Council of May 17th 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, implemented into Polish law by way of amendment of the Public Offering Act, dated October 16th 2019, which, among other things, introduced Section 4a *‘Remuneration policy and remuneration report.’*

In the performance of the above, an obligation also arose to prepare remuneration reports, which are subject to independent auditor’s assessment to the extent provided for in the Public Offering Act.

The Remuneration Policy adopted by Grupa LOTOS S.A. (the “Company”) has been prepared as a general and framework regulation and, in accordance with Art. 90d of the Public Offering Act, it sets forth the rules governing remuneration of members of the Company’s Management Board and Supervisory Board. The Policy also refers to the rules of preparation of remuneration reports and thus addresses the statutory requirements arising from:

- the Public Offering Act, and
- the Act on Rules of Remunerating Persons Who Manage Certain Companies of June 9th 2016 (consolidated text: Dz.U. of 2019, item 1885, as amended) (the “Act on Remuneration Rules”).

The document was adopted by the Company by Resolution No. 22 of the Annual General Meeting of Grupa LOTOS S.A. of June 30th 2020 with a view to defining transparent rules of remunerating the corporate bodies and contributing to the delivery of the Company’s business strategy, its long-term interests and stability.

The Remuneration Report contains in particular:

- The amount of total remuneration, broken down into the components referred to in Art. 90d.3.1 of the Public Offering Act and Sections 3–7 of the Remuneration Policy, and the relative proportions of those remuneration components;
- An explanation of how the total remuneration is consistent with the adopted Remuneration Policy, including of how it contributes to the Company's long-term performance;
- Information on the application of performance criteria;
- Information on any changes occurring during the year with respect to the remuneration of the Management Board and Supervisory Board Members, the Company's performance, as well as the average remuneration paid to the Company's employees other than the Management Board or Supervisory Board Members, over the period of at least the last five financial years, presented cumulatively and in a manner enabling their comparison;
- Information to the effect that the Management Board Members are not remunerated by any other Group entities within the meaning of the Accounting Act of September 29th 1994 (consolidated text: Dz.U. of 2019, item 351, as amended);
- Information to the effect that no financial instruments have been granted or offered;
- Information on exercising the right to claim back Variable Remuneration;
- Information on any waivers of the Remuneration Policy implementation procedure and waivers applied in accordance with Art. 90f of the Public Offering Act and Section 13 of the Remuneration Policy, including explanation of the reasons for waivers, and as well as indication of the elements in respect of which such waivers have been applied.

I. FINANCIAL YEAR 2019

1. Total remuneration amount, broken down into the components referred to in Art. 90d.3.1 of the Public Offering Act, and the relative proportions of the remuneration components

In 2019, the remuneration of members of the Company's Management Board and Supervisory Board was determined in accordance with the Act on Remuneration Rules and resolutions adopted pursuant to that Act, as well as the Company's practices regarding remuneration policy.

In 2019, the composition of the Management Board and the Supervisory Board was as follows:

Table 1. Composition of the Management Board of Grupa LOTOS S.A. in 2019:

First name and surname	Position held	Length of service in the reporting year
Mateusz Bonca	President of the Management Board	Jan 1 2019 – Dec 6 2019
Patryk Demski	Vice President of the Management Board, Chief Investment and Innovation Officer	Jan 1 2019 – Jul 11 2019
Jarosław Kawula	Vice President of the Management Board, Chief Refining and Marketing Officer	Jan 1 2019 – Dec 31 2019
Robert Sobków	Vice President of the Management Board, Chief Financial Officer	Jan 1 2019 – Jul 11 2019
Jarosław Wittstock	Vice President of the Management Board, Corporate Affairs	Jan 1 2019 – Dec 5 2019
	Acting President, Vice President of the Management Board, Corporate Affairs	Dec 6 2019 – Dec 31 2019
Zofia Paryła	Vice President of the Management Board, Chief Financial Officer	Jul 25 2019 – Dec 31 2019
Marian Krzemiński	Vice President of the Management Board, Chief Investment and Innovation Officer	Jul 25 2019 – Dec 31 2019

Table 2. Composition of the Supervisory Board of Grupa LOTOS S.A. in 2019:

First name and surname	Position held	Length of service in the reporting year
Beata Kozłowska-Chyła	Chair of the Supervisory Board	Jan 1 2019 – Dec 31 2019
Piotr Ciach	Deputy Chair of the Supervisory Board	Jan 1 2019 – Dec 31 2019
Katarzyna Lewandowska	Secretary of the Supervisory Board	Jan 1 2019 – Dec 31 2019
Dariusz Figura	Member of the Supervisory Board	Jan 1 2019 – Dec 31 2019
Adam Lewandowski	Member of the Supervisory Board	Jan 1 2019 – Dec 31 2019
Agnieszka Szklarczyk-Mierzwa	Member of the Supervisory Board	Jan 1 2019 – Dec 31 2019
Grzegorz Rybicki	Member of the Supervisory Board	Jan 1 2019 – Dec 31 2019
Mariusz Golecki	Member of the Supervisory Board	Jan 1 2019 – Oct 11 2019

The remuneration of Members of the Company's Supervisory Board is defined in Resolution No. 3 of the Extraordinary General Meeting on the rules of remunerating members of the Supervisory Board, dated December 22nd 2016, as amended by Resolution No. 25 of the Annual General Meeting, dated June 28th 2019. Members of the Company's Supervisory Board are entitled to monthly remuneration calculated as the product of the reference salary amount referred to in Art. 1.3.11 of the Act on Remuneration Rules and a multiplier of:

- 1.7 – for the Chair of the Supervisory Board,
- 1.5 – for the other members of the Supervisory Board.

Additionally, Supervisory Board members are entitled to reimbursement of expenses incurred in connection with the performance of duties on the Supervisory Board, in accordance with Art. 392 of the Commercial Companies Code.

The remuneration of members of the Company's Supervisory Board was determined in accordance with the General Meeting's resolutions specified above, which were based on the provisions of the Act on Remuneration Rules. Differences in remuneration resulted from the different positions held and the fact that the remuneration was due for a given month if the Supervisory Board member was present at the meeting or justified his or her absence, which was reflected in the resolutions passed by the Supervisory Board.

The remuneration of members of the Company's Management Board was determined based on Resolution No. 168/IX/2017 of the Supervisory Board of Grupa LOTOS of March 8th 2017, as amended, with the Supervisory Board acting in compliance with Extraordinary

General Meeting's Resolution No. 2 concerning determination of rules of remuneration for members of the Management Board, dated December 22nd 2016, taking into account subsequent changes resulting from:

- Resolution No. 5 of the Extraordinary General Meeting of March 17th 2017,
- Resolution No. 24 of the Annual General Meeting of June 28th 2019.

The remuneration was determined in accordance with the Act on Remuneration Rules, following recommendations issued by the Organisation and Management Committee of the Supervisory Board.

In 2019, the aggregate remuneration of members of the Company's Management Board comprised a fixed component in the form of the monthly base pay (the "Fixed Remuneration") and a variable component which represented additional remuneration for the financial year and was granted based on individual members' achievement of the management objectives (the "Variable Remuneration"). In addition to Fixed Remuneration and Variable Remuneration, the Management Board members could receive additional benefits provided for in the Management Services Contracts and other regulations in force at the Company, including in particular medical benefits, rental of premises, training, and severance pay on Contract termination.

The Supervisory Board determined Fixed Remuneration taking into account the position held and the market practice of energy and fuel sector companies. The Supervisory Board also considered professional experience and responsibilities assigned as part of the management function.

These rules were directly reflected in the Management Services Contracts signed with each member of the Management Board of Grupa LOTOS S.A.

Below is presented the remuneration of each member of the Management Board and Supervisory Board in 2019, broken down into the components referred to in Art. 90d.3.1 of the Public Offering Act, and the relative proportions of those remuneration components.

Table 3. Gross remuneration of the Management Board members in 2019 (PLN)

No.	Surname	First name	Position	(I) Fixed remuneration			(II) Variable remuneration ¹			(III) Other			(IV) Total remuneration	(V) Proportion of components (%)	
				severance pay	non-compete compensation	other additional benefits ³						(II) / (IV)	(III) / (IV)		
1	Bonca	Mateusz	President of the Management Board	752,166	696,940	184,959	0	0	1,634,065	43%	11%				
2	Demski	Patryk	Vice President of the Management Board	421,735	237,932	171,747	133,581	2,927	967,924	25%	32%				
3	Jastrzębski ²	Marcin	President of the Management Board	0	379,216	0	0	0	379,216	100%	0%				
4	Kawula	Jarosław	Vice President of the Management Board	686,990	733,943	0	0	0	1,420,933	52%	0%				
5	Krzemiński	Marian	Vice President of the Management Board	213,730	0	0	0	10,348	224,078	0%	5%				
6	Paryła	Zofia	Vice President of the Management Board	232,813	0	0	0	9,939	242,752	0%	4%				
7	Sobków	Robert	Vice President of the Management Board	421,735	0	171,747	133,581	24,173	751,237	0%	44%				
8	Wittstock	Jarosław	Vice President of the Management Board, Acting President of the Management Board	686,990	118,966	0	0	0	805,956	15%	0%				
Total				3,416,159	2,166,998	528,454	267,163	47,387	6,426,160						

¹ Mateusz Bonca's and Jarosław Kawula's remuneration for achievement of the management objectives for 2018 includes remuneration for achievement of the objectives for 2017.

² Served on the Management Board from May 13th 2016 to March 19th 2018; remuneration for achievement of the management objectives for 2017.

³ Including reimbursement of old age and disability pension contributions and partial coverage of the cost of rented accommodation and studies

Table 4. Gross remuneration of the Supervisory Board in 2019 (PLN)

No.	Surname	First name	Position	Remuneration*
1	Ciach	Piotr	Deputy Chair	79,268
2	Figura	Dariusz	Member	79,268
3	Golecki	Mariusz	Member	68,401
4	Kozłowska-Chyła	Beata	Chair	89,837
5	Lewandowska	Katarzyna	Secretary	79,268
6	Lewandowski	Adam	Member	79,268
7	Rybicki	Grzegorz	Member	79,268
8	Szklarczyk-Mierzwa	Agnieszka	Member	79,268
			Total	633,846

*Supervisory Board remuneration as specified in the resolution of Grupa LOTOS S.A. General Meeting

2. Explanation of how the total remuneration is consistent with the Remuneration Policy, including of how it contributes to the Company's long-term performance

In the financial year 2019, the Company did not have in place an official remuneration policy within the meaning of the Public Offering Act. In order to ensure clear rules of remunerating members of the Management Board and Supervisory Board, the Company acted in accordance with the provisions of the Act on Remuneration Rules and resolutions adopted pursuant to that Act, as well as the Company's practice in this respect.

The rules of remunerating members of the Company's Supervisory Board, defined in a resolution of the General Meeting, were determined in accordance with the Act on Remuneration Rules. Also the Supervisory Board members meeting the independence criteria were entitled to receive remuneration, which was conducive to the development of proper business relations, with due regard for the rights of investors and with no influence from the majority shareholder or the Company's management.

In 2019, the total remuneration of members of the Company's Management Board consisted of Fixed Remuneration and Variable Remuneration. Fixed Remuneration was determined at a level appropriate to the position held and in accordance with the market practice followed in this respect by companies from the energy and fuel sectors. The remuneration system was uniform for all members of the Management Board and followed the rules of remunerating members of the management boards and supervisory boards as set out in the Act on Remuneration Rules.

Variable Remuneration was granted depending on assessment of the individual Management Board members' achievement of the management objectives, which were related to the key activities performed at the Company and closely linked to the Company's economic position.

Below are presented the key guidelines the Supervisory Board followed in determining the Variable Remuneration for the individual members of the Company's Management Board for 2019:

- a Management Board member's Variable Remuneration for a given financial year could not exceed 100% of his or her Fixed Remuneration,
- the objectives were defined with a view to fostering long-term performance and stability of the company, driving the Company's strategic activities and growth direction, and therefore were related to quantitative or qualitative objectives,
- the management objectives were defined in Supervisory Board Resolution No. 183/X/2019 of April 2nd 2019, based on the general list of objectives set out in a resolution of the General Meeting, specifying their weights and delivery criteria,
- additionally, the Supervisory Board set separate objectives to be met as a precondition to payment of Variable Remuneration for 2019.

In 2019, members of the Management Board had a general list of objectives relating to:

- increase of LIFO-based EBITDA at the LOTOS Group,
- implementation of strategic projects in line with the approved budget and timetable of investment projects at the LOTOS Group,
- improvement of cost efficiency at the LOTOS Group,
- maintaining the LOTOS Group's debt ratios at specified levels.

Such a mechanism of determining the management objectives translated directly into the achievement of the assumed financial ratios and had a direct impact on activities of strategic and key importance to the Company. It was pursued paying due regard to the rights of the Company's stakeholders, e.g. its employees and customers, as well as to the principles of social responsibility. It also contributed to the implementation of the business strategy in the context of working in the interest of all groups of shareholders.

3. Explanation of how performance criteria were applied

Acting pursuant to Art. 4.7 of the Act on Remuneration Rules, Section 3.1 in conjunction with Section 3.3 of Resolution No. 2 of the Extraordinary General Meeting of Grupa LOTOS S.A. on determination of the rules of remuneration for members of the Management Board, dated December 22nd 2016, as amended by Resolution No. 5 of the Extraordinary General Meeting of March 17th 2017, and Sections 1.5 and 1.8 of Resolution No. 168/IX/2017 of the Supervisory Board of Grupa LOTOS S.A. on remuneration for members of the Company's Management Board, dated March 8th 2017, as amended, the Supervisory Board passed Resolution No. 183/X/2019 of April 2nd 2019, in which it defined:

- the maximum variable remuneration for members of the Management Board of Grupa LOTOS S.A.,
- the objectives that needed to be met as a precondition to payment of Variable Remuneration in 2019: a) formulation and application of the rules of remuneration for members of the management and supervisory bodies of subsidiaries in a manner reflecting the rules stipulated in the Act on Remuneration Rules – in the case of companies which, for objective reasons, did not implement the rules in 2017 and 2018 and there will be grounds for implementing the rules in 2019, as well as in the case of companies for which the obligation to implement the remuneration rules will arise in 2019; b) discharge of the obligations referred to in Art. 17–20, Art. 22, Art. 23 and Art. 23a of the Act on State Property Management, as amended by the Act Amending the Act on State Property Management and Certain Other Acts of February 21st 2019 (Dz.U. of 2019, item 492), by the date specified in Art. 19 of that Act,
- the general management objectives for members of the Management Board, as set out in the list of management objectives determined in Resolution No. 2 of the Extraordinary General Meeting of Grupa LOTOS S.A. on determination of rules of remuneration for members of the Management Board, dated December 22nd 2016, amended by Resolution No. 5 of the Extraordinary General Meeting of Grupa LOTOS S.A. of March 17th 2017 and Resolution No. 24 of the Annual General Meeting of Grupa LOTOS S.A. of June 28th 2019 and the weights of the management objectives:

Table 5. General management objectives for Management Board members in 2019

No.	Management objective
1	Increase of LIFO-based EBITDA at the LOTOS Group
2	Implementation of strategic projects in line with the approved budget and timetable of investment projects at the LOTOS Group
3	Improvement of cost efficiency at the LOTOS Group
4	Maintaining the LOTOS Group's debt ratios at specified levels.

In accordance with the Supervisory Board's resolution referred to above, in addition to the list of general objectives, four detailed Management Objectives were set, along with deadlines for their delivery and criteria for assessing their achievement, of which one concerned management of projects of strategic importance to the operation of the LOTOS Group and three concerned economic performance.

Variable Remuneration of Grupa LOTOS S.A. Management Board members for the financial year 2019 could not exceed 100% of their Fixed Remuneration. This matter is expressly

provided for in the Management Services Contracts signed with each member of the Company's Management Board.

Achievement of management objectives by the individual members of the Company's Management Board was assessed pursuant to Supervisory Board Resolution No. 57/XI/2020 of December 11th 2020, based on the following:

- a) the Directors' Report on the Company's operations and the Company's financial statements for the financial year 2019, approved by the Annual General Meeting,
- b) discharge from liability granted to members of the Grupa LOTOS S.A. Management Board in respect of their duties in 2019,
- c) the "Report on Delivery of Management Objectives set for Grupa LOTOS S.A. Management Board for 2019", drawn up by the Company's Management Board,
- d) audit of delivery of management objectives for 2019, carried out by an independent auditor, and the auditor's report prepared following the performance of the procedures.

The settlement was based on the resolution referred to above, and on December 11th 2020 the Supervisory Board passed individual resolutions determining the amount of Variable Remuneration due to individual members of the Management Board.

4. Information on any changes occurring during the year with respect to remuneration of Management Board and Supervisory Board members, the Company's performance, as well as the average remuneration paid to the Company's employees other than Management Board or Supervisory Board Members, over the period of at least the last five financial years, presented cumulatively and in a manner enabling comparison

2015–2019

Information on any changes occurring during the year with respect to remuneration of Management Board and Supervisory Board members, the Company's performance, as well as the average remuneration paid to the Company's employees other than Management Board or Supervisory Board Members, over the period of at least the last five financial years, presented cumulatively and in a manner enabling comparison

In 2015–2019, the CAGR of the total remuneration paid to the Company's Management Board was 7.5% (Chart 1).¹ The rate included cumulative payments made in 2019 of outstanding variable remuneration granted for achievement of the management objectives in previous years. The payment of outstanding variable remuneration significantly increased the total amount of payments compared with 2017–2018.

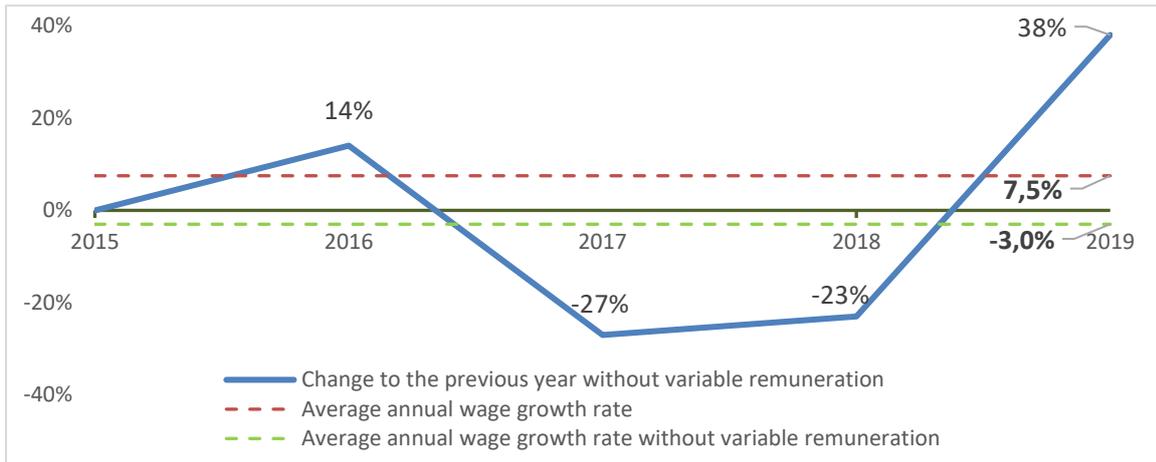
¹ CAGR – Compound Annual Growth Rate; the rate shows the average annual rate of growth (or decrease) of the Management Board's remuneration over the four reported years; the CAGRs for four years are added to the base value of the next year.

An analysis of annual changes in the Management Board’s remuneration, excluding the variable remuneration paid, shows a -3% decrease in CAGR. The above comparison is justified as in the base year (2015) the remuneration of Management Board members did not include variable remuneration.

Chart 1. Changes in the Management Board’s aggregate remuneration in 2015–2019 (%)*

Source: the Company.

*The remuneration of members of the Grupa LOTOS S.A. Management Board includes remuneration paid for some of the members’ serving on the governing bodies of the subsidiaries of Grupa LOTOS S.A. in 2015, 2016 and, partly, in 2017. In 2019, Variable Remuneration was paid for the



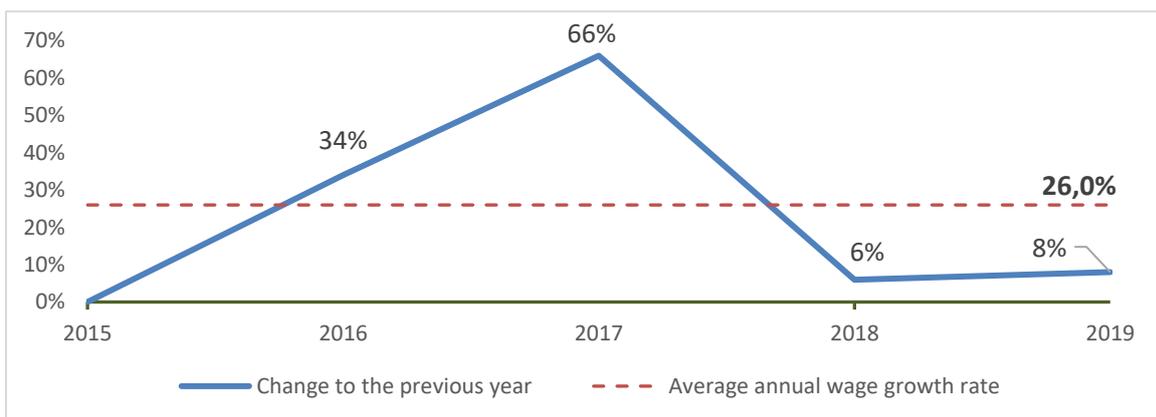
achievement of management objectives for 2018; in the case of Mateusz Bonca, Marcin Jastrzębski and Jarosław Kawula, the remuneration also includes the remuneration for achievement of the objectives for 2017.

Chart 2 presents the remuneration of the Supervisory Board and changes in the remuneration in 2015–2019.

Chart 2. Changes in the Supervisory Board’s total remuneration in 2015-2019 (%)*

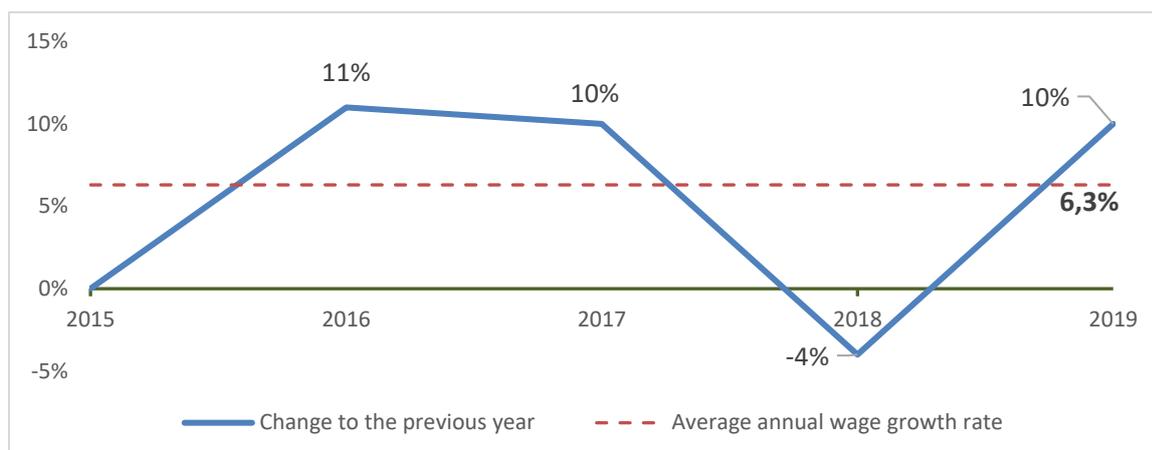
Source: the Company.

* Remuneration of the Supervisory Board specified in the resolution of the General Meeting of Grupa LOTOS S.A.



In the reporting period, the average annual growth rate of salaries of the Company’s employees other than Management Board or Supervisory Board members was 6.3%. The percentage changes of the average remuneration of the Company’s employees in 2015–2019 are shown in Chart 3.

Chart 3. Changes in the average remuneration of the Company's employees in 2015–2019 (%)

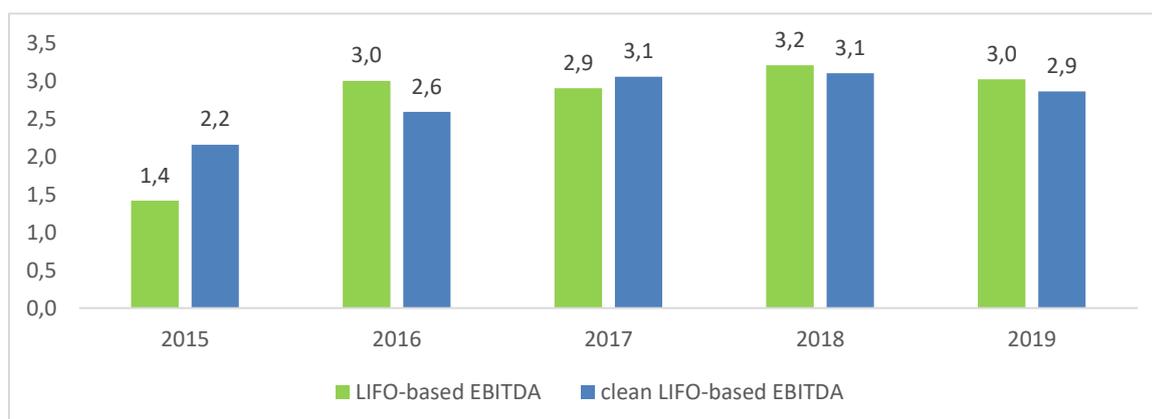


Source: the Company.

In the reporting period, the Company's consolidated operating results (Chart 4) showed an upward trend, with LIFO-based EBITDA adjusted for one-offs (the key performance indicator) having grown from PLN 2.2bn in 2015 to PLN 2.9bn in 2019.

Chart 4. LIFO-based EBITDA and adjusted LIFO-based EBITDA* in 2015–2019 (PLNbn)

Source: the Company.



* Effect and nature of one-off events in individual years:

- 2015: (+) 0.7bn: foreign exchange differences on operating activities, inventory write-downs and impairment losses on assets
- 2016:(-) 0.4bn: foreign exchange differences on operating activities, reversal of inventory write-downs and impairment losses on assets
- 2017: (+) 0.1bn: cost of the refinery maintenance shutdown, impairment losses on assets, foreign exchange differences on operating activities, and reversal of inventory write-downs
- 2018: (-) 0.1bn: net impairment losses/write-downs and provisions, foreign exchange differences on operating activities
- 2019: (-) 0.2bn: net impairment losses/write-downs and provisions, foreign exchange differences on operating activities.

II. FINANCIAL YEAR 2020

1. Total remuneration amount, broken down into the components referred to in Art. 90d.3.1 of the Public Offering Act, and the relative proportions of the remuneration components

In 2020, the remuneration of members of the Company's Management Board and Supervisory Board was determined in accordance with the Act on Remuneration Rules and resolutions adopted pursuant to that Act, as well as the Remuneration Policy for the Management Board and Supervisory Board Members adopted by Resolution No. 22 of the Company's General Meeting of June 30th 2020 (the "Remuneration Policy").

In 2020, the composition of the Management Board and the Supervisory Board was as follows:

Table 8. Composition of the Management Board of Grupa LOTOS S.A. in 2020:

First name and surname	Position held	Length of service in the reporting year
Jarosław Wittstock	Acting President, Vice President of the Management Board, Corporate Affairs	Jan 1 2020–Feb 2 2020
	Vice President of the Management Board, Corporate Affairs	Feb 3 2020–Dec 31 2020
Jarosław Kawula	Vice President of the Management Board, Chief Refining and Marketing Officer	Jan 1 2020–Jul 30 2020
Zofia Paryła	Vice President of the Management Board, Chief Financial Officer	Jan 1 2020–Nov 11 2020
	Acting President of the Management Board, Vice President of the Management Board, Chief Financial Officer	Nov 12 2020–Dec 6 2020
	President of the Management Board	Dec 7 2020–Dec 31 2020
Marian Krzemiński	Vice President of the Management Board, Chief Investment and Innovation Officer	Jan 1 2020–Dec 31 2020
Paweł Majewski	President of the Management Board	Feb 3 2020–Nov 11 2020
Artur Cieślik	Vice President of the Management Board, Chief Strategy and Development Officer	Aug 24 2020–Dec 31 2020
Piotr Walczak	Vice President of the Management Board, Chief Refining and Marketing Officer	Sep 4 2020–Dec 31 2020

Table 9. Composition of the Supervisory Board of Grupa LOTOS S.A. in 2020:

First name and surname	Position held	Length of service in the reporting year
Beata Kozłowska-Chyła	Chair of the Supervisory Board	Jan 1 2020–Dec 31 2020*
Piotr Ciach	Deputy Chair of the Supervisory Board	Jan 1 2020–Dec 31 2020*
Katarzyna Lewandowska	Secretary of the Supervisory Board	Jan 1 2020–Dec 31 2020*
Dariusz Figura	Member of the Supervisory Board	Jan 1 2020–Dec 31 2020*
Adam Lewandowski	Member of the Supervisory Board	Jan 1 2020–Dec 31 2020*
Grzegorz Rybicki	Member of the Supervisory Board	Jan 1 2020–Dec 31 2020*
Agnieszka Szklarczyk-Mierzwa	Member of the Supervisory Board	Jan 1 2020–Jun 30 2020

**As the 10th joint term of office of the Supervisory Board expired at the end of June 2020, on the same date the General Meeting appointed Supervisory Board members for the 11th joint term of office.*

In accordance with the Remuneration Policy, **Members of the Company's Supervisory Board are entitled to monthly remuneration**, calculated as the product of the reference salary amount referred to in Art. 1.3.11 of the Act on Remuneration Rules and a multiplier of:

- 1.7 – for the Chair of the Supervisory Board,
- 1.5 – for the other members of the Supervisory Board.

Additionally, Supervisory Board members are entitled to reimbursement of expenses incurred in connection with the performance of duties on the Supervisory Board, in accordance with the Remuneration Policy and Art. 392 of the Commercial Companies Code.

Differences in remuneration resulted from the different positions held and the fact that the remuneration was due for a given month if the Supervisory Board member was present at the meeting or justified his or her absence, which was reflected in the resolutions passed by the Supervisory Board.

The remuneration of members of the Company's Management Board was determined based on Grupa LOTOS Supervisory Board's Resolution No. 168/IX/2017 of March 8th 2017, as amended, with the Supervisory Board acting in compliance with Extraordinary General Meeting's Resolution No. 2 on determination of rules of remuneration for members of the Management Board, dated December 22nd 2016, taking into account subsequent changes resulting from:

- Resolution No. 5 of the Extraordinary General Meeting of March 17th 2017,
- Resolution No. 24 of the Annual General Meeting of June 28th 2019.

The remuneration was determined in accordance with the Act on Remuneration Rules. Since the adoption of the Remuneration Policy by the General Meeting, the rules of remuneration for members of the Management Board have also incorporated the rules set forth in that Policy.

In 2020, the total remuneration of members of the Company's Management Board consisted of Fixed Remuneration and Variable Remuneration, which represented additional

remuneration for a given financial year and was granted based on individual members' delivery of management objectives. These rules were directly reflected in the Remuneration Policy, which also specified that in addition to Fixed Remuneration and Variable Remuneration the Management Board members could receive additional benefits, including in particular medical benefits, rental of premises, training, and severance pay on Contract termination.

The Supervisory Board determined Fixed Remuneration taking into account the position held and the market practice of energy and fuel sector companies. The Supervisory Board also considered professional experience and responsibilities assigned as part of the management function.

These rules were directly reflected in the Management Services Contracts signed with each member of the Management Board of Grupa LOTOS S.A.

Below is presented the remuneration of each member of the Management Board and Supervisory Board in 2020, broken down into the components referred to in Art. 90d.3.1 of the Public Offering Act, and the relative proportions of those remuneration components.

Table 10. Gross remuneration of the Management Board members in 2020 (PLN)

No.	Surname	First name	Position	(I) Fixed remuneration		(II) Variable remuneration ¹			(III) Other			(IV) Total remuneration	(V) Proportion of components (%)	
						severance pay	non-compete compensation	other additional benefits ⁵		(II) / (IV)	(III) / (IV)			
1	Bonca	Mateusz	President of the Management Board	0	282,120	0	184,959	483	467,562	60%	40%			
2	Demski	Patryk	Vice President of the Management Board	0	145,461	0	38,166	0	183,627	79%	21%			
3	Jastrzębski ²	Marcin	President of the Management Board	0	0	0	0	2,575	2,575	0%	100%			
4	Kawula	Jarosław	Vice President of the Management Board	457,993	276,528	171,747	31,487	0	937,756	29%	22%			
5	Krzemiński	Marian	Vice President of the Management Board	686,990	121,218	0	0	30,000	838,207	14%	4%			
6	Machajewski ³	Mariusz	Vice President of the Management Board	0	172,142	0	0	0	172,142	100%	0%			
7	Majewski	Paweł Jan	President of the Management Board	571,317	0	0	0	32,633	603,950	0%	5%			
8	Paryła	Zofia	Vice President of the Management Board, Acting President of the Management Board	686,990	121,218	0	0	42,904	851,111	14%	5%			
9	Sobków ⁴	Robert	Vice President of the Management Board	0	216,688	0	38,166	5,492	260,346	83%	17%			
10	Walczak	Piotr	Vice President of the Management Board	166,023	0	0	0	6,417	172,439	0%	4%			
11	Wittstock	Jarosław	Vice President of the Management Board, Acting President of the Management Board	695,391	0	0	0	12,935	708,325	0%	2%			
12	Cieślak	Artur	Vice President of the Management Board	187,014	0	0	0	8,553	195,566	0%	4%			

	Total	3,451,717	1,335,375	171,747	292,778	141,991	5,393,608		
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¹For delivery of the management objectives for 2019.

² Served on the Management Board from May 13th 2016 to March 19th 2018.

³ Served on the Management Board from June 19th 2006 to September 5th 2017; remuneration for achievement of the management objectives for 2017.

⁴ Served on the Management Board from June 8th 2018 to July 11th 2019; remuneration for delivery of the management objectives for 2018.

⁵ Including reimbursement of old age and disability pension contributions and partial coverage of the cost of rented accommodation.

Table 11. Gross remuneration of the Supervisory Board in 2020 (PLN)

No.	Surname	First name	Position	Remuneration*
1	Ciach	Piotr	Deputy Chair	79,268
2	Figura	Dariusz	Member	79,268
3	Kozłowska-Chyła	Beata	Chair	89,837
4	Lewandowska	Katarzyna	Secretary	79,268
5	Lewandowski	Adam	Member	79,268
6	Rybicki	Grzegorz	Member	79,268
7	Szklarczyk-Mierzwa	Agnieszka	Member	46,240
			Total	532,417

*Supervisory Board remuneration as specified in the resolution of Grupa LOTOS S.A. General Meeting

2. Explanation of how the total remuneration is consistent with the Remuneration Policy, including of how it contributes to the Company's long-term performance

In the financial year 2020, the rules of remunerating members of the Management Board and Supervisory Board were determined in accordance with the Public Offering Act and the Remuneration Policy.

The Remuneration Policy lays down the general rules of remunerating members of both the Management Board and the Supervisory Board of Grupa LOTOS S.A., specifying in detail the structure of remuneration of the two governing bodies. The document was prepared as a general and framework regulation which, on the one hand, served to perform an obligation arising under Art. 90d of the Public Offering Act and, on the other hand, did not conflict with the rules of remunerating members of the Management Board and Supervisory Board as set out in the remuneration rules previously in force at Grupa LOTOS S.A., adopted in compliance with the Act on Remuneration Rules.

The document addressed the statutory requirements, but the adoption of the Remuneration Policy did not change the existing remuneration model for members of the Management Board and Supervisory Board, developed at the Company pursuant to the provisions of the Act on Remuneration Rules.

The Remuneration Policy includes in particular:

- a) description of fixed and variable remuneration components, as well as bonuses and other monetary and non-monetary benefits that may be awarded to members of the Management Board and Supervisory Board,
- b) relative proportions of the remuneration components referred to in item (a) above,
- c) explanation of how the terms of work and remuneration of employees other than Management Board and Supervisory Board members have been taken into account in developing the Remuneration Policy,

- d) description of the main features of supplementary pension schemes and early retirement schemes,
- e) description of measures taken to avoid or manage conflicts of interest relating to the Remuneration Policy,
- f) explanation of how the Remuneration Policy contributes to the delivery of the company's business strategy, its long-term interests and stability.

At the same time, given that the Remuneration Policy provides for the possibility of granting Variable Remuneration to members of the Management Board, it also includes:

- a) clear, comprehensive and diverse criteria in terms of financial and non-financial performance for the granting of variable remuneration, including the criteria related to taking into account public interest, the Company's contribution to environmental protection, and taking measures to prevent and mitigate any adverse social impacts of the Company's operations,
- b) explanation of how the criteria set out in item (a) above contribute to the delivery of the Company's business strategy, its long-term interests and stability,
- c) methods used to measure the extent to which the criteria set out in item (a) above are met;
- d) payment deferral periods and option to claim back variable remuneration by the Company.

The rules of remunerating members of the Company's Supervisory Board, defined in the Remuneration Policy, were determined in accordance with the Act on Remuneration Rules. In the financial year 2020, all Supervisory Board members, including the Supervisory Board members meeting the independence criteria, were entitled to receive remuneration, which supported the development of proper business relations with due regard for the rights of investors, with no influence from the majority shareholder or the Company's management.

In 2020, the total remuneration of members of the Company's Management Board consisted of Fixed Remuneration and Variable Remuneration. Fixed Remuneration was determined at a level appropriate to the position held and in accordance with the market practice followed in this respect by companies from the energy and fuel sectors. The remuneration system was uniform for all members of the Management Board and followed the rules of remunerating members of the management boards and supervisory boards set out in the Remuneration Policy.

Variable Remuneration was granted depending on assessment of the individual Management Board members' achievement of the management objectives, which were related to the key activities performed at the Company and closely linked to the Company's economic position.

Below are presented the key guidelines the Supervisory Board followed in determining the Variable Remuneration for the individual members of the Company's Management Board for 2020:

- a Management Board member's Variable Remuneration for a given financial year could not exceed 100% of his or her Fixed Remuneration,
- the objectives were defined with a view to fostering long-term performance and stability of the company, driving the Company's strategic activities and growth direction, and were therefore related to quantitative or qualitative objectives,
- the management objectives were defined in Supervisory Board Resolution No. 309/X/2020 of March 31st 2020 (and subsequently amended by Supervisory Board Resolution No. 36/XI/2020 of October 26th 2020), based on the general list of objectives set out in a resolution of the General Meeting, specifying their weights and delivery criteria,
- additionally, the Supervisory Board set separate objectives to be met as a precondition to payment of Variable Remuneration for 2020.

In 2020, members of the Management Board had a general list of objectives relating to:

- increase of LIFO-based EBITDA at the LOTOS Group,
- improvement of cost efficiency at the LOTOS Group,
- maintaining the LOTOS Group's debt ratios at specified levels,
- implementation of strategic projects in line with the approved budget and timetable of investment projects at the LOTOS Group.

Such a mechanism of determining the management objectives translated directly into the achievement of the assumed financial ratios and had a direct impact on activities of strategic and key importance to the Company. It was pursued paying due regard to the rights of the Company's stakeholders, e.g. its employees and customers, as well as to the principles of social responsibility. It also contributed to the implementation of the business strategy in the context of working in the interest of all groups of shareholders.

3. Explanation of how performance criteria were applied

Acting pursuant to Art. 4.7 of the Act on Remuneration Rules, Section 3.1 in conjunction with Section 3.3 of Resolution No. 2 of the Extraordinary General Meeting of Grupa LOTOS S.A. on determination of the rules of remuneration for members of the Management Board, dated December 22nd 2016, as amended by Resolution No. 5 of the Extraordinary General Meeting of March 17th 2017, and Sections 1.5 and 1.8 of Resolution No. 168/IX/2017 of the Supervisory Board of Grupa LOTOS S.A. on remuneration for members of the Company's Management Board, dated March 8th 2017, as amended, the Supervisory Board passed Resolution No. 309/X/2020 of March 31st 2020, amended by Resolution No. 36/XI/2020 of October 26th 2020, in which it defined:

- the maximum variable remuneration for members of the Management Board of Grupa LOTOS S.A.,

- the objectives that needed to be met as a precondition to payment of Variable Remuneration in 2020: a) formulation and application of the rules of remuneration for members of the management and supervisory bodies of subsidiaries in a manner reflecting the rules stipulated in the Act on Remuneration Rules – in the case of companies which, for objective reasons, did not implement the rules in 2017–2019 and there will be grounds for implementing the rules in 2020, as well as in the case of companies for which the obligation to implement the remuneration rules will arise in 2020; b) discharge of the obligations referred to in Art. 17–20, Art. 22, Art. 23 and Art. 23a of the Act on State Property Management (Dz.U. of 2019, item 1309, as amended),
- the general management objectives for members of the Management Board, as set out in the list of management objectives determined in Resolution No. 2 of the Extraordinary General Meeting of Grupa LOTOS S.A. on determination of rules of remuneration for members of the Management Board, dated December 22nd 2016, amended by Resolution No. 5 of the Extraordinary General Meeting of Grupa LOTOS S.A. of March 17th 2017 and Resolution No. 24 of the Annual General Meeting of Grupa LOTOS S.A. of June 28th 2019 and the weights of the management objectives:

Table 12. General management objectives for Management Board members in 2020

No.	Management objective
1	Increase of LIFO-based EBITDA at the LOTOS Group
2	Improvement of cost efficiency at the LOTOS Group
3	Maintaining the LOTOS Group's debt ratios at specified levels.
4	Implementation of strategic projects in line with the approved budget and timetable of investment projects at the LOTOS Group

In accordance with the Supervisory Board's resolution referred to above, in addition to the list of general objectives, four detailed management objectives were set, along with deadlines for their delivery and criteria for assessment of their achievement, of which one concerned management of projects of strategic importance to the operation of the LOTOS Group and three concerned economic performance. In accordance with the Remuneration Policy, in specifying in detail the management objectives the Supervisory Board contributes, as far as possible, to the delivery of the purpose of the Remuneration Policy, i.e. the delivery of the Company's business strategy, its long-term interests and stability, with due consideration given to public interest, contribution to environmental protection and taking measures to prevent and eliminate any adverse social impacts of the Company's operations.

Variable Remuneration of Grupa LOTOS S.A. Management Board members for the financial year 2020 could not exceed 100% of their Fixed Remuneration for the previous financial

year. This matter is expressly provided for in the Management Services Contracts signed with each member of the Company's Management Board.

The delivery of management objectives by individual members of the Company's Management Board will be assessed on the basis of a resolution of the Supervisory Board, based on the following:

- a) the Directors' Report on the Company's operations and the Company's financial statements for the financial year 2020, approved by the Annual General Meeting,
- b) discharge from liability granted to members of the Grupa LOTOS S.A. Management Board in respect of their duties in 2020,
- c) the "Report on Delivery of Management Objectives set for Grupa LOTOS S.A. Management Board for 2020", submitted by the Company's Management Board,
- d) audit of delivery of management objectives carried out by an independent auditor, and the auditor's report prepared following the performance of the procedures.

In accordance with the Remuneration Policy, the extent to which management objectives have been delivered by Management Board members will be assessed based on the weights of the respective objectives as well as measurable criteria of their delivery and settlement (KPIs), as specified in the Supervisory Board's resolution, based on the following methods used to determine the degree of achievement of management objectives:

- a) acceptance of resolutions of the competent governing bodies of the Company or the other LOTOS Group companies as evidence of achievement of management objectives;
- b) should any objective circumstances occur preventing the achievement of a management objective due to legislative reasons – adoption of a report documenting the measures taken and presenting the factual and legal grounds thereof,
- c) adoption of objectively verifiable and measurable factual and legal circumstances as criteria for assessing the achievement of management objectives.

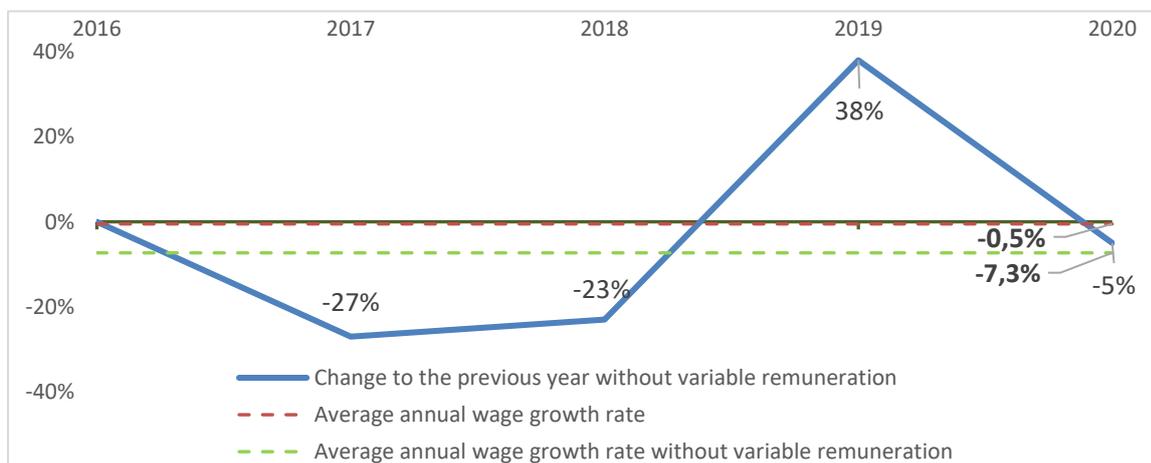
4. Information on any changes occurring during the year with respect to remuneration of Management Board and Supervisory Board members, the Company's performance, as well as the average remuneration paid to the Company's employees other than Management Board or Supervisory Board Members, over the period of at least the last five financial years, presented cumulatively and in a manner enabling comparison

2016–2020

Information on any changes occurring during the year with respect to remuneration of Management Board and Supervisory Board members, the Company's performance, as well as the average remuneration paid to the Company's employees other than Management Board or Supervisory Board Members, over the period of at least the last five financial years, presented cumulatively and in a manner enabling comparison

In 2016–2020, the CAGR of the total remuneration of members of the Company's Management Board was negative at -0.5% (Chart 5).¹ The rate includes the effect of cumulative payments (in 2019 and 2020) of outstanding variable remuneration granted for the achievement of management objectives in previous years, which increased the total amount of payments compared with 2017-2018.

An analysis of changes in the Management Board's remuneration, excluding the variable remuneration paid, shows a -7.3% decrease in CAGR. The above comparison is justified as in the base year (2016) the remuneration of Management Board members did not include



variable remuneration.

Chart 5. Changes in the Management Board's total remuneration in 2016–2020 (%) *

Source: the Company.

*The remuneration of members of the Grupa LOTOS S.A. Management Board includes remuneration paid for some of the members' serving on the governing bodies of the subsidiaries of Grupa LOTOS S.A. in 2016 and, partly, in 2017.

In 2019, Variable Remuneration was paid for the achievement of management objectives for 2018; in the case of Mateusz Bonca, Marcin Jastrzębski and Jarosław Kawula, the remuneration also includes the remuneration for achievement of the objectives for 2017. In 2020, Variable Remuneration was paid for the achievement of management objectives for 2019; in the case of Robert Sobków the remuneration also includes the remuneration for achievement of objectives for 2018, and in the case of Mariusz Machajewski – for 2017.

¹ CAGR – Compound Annual Growth Rate; the rate shows the average annual rate of growth (or decrease) of the Management Board's remuneration over the four reported years; the CAGRs for the four years are added to the base value of the next year.

Chart 6 presents remuneration of the Supervisory Board and changes in the remuneration in 2016–2020.

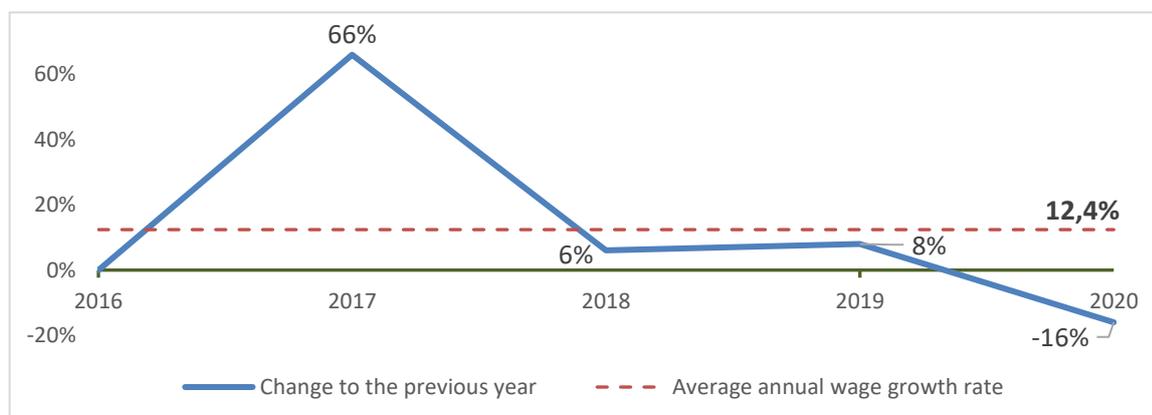


Chart 6. Changes in the Supervisory Board's total remuneration in 2016-2020 (%)*

Source: the Company.

* Remuneration of the Supervisory Board specified in the resolution of the General Meeting of Grupa LOTOS S.A. S.A.

In the reporting period, the average annual growth rate of salaries of the Company's employees other than the Management Board or Supervisory Board members was 2.6%. The percentage changes of the average remuneration of the Company's employees in 2016–2020 are shown in Chart 7.

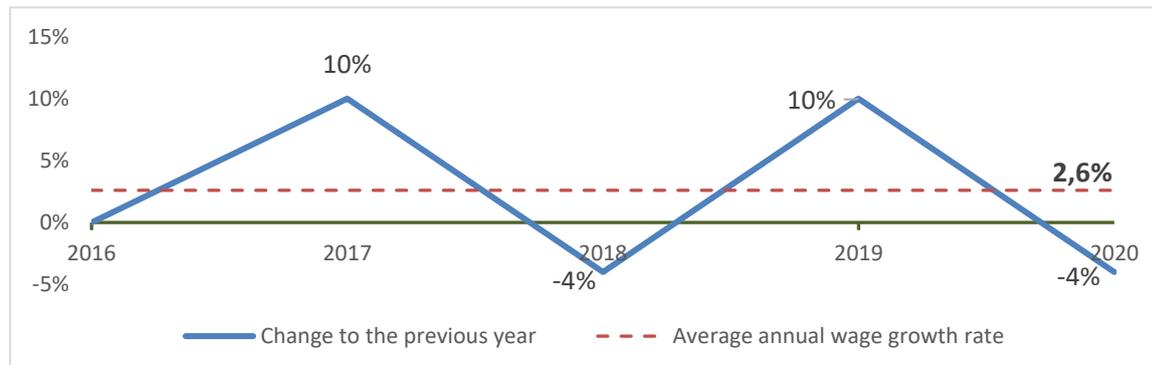


Chart 7. Changes in the average remuneration of the Company's employees in 2016-2020 (%)

Source: the Company.

In the reporting period, the Company's consolidated operating results mostly showed an upward trend, with LIFO-based EBITDA adjusted for one-offs (the key performance indicator) having grown from PLN 2.6bn in 2015 to PLN 2.9bn in 2019. In 2020, the Company's operations, like those of other refining companies, were under the strong negative impact of the COVID-19 pandemic. Demand for crude oil and fuels in 2020 fell on an unprecedented scale, adversely affecting prices, sales volumes and margins. As a result, the key macroeconomic parameters, i.e. margins on petroleum products and prices of crude oil and natural gas, which drive the Company's performance, plunged to lows not seen for many years. As a result, in 2020 LIFO-based EBITDA was PLN 1.4bn (for details, see Chart 8).

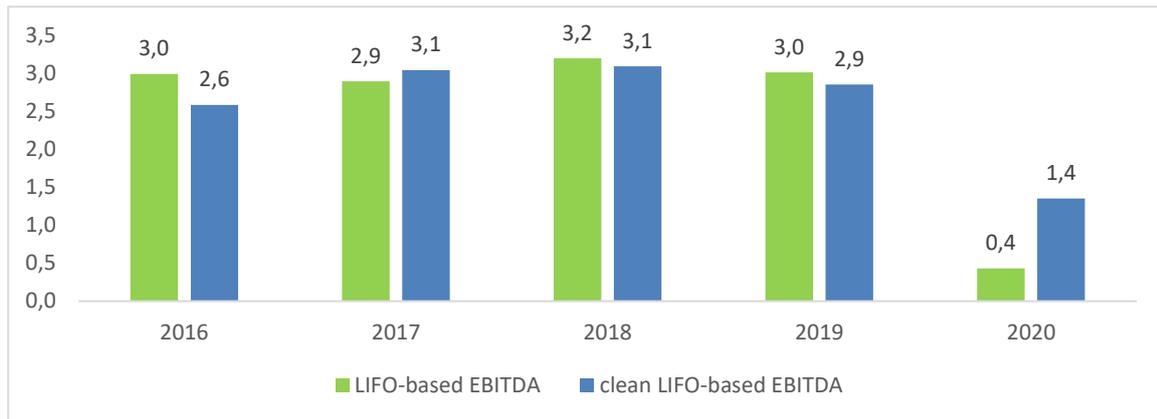


Chart 8. LIFO-based EBITDA and adjusted LIFO-based EBITDA* in 2016–2020 (PLNbn)

Source: the Company.

*Effect and nature of one-off events in individual years

- 2016: (-) 0.4bn: foreign exchange differences on operating activities, reversal of inventory write-downs and impairment losses on assets
- 2017: (+) 0.1bn: cost of the refinery maintenance shutdown, impairment losses on assets, foreign exchange differences on operating activities, and reversal of inventory write-downs
- 2018: (-) 0.1bn: net impairment losses/write-downs and provisions, foreign exchange differences on operating activities
- 2019: (-) 0.2bn: net impairment losses/write-downs and provisions, exchange differences on operating activities
- 2020: (+) 0.9bn: impairment losses on assets and foreign exchange differences on operating activities.

III. OTHER INFORMATION

- Amount of remuneration received from entities of the same group within the meaning of the Accounting Act of September 29th 1994:

Not applicable to members of Grupa LOTOS S.A. Management Board and Supervisory Board in the financial years 2019-2020.

- Number of financial instruments granted or offered and the main conditions for the exercise of rights under those instruments, including the exercise price and date and their changes:

Not applicable to members of Grupa LOTOS S.A. Management Board and Supervisory Board in the financial years 2019-2020.

- Information on any waivers of the Remuneration Policy implementation procedure and waivers applied in accordance with Art. 90f of the Public Offering Act, including explanation of reasons for waivers, and as well as indication of the elements in respect of which waivers were applied:

Not applicable to Grupa LOTOS S.A. in the financial years 2019-2020.

- Information on exercising the right to claim back Variable Remuneration:

Management Services Contracts signed with the individual Management Board members provided that the Company was entitled to claim back (the whole or an appropriate part of) Variable Remuneration paid if, following the payment, it is demonstrated that (the whole or an appropriate part of) Variable Remuneration was granted to a Management Board Member based on data which proved to be false.

In the financial years 2019-2020, there were no grounds for the Company to make use of this provision.

- Having regard to Art. 90g.8 of the Public Offering Act, it should be noted that in connection with the fact that the Report on Remuneration of Members of the Management Board and Supervisory Board for 2019-2020 is the first report prepared on the basis of art. 90g.1 of the Public Offering Act, it is not possible to refer to a previous report on remuneration or any previous resolutions on remuneration.

Signatures of the members of Grupa LOTOS S.A. Supervisory Board