

**REPORT OF THE SUPERVISORY
BOARD OF
PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A.
ON REMUNERATION
IN THE FINANCIAL YEAR OF
2021**

Łomża , 18/03/2022

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I. Introduction

This remuneration report was prepared in accordance with the requirements of Article 90g(1)-(5) and (8) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Polish Journal of Laws of 2021, item 1983, 2140).

The General Rules of Remuneration of the Management Board and the Supervisory Board Members of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., with its registered office in Łomża (the "Company"), are set out in the POLICY OF REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD MEMBERS OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO „PEPEES” S.A., adopted by way Resolution No. 17 of the Annual General Meeting of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., with its registered office in Łomża, of 21 April 2020 and is applicable as of the date of adoption. This is the second report on the remuneration of the Management Board and Supervisory Board Members

Management Board and the Supervisory Board Members of "PEPEES" S.A.

The Management Board and the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" SA. act under the applicable provisions of law, the Company's Articles of Association, the Regulations of the Supervisory Board and Regulations of the Management Board.

Management Board

In the reporting period from 1 January 2021 to 31 December 2021, the composition of the Management Board of "PEPEES" S.A. operated in the same composition:

- Wojciech Faszczewski – President of the Management Board
- Tomasz Rogala – Member of the Management Board.

Supervisory Board

In the reporting period from 1 January 2021 to 31 December 2021, the Supervisory Board of "PEPEES" S.A. operated in the same composition:

- Maciej Jacek Kaliński – Chairperson of the Supervisory Board.
- Tomasz Nowakowski – Deputy Chairperson of the Supervisory Board.
- Robert Malinowski – Secretary of the Supervisory Board.
- Piotr Taracha – Member of the Supervisory Board
- Krzysztof Stankowski – Member of the Supervisory Board.
- Agata Czerniakowska – Member of the Supervisory Board.

II. Total remuneration of the Management Board and the Supervisory Board Members

The remuneration of the Management Board Members consists of fixed remuneration components, including additional cash and non-cash benefits, and variable remuneration components. The remuneration of the Management Board Members is determined by the Supervisory Board based on resolutions of the Supervisory Board and managerial contracts. The remuneration principles for the incentive scheme for the Management Board Members were established by the Supervisory Board based on the adopted resolution of the Supervisory Board VIII/66/2018 of 10 April 2018.

The Supervisory Board Members collect remuneration based on a resolution of the General Meeting, which consists exclusively of fixed remuneration components.

Remuneration components for the Management Board Members in 2019 and 2021.

- *Fixed remuneration elements*

In the reporting period, the Company paid remuneration to all the Management Board Members for their functions on the Management Board based on the management contracts executed. Additionally, both members of the Management Board were allowed to use the company car for private purposes and to partially cover the costs of the use thereof.

- *variable remuneration components*

The Company's Management Board Members in the reporting period could receive a cash award, referred to as discretionary bonuses, for exercising their functions on the Company's Management Board with utmost care, continuously ensuring the highest quality of the Company's operations, therefore contributing to the increased goodwill of the Company and the entire Capital Group during their term in the Company's Management Board.

Detailed information on the terms and conditions and level of remuneration of the Management Board Members

The companies are included in the tables below.

Remuneration of the Management Board Members in 2019 by components (PLN)

Full name	Period of the office in year	Total remuneration	Fixed remuneration	Variable remuneration – bonus for budget implementation, according to the resolution of the Supervisory Board	Holiday pay	Contributions	Other non-cash benefits
Wojciech Faszczewski	01/01/2019-31/12/2019	1,044,554.47	480,000.00	480,972.75	26,768.65	18,638.67	38,174.40
Tomasz Krzysztof Rogala	01/01/2019-31/12/2019	774,966.05	360,000.00	333,981.50	31,548.76	14,152.89	35,282.90
Total		1,819,520.52	840,000.00	814,954.25	58,317.41	32,791.56	73,457.30

Relative proportions between the fixed and variable components of remuneration for 2019

	Variable remuneration	Fixed remuneration	Proportions between variable and fixed remuneration
Full name	1	2	1/2
Wojciech Faszczeński	480,972.75	563,581.72	85.34%
Tomasz Krzysztof Rogala	333,981.50	440,984.55	75,74%

Remuneration of the Management Board Members in 2020 by components (PLN)

Full name	Period of the office in year	Total remuneration	Fixed remuneration	Variable remuneration – bonus for budget implementation, according to the resolution of the Supervisory Board	Holiday pay	Employee pension scheme	Other non-cash benefits
Wojciech Faszczeński	01/01/2020-31/12/2020	745,859.30	480,000.00	217,093.00		25,222.30	23,544.00
Tomasz Krzysztof Rogala	01/01/2020-31/12/2020	568,516.48	360,000.00	157,985.00		19,225.19	31,306.29
Total		1,314,375.78	840,000.00	375,078.00	0.00	44,447.49	54,850.29

Relative proportions between the fixed and variable components of remuneration for 2020

	Variable remuneration	Fixed remuneration	Proportions between variable and fixed
Full name	1	2	1/2
Wojciech Faszczeński	217,093.00	528,766.30	41.06%
Tomasz Krzysztof Rogala	157,985.00	410,531.48	38.48%

Remuneration of the Management Board Members in 2021 by components (PLN)

Full name	Period of the office in year	Total remuneration	Fixed remuneration	Variable remuneration – bonus for budget implementation, according to the resolution of the Supervisory Board	Holiday pay	Employee pension scheme	Other non-cash benefits
Wojciech	01/01/2021-31/12/2021	799,139.47	480,000.00	200,000.00	68,571.43	27,024.04	23,544.00
Tomasz Krzysztof Rogala	01/01/2021-31/12/2021	601,920.94	360,000.00	150,000.00	40,000.00	20,354.79	31,566.15
Total		1,401,060.41	840,000.00	350,000.00	108,571.43	47,378.83	55,110.15

Relative proportions between the fixed and variable components of the remuneration for 2021

Full name	Variable remuneration	Fixed remuneration	Proportions between variable and fixed remuneration
	1	2	1/2
Wojciech Faszczewski	200,000.00	599,139.47	33.38%
Tomasz Krzysztof Rogala	150,000.00	451,920.94	33.19%

The amount of monthly fixed remuneration has been set by the Supervisory Board. The variable remuneration depended on implementing the budget approved for a specific year by the Supervisory Board and represented 24.98% of total remuneration in 2021. The Supervisory Board assessed the level of achievement of respective indicators based on the periodical financial statements. The Management Board Members were also entitled to the payment of contributions for the Employee Pension Scheme, equivalent for unused holiday leaves and use of company cars for travelling from their places of residence to the Company's registered office and for private purposes.

Rules of remuneration of the Supervisory Board

The General Meeting adopts the resolution to determine the remuneration of the Supervisory Board Members. The General Meeting determines the remuneration of the Supervisory Board Members as variable

depending on the function served, taking into account the degree of involvement of the Board Members in

the duties and responsibilities of the Supervisory Board Member at a listed company.

The Resolution of the Annual General Meeting No. 30 of 28 June 2019 sets out the principles for the remuneration of the Supervisory Board Members. Detailed information on the amount of remuneration of the Supervisory Board Members is contained in the table below.

Remuneration of the Supervisory Board Members in 2019 by components (PLN)

Full name	Period of the function	Total remuneration	Fixed remuneration	Contributions paid to the employee	Other – allowances
Maciej Kaliński	01/01/2019-1/12/2019	205,957.87	200,816.28	5,141.59	
Tomasz Nowakowski	01/01/2019-1/12/2019	138,783.50	138,783.50		
Piotr Marian Taracha	01/01/2019-1/12/2019	96,076.38	94,672.73		1,403.65
Krzysztof Stankowski	01/01/2019-1/12/2019	93,356.51	92,456.99		899.52
Robert Malinowski	01/01/2019-1/12/2019	113,729.92	113,729.92		
Agata Czerniakowska	01/01/2019-1/12/2019	91,458.06	91,458.06		
Total		739,362.24	731,917.48	5,141.59	2,203.17

Remuneration of the Supervisory Board Members in 2020 by components (PLN)

Full name	Period of the function	Total remuneration	Fixed remuneration	Contributions paid to the	Other – allowances
Maciej Kaliński	01/01/2020-31/12/2020	270,487.47	261,352.02	9,135.45	
Tomasz Nowakowski	01/01/2020-31/12/2020	208,095.36	201,243.77	6,851.59	
Piotr Marian Taracha	01/01/2020-31/12/2020	106,141.63	105,823.78		317.85
Krzysztof Stankowski	01/01/2020-31/12/2020	105,759.38	105,645.38		114.00
Robert Malinowski	01/01/2020-31/12/2020	170,952.47	170,952.47		
Agata Czerniakowska	01/01/2020-31/12/2020	107,146.20	107,146.20		
Total		968,582.51	952,163.62	15,987.04	431.85

Remuneration of the Supervisory Board Members in 2021 by components (PLN)

Full name	Period of the function	Total remuneration	Fixed remuneration	Contributions	Other –
Maciej Kaliński	01/01/2021-31/12/2021	293,166.48	283,276.98	9,889.50	
Tomasz Nowakowski	01/01/2021-31/12/2021	222,505.06	215,087.98	7,417.08	
Piotr Marian Taracha	01/01/2021-31/12/2021	114,248.62	114,248.62		
Krzysztof Stankowski	01/01/2021-31/12/2021	114,870.27	114,870.27		
Robert Malinowski	01/01/2021-31/12/2021	178,552.61	178,552.61		
Agata Czerniakowska	01/01/2021-31/12/2021	114,068.00	114,068.00		
Total		1,037,411.04	1,020,104.46	17,306.58	

The principles of remuneration for Supervisory Board Members were applied in the Company pursuant to the resolution of the General Meeting of 27 June 2003, as amended with Resolution No. 36 of 11 May 2018 and Resolution No. 30 of 28 June 2019. In the period covered by this report, the Supervisory Board Members collected remuneration based on their appointment to the Supervisory Board by the General Meeting, determined as the average gross remuneration in the sector of enterprises plus profit distributions for the last month of the quarter preceding the payment multiplied by:

- for the Chairman of the Supervisory Board – 4
- for the Deputy Chairman of the Supervisory Board – 3
- for the Secretary of the Supervisory Board – 2.5
- for the other Supervisory Board Members – 1.6

The Supervisory Board Members were also entitled to the payment of fees due to participation in the Employee Pension Scheme and the use of company cars.

III. Compliance of the remuneration of the Management Board and the Supervisory Board Members with the Remuneration Policy

The remuneration of the Management Board and the Supervisory Board Members was compliant with the Remuneration Policy. In the opinion of the Supervisory Board, the adopted structure of remuneration distribution of the Management Board between fixed and variable components contributes to the achievement of long-term objectives and results of the Company and, therefore, to the increased goodwill in the long term. The achievement of the management objectives set by the Supervisory Board entails periodic bonus to be granted to the Management Board Members.

The amount of the fixed remuneration of the Company's Management Board Members has not changed in recent years. The fixed remuneration is dependent on the responsibilities of the respective Board Members. The amount of monthly fixed remuneration has been set by the Supervisory Board. The Management Board Members were also entitled to the payment of contributions for the Employee Pension Scheme, equivalent for unused holiday leaves and use of company cars for travelling from their places of residence to the Company's registered office and for private purposes.

The variable part of the remuneration of the Management Board Members, in the form of quarterly and annual bonuses, depends on the level of achievement of the key objectives under the rules established by the Supervisory Board, taking into account the financial results achieved and the degree of achievement of the objectives set by the Supervisory Board. Objectives are determined by the Supervisory Board based on the current operational and strategic goals of the Company for a given period along with the measures of their implementation, including the performance of the planned sales budget, the achievement of planned profit or EBIDTA level. The Supervisory Board assessed the level of achievement of respective indicators based on the periodical financial statements.

The remuneration of the Supervisory Board Members was defined by the General Meeting and varies depending on the function and responsibilities.

IV. Performance criteria

In accordance with the Company's remuneration policy, the Management Board Members collected variable remuneration in the form of quarterly and annual bonuses. The quarterly bonus was paid subject to the completion of planned sales. Additionally, the Management Board could receive a bonus if the level of planned net profit was exceeded. Following the approval of the report for the financial year, the Management Board received an annual bonus for the execution of the sales plan and for exceeding the planned net profit level.

The condition for receiving both so-called sales bonus and performance bonus for the next three quarters of each year and the annual bonus was to exceed the planned EBIDTA result.

V. Change in the remuneration of the Management Board and the Supervisory Board Members, the Company's performance and the average remuneration of the Company's employees

	2017	2018	2019	2020	2021	Change (%)	Change (%)	Change (%)	Change (%)
	in thousands of PLN	2018-2017	2019-2018	2020-2019	2021-2020				
Total remuneration of the Management	1,530.00	1,378.00	1,819.50	1,314.40	1,401.0	-9.93%	0.32%	-27.76%	6.59%
Total remuneration of the Supervisory	412.00	319.00	739.4	968.6	1,037.5	-22.57%	1.32%	31.00%	7.11%
Revenues from	162,454	175,798	172,934	155,182	163,943	0.08%	-0.02%	-10.27%	5.65%
Net profit (loss) of the	12,319	17,442	19,182	5,530	(2,343)	0.42%	9.98%	-71.17%	-142.35%
Mean remuneration*	45.70	51.30	61.4	61.5	68	12.25%	19.69%	0.16%	10.57%

*The mean annual remuneration of employees who are not the Management Board and the Supervisory Board Members was calculated as the sum of the remuneration paid for the financial year divided by the mean number of FTEs in a specific financial year.

In this information, based on the exemption referred to in Article 90g(3) of the Act on Public Offering, the decision was made to omit information for the financial years for which the Supervisory Board was not obliged to prepare the Remuneration Report.

In 2019, 2020 and 2021, the Supervisory Board did not change the fixed remuneration of the Management Board Members and the rules concerning variable remuneration, which depends on the level of achievement of the targets set in the Company's budget planned for a specific year.

VI. Remuneration from entities belonging to the Group

Remuneration of the Management collected in subsidiaries in 2019 (PLN)

Company	President of the Board Wojciech Faszczewski		Member of the Board – Tomasz Rogala	
	Fixed remuneration	Variable remuneration	Fixed remuneration	Variable remuneration
PPZ BRONISŁAW S.A.	136,202.54	198,000.00		
ZPZ Lublin Sap. z o.o.	62,184.87			
CHP Energia Sp. z o.o.	8,400.00		6,000.00	
Total	206,787.41	198,000.00	6,000.00	0.00

Remuneration of the Management collected in subsidiaries in 2020 (PLN)

Company	President of the Board – Wojciech Faszczewski		Member of the Board – Tomasz Rogala	
	Fixed remuneration	Variable remuneration	Fixed remuneration	Variable remuneration
PPZ BRONISŁAW S.A.	141,524.58	24,000.00		
ZPZ Lublin Sap. Z o.o.	64,059.21			
CHP Energia Sp. z o.o.	8,400.00		6,000.00	
Total	213,983.79	24,000.00	6,000.00	0.00

Remuneration of the Management collected in subsidiaries in 2021 (PLN)

Company	President of the Board – Wojciech Faszczewski		Member of the Board – Tomasz Rogala	
	Fixed remuneration	Variable remuneration	Fixed remuneration	Variable remuneration
PPZ BRONISŁAW S.A.	145,125.54	96,000.00		
ZPZ Lublin Sap. Z o.o.	69,042.63			
Total	175,904.91	70,969.46		0.00

Remuneration in subsidiaries of PEPEES S.A. was paid to the Management Board Members for acting as President in PPZ BRONISŁAW by Mr Wojciech Faszczewski, and in other companies as the Supervisory Board Members.

Remuneration collected in subsidiaries in 2019 (PLN) for performed functions in the Supervisory Boards

Full name	Total	PPZ BRONISŁAW	ZPZ Lublin
Tomasz Nowakowski	44,229.60	19,792.04	24,437.56
Piotr Marian Taracha	113,684.88	57,718.47	55,966.41
Robert Malinowski	58,814.24	27,721.76	31,092.48
Agata Czerniakowska	78,810.95	47,718.47	31,092.48
Total	295,539.67	152,950.74	142,588.93

Remuneration collected in subsidiaries in 2020 (PLN) for performed functions in the Supervisory Boards

Full name	Total	PPZ BRONISŁAW	ZPZ Lublin
Tomasz Nowakowski	103,269.00	52,021.62	51,247.38
Piotr Marian Taracha	102,773.51	45,120.20	57,653.31
Robert Malinowski	73,445.54	41,415.92	32,029.62
Agata Czerniakowska	103,028.28	70,998.66	32,029.62
Total	382,516.33	209,556.40	172,959.93

Remuneration collected in subsidiaries in 2021 (PLN) for performed functions in the Supervisory Boards

Full name	Total	PPZ BRONISŁAW	ZPZ Lublin
Tomasz Nowakowski	129,645.63	74,411.52	55,234.11
Piotr Marian Taracha	62,138.37		62,138.37
Robert Malinowski	77,928.12	43,406.76	34,521.36
Agata Czerniakowska	108,932.88	74,411.52	34,521.36
Total	378,645.00	192,229.80	186,415.20

VII. Granted or offered financial instruments

In the reporting period, no financial instruments were granted or offered to the Management Board Members. Similarly, no pecuniary or non-pecuniary benefits were granted to the immediate family members of the Management Board Members.

VIII. Reimbursement of variable remuneration components

The terms and conditions of payment of variable remuneration components do not provide for the deferred payment or repayment.

IX. Information on deviations from the procedure on the implementation of the remuneration policy and deviations from the application of the remuneration policy

The Supervisory Board did not decide to temporarily withdraw from the application of the implemented Remuneration Policy and deviations applied pursuant to Article 90f of the Act on Public

Offering.

X. Explanation of how the resolution of the Company's General Meeting related to the previous Remuneration Report is taken into account in the Remuneration Report

The previous and first Remuneration Report covered the period 2019-2020. The Annual General Meeting of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., with its registered office in Łomża, by way resolution no. 18 of 29 June 2021, as regards the opinion on the Report concerning the remuneration of the members of the Management Board and the Supervisory Board of Pepees S.A. in the financial years of 2019 and 2020, acting pursuant to Article 395(2)(1) of the Code of Commercial Partnerships and Companies in relation to Article 90g(6) of the Act on

Public Offering has issued a favourable opinion on the Report of the Supervisory Board of PEPEES S.A. on remuneration for the financial years of 2019 and 2020, without making any suggestions or objections in this regard.

XI. Summary.

The Supervisory Board has reviewed remuneration and all benefits collected by the respective members of the Management Board and Supervisory Board for compliance with the applicable resolutions of the General Meeting and the Supervisory Board and the Remuneration Policy.

In the opinion of the Supervisory Board, remuneration paid to the members of the Management Board, both as regards fixed and variable components, is compliant with the applicable Remuneration Policy. The Supervisory Board positively evaluates the operation of the Remuneration Policy and the compliance of the remuneration of the Management Board and the Supervisory Board Members with the Remuneration Policy in force at the Company. The remuneration report was prepared by the Supervisory Board in order to fulfil the requirements defined in Article 90g(1) of the Act on Public Offering.

The remuneration report was adopted by the Supervisory Board by way of resolution no. X/97/2022 of 18 March 2022.

The remuneration report was reviewed by the chartered auditor on including information required under the Act on Public Offering Article 90g(1)-(5) and (8). The entity authorised to evaluate the remuneration report is WBS Audyt Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw.

Signatures of the Supervisory
Board Members

1. Maciej Kaliński.....
2. Tomasz Nowakowski.....
3. Robert Malinowski.....
4. Krzysztof Stankowski.....

5. Agata Czerniakowska.....

6. Piotr Taracha.....

Signed by:
Piotr Marcin
Taracha
Date:
18/03/2022 17:17