



Remuneration report

Members of the Management Board and
Supervisory Board of Toya S.A.

for the financial year 2021



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1. Introduction

This remuneration report of the members of the Management Board and the Supervisory Board of Toya S.A. (hereinafter referred to as the: "Remuneration Report") has been prepared by the Supervisory Board of Toya S.A. and pursuant to the requirements specified in the Act of 29 July 2005 on Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (hereinafter referred to as the: "Public Offering Act").

The report covers the year 2021 and provides an overview of the remuneration awarded in accordance with the existing and applicable Remuneration Policy for the members of the Management Board and Supervisory Board of Toya S.A. (hereinafter referred to as the: "Remuneration Policy"). The main objectives of the Remuneration Policy consist of implementing the Company's business strategy, pursuing the Company's long-term interests and ensuring its stability. The Remuneration Policy contributes to the achievement of the objectives in particular by providing sustainable and competitive remuneration, focused on continuous performance which motivates the members of the Management Board and the Supervisory Board to perform their tasks to the best standards. The Company has adopted clear, comprehensive and differentiated financial and non-financial performance criteria for the award of variable remuneration. A ratio between fixed and variable remuneration is established, which, in combination with verification of the fulfilment of the individual criteria for variable remuneration, ensures that the ongoing commitment of the Company's Member of the Management Boards and their contribution to the Company's success is adequately rewarded.

The Remuneration Policy applied is also part of the company's overall strategy. By making it possible to attract, retain and motivate the best managers and professionals in the areas of specialisation occurring at Toya S.A., it ensures staff prepared to achieve the company's strategic objectives. The solutions adopted in the Remuneration Policy, inter alia in the organisation of decision-making processes concerning the Remuneration Policy, support effective risk management and limit the occurrence of conflicts of interest. The level of total remuneration depends, inter alia, on the Company's financial performance and the achievement of objectives of a non-financial nature.

This report illustrates how the remuneration of the Company's key employees has evolved in view of the economic environment facing the Company in 2021.

2. Composition of the Company's bodies

In 2021 the Management Board of the Company was composed of:

- Grzegorz Pinkosz – President of the Management Board
- Maciej Lubnauer – Vice-President of the Management Board

The Supervisory Board was composed of:

- Piotr Mondalski – Chairman of the Supervisory Board
- Jan Szmidt – Deputy Chairman of the Supervisory Board
- Dariusz Górka – Member of the Supervisory Board
- Michał Kobus – Member of the Supervisory Board
- Grzegorz Maciąg – Member of the Supervisory Board
- Wojciech Bartłomiej Papierak – Member of the Supervisory Board
- Beata Szmidt – Member of the Supervisory Board

There were no changes to the composition of the Company's Management and Supervisory Boards during the reporting period.

3. Description of Remuneration Policy

i. Forms of employment

The remuneration policy provides for the possibility of entrusting the management of the Company the member of the Management Board on the basis of three legal relationships:

- 1) Employment agreement for an indefinite period of time
- 2) Management contract
- 3) Appointment to act as the Member of the Management Board for the duration of the term of office.

In 2021 the members of the Management Board performed their duties on the basis of a resolution of the Supervisory Board appointing them to their functions for a term of office (3 years) and setting their remuneration therefor. Moreover, the Members of the Management Board performed the duties of Chief Operating Officer and Chief Financial Officer, respectively, under an employment agreement for an indefinite period of time.

Until the adoption of the remuneration policy for the members of the Management and Supervisory Boards of "TOYA" S.A., the principles of remuneration of persons who were members of the Management Board were regulated by the aforementioned resolution of the Supervisory Board concerning the appointment of the Member of the Management Board and determination of the amount of the fixed remuneration component, and employment agreements concerning the functions of the Chief Operating Officer and the Chief Financial Officer, respectively. During this period, the company did not have a separate remuneration policy for the Members of the Management Board.

Pursuant to the requirements of the Public Offering Act, the General Meeting of Shareholders of the Company adopted the Remuneration Policy for the Members of the Management Board and Supervisory Board of "TOYA" S.A. in a resolution dated 31 August 2020, pursuant to which the remuneration system applied in the Company with respect to the Members of the Management Board consists of a fixed and variable part of remuneration as well as bonuses and other cash and non-cash benefits. These can be granted to the Member of the Management Board of the Company and the Member of the Supervisory Board of the Company together with an indication of the mutual proportions of the components of this remuneration.

ii. Basic remuneration

In 2021 persons who are the Members of the Management Board were entitled to receive a monthly basic remuneration, separately:

- 1) due to acting as the Member of the Management Board of the Company under a resolution of the Supervisory Board concerning the remuneration of the Member of the Management Board,
- 2) due to acting as the Chief Operating Officer or Chief Financial Officer, accordingly, under the employment agreement.

The regulation of the base salaries of the members of the Management Board took into account the remuneration standards of the positions, related to the scope of tasks and the market valuation of the functions performed.

With regard to the members of the Management Board, the Supervisory Board determined the terms and conditions of employment including the basic remuneration based on the following aspects:

- responsibilities and complexities that characterise the position,
- market competitiveness of remuneration,
- individual contribution of the Member of the Management Board to the implementation of the Company's strategy.

iii. Non-cash benefits

Pursuant to the Remuneration Policy, the Member of the Management Board of the Company could also receive non-cash benefits from the Company, including:

- a) right to use certain assets of the Company,
- b) right to additional insurance,
- c) right to benefit from additional company benefits (perks) launched for those employed by the Company and permanently cooperating with the Company,
- d) right to participate on a general basis in the Company's pension schemes (including Employee Capital Plans – PPK).

Due to acting as the Chief Operating Officer or Chief Financial Officer, the persons who were the members of the Management Board were entitled to receive non-cash benefits intended for persons employed by the Company and permanently cooperating with the Company in the form of:

- a) private medical care,
- b) company car (which can be used for private purposes),
- c) benefits financed by the Company Social Benefits Fund.

Pursuant to the Remuneration Policy, the value of non-cash benefits from the Company to the members of the Management Board of the Company could not exceed 25% of the annual fixed remuneration for the relevant financial year. The granting of non-cash benefits to the Member of the Management Board that are atypical, i.e. outside the general practice of the Company, can be decided by the General Meeting.

In 2021 the persons who are the members of the Management Board in their capacity as the Chief Operating Officer and Chief Financial Officer benefited from entitlement to additional benefits in the form of a company car (which can be used for private purposes), private medical care and a Christmas prepaid card.

In 2021 the Company did not grant any pension benefits other than those related to the participation of the Members of the Management Board in the PPK.

In 2021 the Company did not grant benefits to the close relatives of the Members of the Management Board.

iv. Cash awards

Pursuant to the Remuneration Policy, a person who is the Member of the Management Board can receive variable remuneration components in the form of cash awards. These were paid on the basis of a resolution of the Supervisory Board following the preparation of the annual financial statements confirmed by the auditor's opinion.

Since the adoption of the Remuneration Policy, the Supervisory Board can adopt a resolution on the amount of the cash award for acting as the Member of the Management Board on a discretionary basis taking into account, inter alia, the following:

- a. dynamics of change in the Company's net profit in relation to previous years;
- b. macroeconomic environment in which the Company operates;
- c. evaluation of the Company's Compliance Systems, the Information System on the application of the principles of corporate governance specified in the Rules of the Stock Exchange and the regulations on current and periodic information provided by issuers of securities, Internal Control Systems.

The cash award for the Member of the Management Board depends on the Company's actual long-term financial position and the long-term increase in shareholder value and stability of the company's operations and cannot exceed 250% of the annual fixed remuneration for the relevant financial year. The amount of the cash award shall be determined taking into account the increased responsibilities and risks of the position in the Company and the consequences for the Company and the Member of the Company's Management Board that can result from the materialisation of these risks.

The cash award of the Member of the Management Board of the Company is subject to the fulfilment of differentiated performance criteria, i.e. the achievement of management targets set by the Supervisory Board, based on the open sample catalogue of one or more financial and non-financial indicators below:

I. Financial components:

- a. net profit/loss or EBITDA,
- b. value of sales revenue,
- c. the amount of selling and administrative costs,
- d. profitability ratios, liquidity ratios, management efficiency ratios.

II. Non-financial components:

- a. implementation of specific investments, projects, strategies included in the financial plan,

- b. 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 specific criteria,
- c. degree of the Company's commitment to corporate social responsibility, including consideration of social interests contributing to the protection of the environment and taking measures aimed at preventing and eliminating the negative social effects of the Company's activities (ESG).

The Supervisory Board grants a cash award to the Members of the Management Board on a discretionary basis on the basis of verification of the fulfilment of the individual criteria conditioning the payment of a cash award of a specified amount to the Member of the Management Board of the Company, on the basis of the Company's financial and non-financial documents and the explanations of the Management Board submitted at the request of the Supervisory Board.

The assessment of the achievement of the performance criteria for 2021 established on the basis of the Remuneration Policy was undertaken by the Supervisory Board following the preparation of the annual financial statements confirmed by the auditor's opinion. A cash award in this respect was granted on the basis of the Remuneration Policy for the role of Member of the Board.

In 2022 the persons who are members of the Management Board were granted a cash award for 2021 for their role as the Member of the Management Board. The Supervisory Board positively assessed the performance of the financial and non-financial indicators for the award of variable remuneration components. Detailed information on the level of implementation of the indicators is presented in Table 2.

The Remuneration Policy provides for the possibility of granting remuneration in the form of financial instruments to the Member of the Management Board of the Company. In addition, the Supervisory Board is authorised to determine deferral periods and the possibility for the Company to demand the reimbursement of variable remuneration components. In 2021 there were no incentive programmes based on financial instruments in the Company. In the aforementioned year, the Supervisory Board also did not determine deferral periods for the payment of variable remuneration and the possibility of requesting reimbursement of variable remuneration components.

v. Benefits from other group entities

The Remuneration Policy specifies that the Member of the Management Board can be remunerated under the employment agreements or service agreements concluded with companies in the Company's group. In 2021 no member of the Management Board received such remuneration.

vi. Remuneration of the members of the Management Board 2021*Table 1. Remuneration of members of the Management Board (PLN)*

			1		2			3	4	5
			Fixed remuneration		Variable remuneration			Cost of pension schemes	Total remuneration (fixed remuneration + awards payable + cost of pension schemes)	Ratio of variable to fixed remuneration (2/1)
			Gross basic remuneration	Additional benefits / benefits granted	Awards payable / annual bonuses	Awards paid / annual bonuses*	Awards paid / multiannual bonuses			
Grzegorz Pinkosz	Due to appointment as the President of the Management	2021	396 000	0	966 430	840 526	0	0	1 362 430	
	Due to employment agreement as the Chief Operating Officer	2021	24 000	5 765	0	0	0	330	30 095	
	Total	2021	420 000	5 765	966 430	840 526	0	330	1 392 525	226,99 %
Maciej Lubnauer	Due to appointment as the Vice President of the Management Board	2021	360 000	0	900 000	840 526	0	0	1 260 000	
	Due to employment agreement as the Chief Financial Officer	2021	24 000	5 765	0	0	0	0	29 765	
	Total	2021	384 000	5 765	900 000	840 526	0	0	1 289 765	230,90 %

* Cash award paid in a given year for performance in the previous year

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Table 2. Financial and non-financial indicators for the award of variable remuneration components for 2021

Type of criterion	Criterion description	Evaluation of implementation
Financial criterion	Net profitability dynamics of TOYA S.A. (net profit) year on year	Positive
	None of the following occurrences: a) Revenue budget implementation below 90% b) Budget implementation under net profit item below 90% c) Loss of financial liquidity by TOYA S.A.	Positive – none of the events described occurred
Non-financial criterion	Assessment of activities relating to the implementation of the challenges of a dynamically changing legislative environment; development and implementation of digital transformation procedures and documents through: a) Commencement of implementation of electronic circulation of certain documents in the HR department, and b) Design and start of implementation of electronic circulation of certain accounting and legal documents Evaluation of the Management Board efforts to improve the climate and the environment by replacing at least 50% of the cars used by the Company with low-emission cars. Evaluation of the Board's activities related to increasing the transparency of the company's activities through the development and publication of a tax policy as well as monitoring legislative changes related to whistleblower protection.	Positive
	Evaluation of actions taken by TOYA S.A. in emergency situations such as a pandemic, with the potential to contribute to the prevention of negative social impacts. Actions should lead to: a) Ensure the safety of persons employed and cooperating with the Company b) Maintaining the continuity of the organisation c) Maintaining continuity and stability of employment d) Ensure that the Company is flexible to the expectations of employees affected by extraordinary situations	Positive

vii. Remuneration of Members of the Supervisory Board

The principles for remuneration of the members of the Supervisory Board of the Company are set out in the resolution of the General Meeting of Shareholders appointing the Member of the Supervisory Board for a three-year term of office.

The members of the Supervisory Board are entitled to a fixed monthly remuneration. This remuneration is set taking into account the performance of additional functions, such as work in committees of the Supervisory Board and the associated increased scope of tasks. The amount of remuneration of the Member of the Supervisory Board is determined taking into account the increased scope of responsibility and risk associated with the performance of the function in the Company and the consequences for the Company and the Member of the Management Board of the Company that may result from the materialisation of this risk.

The Members of the Supervisory Board are entitled to receive non-cash benefits from the Company, including:

- a. right to use certain assets of the Company

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- b. right to additional insurance
- c. right to benefit from additional company benefits (perks) intended for those employed by and cooperating with the Company on an ongoing basis
- d. right to participate on a general basis in the Company's pension schemes (including PPK).

The value of non-cash benefits from the Company to Supervisory Member of the Management Boards cannot exceed 25% of the annual fixed remuneration for the relevant financial year. The granting of non-cash benefits to the Member of the Supervisory Board of the Company that are atypical, i.e. outside the general practice of the Company, can be decided by the General Meeting of Shareholders.

The Members of the Supervisory Board are not entitled to receive variable remuneration components, including remuneration in the form of financial instruments.

In 2021 the Company paid remuneration to the members of the Supervisory Board in the amounts shown in Table 3.

Table 3. Remuneration of the Supervisory Board (in PLN)

		1	2	3
		Fixed remuneration for performance of duties (*)	Cost of pension schemes	Total remuneration (1+2)
Piotr Mondalski Chairman of the Supervisory Board	2021	180 000	0	180 000
Jan Szmidt Vice-Chairman of the Supervisory Board	2021	48 000	0	48 000
Dariusz Górka Member of the Supervisory Board	2021	120 000	1800	121 800
Michał Kobus Member of the Supervisory Board	2021	48 000	720	48 720
Grzegorz Maciąg Member of the Supervisory Board	2021	120 000	1800	121 800
Wojciech Papierak Member of the Supervisory Board	2021	48 000	720	48 720
Beata Szmidt Member of the Supervisory Board	2021	48000	0	48 000

*The members of the Supervisory Board in 2021 were not granted additional remuneration for attendance at meetings or additional non-cash benefits.

In 2021 the Company did not grant benefits to the immediate family members of the Supervisory Board.

4. Deviations from the application of the Remuneration Policy and its implementation process

During the reporting period, the Company made remuneration payments under the adopted Remuneration Policy. No decisions were made to deviate either from the principles of the Remuneration Policy or from individual elements of the Policy.

5. Opinion of the General Meeting on the Remuneration Report of the Supervisory Board and the Members of the Management Board for 2019 - 2020

On 29.06.2021 pursuant to § 395 § 21 of the Act of 15 September 2000 – Code of Commercial Companies and Partnerships (Journal of Laws of 2020, item 1526, as amended) in conjunction with Art. 90g section 6 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, the Annual General Meeting of Shareholders of the Company approved the Remuneration Report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial years 2019-2020.

6. Information on changes to the Company's remuneration policies and performance

Since the adoption of the Remuneration Policy in 2020 the Company has not made any changes to the remuneration principles for the members of the Management Board and the Supervisory Board.

Table 3 presents a summary of total remuneration, selected financial results of the Company and remuneration of employees other than members of the Management Board for 2021 and the five preceding years. The total remuneration of the members of the Management Board is shown as the sum of the fixed remuneration components paid in a given year and the variable remuneration due in a given year and paid in the following year.

The average remuneration in a given year represents the average remuneration of the Company's employees, other than the members of the Management Board, employed under an employment agreement and on record as at 31 December of the given year. The average remuneration was determined on the basis of the sum of total remuneration (income under PIT-11), i.e. fixed remuneration, variable remuneration, cash and non-cash benefits and all other payments paid to employees in a given calendar year (in a 12-month period) divided by the headcount as at 31 December of the given year. The remuneration of employees on record on 31 December of a given year working part-time have been recalculated for the full-time value and the salaries of those on record on 31 December in a given year who worked part of the year have been annualised.

The table shows the percentage change in the amount of each indicator in relation to its value in the previous year.

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Table 4. Changes in the remuneration of the members of the Management Board, Supervisory Board and the Company's performance in the last 5 years

		2017	2018	2019	2020	2021
Grzegorz Pinkosz President of the Management Board	remuneration in PLN	936 365	1 042 542	1 040 732	1 268 182	1 392 525
	year-on-year change	32,07%	11,34%	-0,17%	21,85%	9,8%
Maciej Lubnauer Vice-President of the Management Board	remuneration in PLN	918 946	1 006 542	1 004 702	1 223 289	1 289 765
	year-on-year change	29,62%	9,53%	-0,18%	21,76%	5,43%
Dariusz Hajek Vice-President of the Management Board	remuneration in PLN	n/a	n/a	n/a	n/a	n/a
	year-on-year change	n/a	n/a	n/a	n/a	n/a
Piotr Mondalski Chairman of the Supervisory Board	remuneration in PLN	180 000	180 000	180 000	180 000	180 000
	year-on-year change	0,00%	0,00%	0,00%	0,00%	0,00%
Jan Szmidt Vice-Chairman of the Supervisory Board	remuneration in PLN	114 000	48 000	48 000	48 000	48 000
	year-on-year change	-36,67%	-57,89%	0,00%	0,00%	0,00%
Dariusz Górka Member of the Supervisory Board	remuneration in PLN	120 000	120 000	120 150	121 800	121 800
	year-on-year change	0,00%	0,00%	0,12%	1,37%	0,00
Michał Kobus Member of the Supervisory Board	remuneration in PLN	24 267	48 000	48 060	48 720	48 720
	year-on-year change	n/a	97,80%	0,12%	1,37%	0.00%
Tomasz Koprowski Member of the Supervisory Board	remuneration in PLN	72 000	15 871	n/a	n/a	n/a
	year-on-year change	-40,00%	-77,96%	n/a	n/a	n/a
Grzegorz Maciąg Member of the Supervisory Board	remuneration in PLN	120 000	120 000	120 150	121 800	121 800
	year-on-year change	0,00%	0,00%	0,12%	1,37%	0,00
Wojciech Papierak Member of the Supervisory Board	remuneration in PLN	24 267	48 000	48 060	48 720	48 720
	year-on-year change	n/a	97,80%	0,12%	1,37%	0,00
Beata Szmidt Member of the Supervisory Board	remuneration in PLN	n/a	2 733	24 000	32 065	48 000
	year-on-year change	n/a	n/a	778,16%	33,60%	49,69%

* The Member of the Management Board until 20 September 2016. Total remuneration represents only base remuneration which has been annualised. The table omits the remuneration received under the employment agreement received after the termination of the position of the Member of the Management Board.

The explanatory notes form an integral part of this report.

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Selected financial ratios of the Company's group						
		2017	2018	2019	2020	2021
Sales revenue	thousand PLN	347 541	380 739	440 018	542 112	686 737
	year-on-year change 9,74%	12,05%	9,55%	15,57%	23,20%	26,68%
Net profit (in thousands of PLN)	thousand PLN	40 306	43 767	44 825	64 939	77 395
	year-on-year change	22,68%	8,59%	2,42%	44,87%	19,18%
Earnings per share (in PLN)	PLN	0,52	0,58	0,60	0,87	1,03
	year-on-year change	23,81%	11,54%	3,45%	45,00%	18,39%
Selected separate financial ratios of the Company						
Sales revenue	thousand PLN	287 783	311 633	356 783	442 263	543 098
	year-on-year change	10,79%	8,29%	14,49%	23,96%	22,80%
Net profit (in thousands of PLN)	thousand PLN	35 378	39 246	40 085	54 740	63 242
	year-on-year change	19,34%	10,93%	2,14%	36,56%	15,53%
Earnings per share (in PLN)	PLN	0,46	0,52	0,53	0,73	0,84
	year-on-year change	20,87%	14,52%	2,14%	36,56%	15,07%
Total remuneration of employees who are not the members of the Management Board						
Average total remuneration per FTE	PLN	69 732	73 886	80 063	85 568	91 882
	year-on-year change	9,98%	5,96%	8,36%	6,87%	7,37 %

7. Summary

In 2021 the Company paid remuneration to the members of the Management Board and the Supervisory Board exclusively pursuant to the Remuneration Policy. The remuneration of the Members of the Management Board contributes to their full commitment to their specific functions, motivates them to achieve the Company's business objectives and was appropriate to their positions.

The members of the Management Board received fixed remuneration and cash awards the receipt of which is determined by performance indicators directly related to the economic position of the Company. The variable remuneration component contributes to the Management Board's interest in, among other things, the dynamic development of the Company, its market position and financial condition.

The Supervisory Board assesses that the Remuneration Policy is conducive to the implementation of the business strategy, long-term interests and stability of the Company, in particular through the introduction of the flexible solution of authorising the Supervisory Board to determine the amount of the variable remuneration of the members of the Management Board on a discretionary basis, based on the assessment of the overall implementation of the performance criteria. The Supervisory Board positively assesses the functioning of the Remuneration Policy and the compliance of the remuneration of the persons covered by the Remuneration Policy with the procedures applicable in the Company.