



Report on remuneration
of the Members of the Management Board and Supervisory Board
of TOYA S.A
for the financial years 2019-2020



TOYA S.A.

Report on remuneration of the Members of the Management Board and Supervisory Board of TOYA S.A for the financial years

2019-2020

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1. Introduction

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

The report covers the financial years 2019 and 2020 and reviews the remuneration awarded in under the valid 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") and on the basis of the remuneration rules applicable prior to the adoption of the Remuneration Policy. The main objectives of the Remuneration Policy include the implementation of the Company's business strategy, the achievement of the Company's long-term interests and ensuring its stability. The Remuneration Policy contributes to the implementation of the objectives in particular by providing balanced and competitive remuneration, focused on continuous performance which motivates the Members of the Management Board and Supervisory Board to perform their tasks to the best standards. The Company adopted clear, comprehensive and differentiated financial and non-financial profit/loss criteria for awarding variable remuneration. A ratio between fixed and variable remuneration is established, which in conjunction with verification of fulfilment of individual criteria for payment of variable remuneration ensures that the ongoing commitment of the Members of the Management Board and their contribution to the Company's success is appropriately rewarded.

The applied Remuneration Policy is also an element of the company's overall strategy. By enabling the recruitment, retention and motivation of the best managers and professionals in the areas of specialisation present in Toya S.A., it ensures staff prepared to achieve the company's strategic objectives. The solutions adopted in the Remuneration Policy, i.a. with respect to 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 profit/loss and the achievement of non-financial objectives.

This report illustrates how the remuneration of the Company's key employees evolved in view of the economic environment facing the Company in 2019-2020.

2. Composition of the Company's Bodies

In 2019 and 2020, the management Board of the Company consisted of:

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

The Supervisory Board consisted of:

- Piotr Mondalski – Chairman of the Supervisory Board
- Jan Szmidt – Vice 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

No changes were made 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 provided for the possibility of entrusting the management of the Company to 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 as a Member of the Management Board for the term of office.

In 2019 and 2020, the Members of the Management Board performed their duties on the basis of a resolution of the Supervisory Board appointing them to serve for a term of office (3 years) and setting the remuneration therefor. In addition, the Members of the Management Board performed their duties as Chief Operating Officer and Chief Financial Officer, respectively, on the basis of the employment agreement for an indefinite period of time.

Until the adoption of the Remuneration Policy for the Members of the Management Board and Supervisory Boards of "TOYA" S.A., the rules for paying the remuneration to the Members of the Management Board were governed by the aforementioned Resolution of the Supervisory Board on appointment of the Member of the Management Board and determination of the amount of the fixed remuneration component, and employment agreements regarding the positions of the Chief Operating Officer and Chief Financial Officer, respectively. In that period, the company did not have a separate remuneration policy for the Members of the Management Board.

Under the requirements of the Act on Public Offering, the General Meeting of the Company adopted the Remuneration Policy for the Members of the Management Board and Supervisory Board of "TOYA" S.A. on 31 August 2020 pursuant to which the remuneration system applied by the Company with respect to the Members of the Management Board consists of a fixed and a variable part of remuneration as well as bonuses and other cash and non-cash benefits. They 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 mutual proportions of components of such remuneration.

ii. Basic remuneration

In 2019 and 2020, the persons who are the Members of the Management Board were entitled to receive a monthly basic remuneration, separately:

- 1) due to holding the position of the Member of the Management Board of the Company, pursuant to the resolution of the Supervisory Board concerning the remuneration of the Member of the Management Board,
- 2) due to holding the position of the Chief Operating Officer and Chief Financial Officer, respectively, on the basis of the concluded employment agreement.

The regulations regarding the base remunerations of the Members of the Management Board took into account the remuneration standards for the positions related to the scope of tasks and the market valuation of 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:

- degree of responsibility and complexity that characterise the post,
- market competitiveness of the remuneration,
- individual contribution of the Member of the Management Board to the implementation of the Company's strategy.

iii. Non-cash benefits

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

- a) the right to use certain assets of the Company,
- b) the right to supplementary insurance,
- c) the right to benefit from additional company benefits (benefits) intended for those employed by the Company and those who cooperate with the Company on an ongoing basis,
- d) the right to participate on general terms in the Company's pension schemes (including PPK [*Employee Capital Plan*]).

Due to holding the position of the Chief Operating Officer and 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 funded by the Company Social Fund.

Pursuant to the Remuneration Policy, the value of non-cash benefits from the Company to the Members of the Company's Management Board could not exceed 25% of the annual fixed remuneration for a given financial year. The General Meeting can decide to grant non-cash benefits to the Member of the Management Board that are atypical, i.e. outside the general practice of the Company.

In 2019 and 2020, the persons who were the Members of the Management Board in the scope of holding the position of the Chief Operating Officer and the Chief Financial Officer benefited from entitlement to additional benefits in the form of a company car (with private use), private medical care and a Christmas prepaid card.

In 2019 and 2020, the Company did not grant any retirement benefits other than those related to the participation of the Members of the Management Board in PPK.

In 2019 and 2020. The Company did not grant benefits for the benefit of the close relatives and partners of the Members of the Management Board.

iv. Cash awards

Under the Remuneration Policy, a person who is the Member of the Management Board can receive variable remuneration components in the form of cash awards. They were paid under the resolution of the Supervisory Board after the preparation of the annual financial statements confirmed by the auditor's opinion.

From the adoption of the Remuneration Policy, the Supervisory Board can adopt a resolution regarding the amount of the cash award for holding the position of the Member of the Management Board on a discretionary basis taking into account, among others

- a. dynamics of changes 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, Information system on the application of corporate governance principles specified in the Stock Exchange Regulations and regulations on current and periodic information provided by issuers of securities, Internal control systems.

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

The cash award for 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 specified by the Supervisory Board, based on an open sample catalogue of one or more financial and non-financial ratios, specified below:

I. Financial components:

- a. net profit/loss or EBITDA,
- b. value of sales revenues,
- c. amount of costs of sales and administrative costs,
- d. profitability indices, liquidity ratios, management performance ratios.

II. Non-financial components:

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

- b. change in the Company's market position, calculated as market share or according to other criteria or in its relationships with counterparties designated as key according to specified criteria,
- c. degree of the Company's commitment to corporate social responsibility, including consideration of social interests, contribution to the protection of the environment and undertaking actions aimed at preventing and eliminating the negative social effects of the Company's activities (ESG).

The Supervisory Board shall grant the cash award to the Members of the Management Board on a discretionary basis taking into account the verification of fulfilment of the individual criteria determining the payment of the 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 explanations of the Management Board submitted at the request of the Supervisory Board.

In 2019 and 2020 the Supervisory Board granted cash awards to persons who were the Members of the Management Board prior to the adoption of the Remuneration Policy on the basis of the previous regulations due to holding the positions of the Chief Operating Officer and Chief Financial Officer. The Supervisory Board adopted the respective resolutions to grant cash awards for 2019 and 2020 respectively.

The assessment of the implementation of the 2020 performance criteria established on the basis of the Remuneration Policy was undertaken by the Supervisory Board following 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 due to holding the position of the Member of the Management Board.

In 2021, the persons who were the Members of the Management Board were granted the cash award for 2020 due to holding the position of the Member of the Management Board. The Supervisory Board positively assessed the implementation of financial and non-financial ratios regarding the award of variable remuneration components. Detailed information concerning the level of achievement of the indicators is presented in Table 2.

The Remuneration Policy provides for the possibility to award 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 the payment deferment periods and the possibility for the Company to demand the return of variable remuneration components. In 2019 and 2020, there were no incentive programmes based on financial instruments within the Company. The Supervisory Board did not determine in 2019 - 2020 the payment deferment periods of variable remuneration and the possibility of requesting reimbursement of variable remuneration components.

v. Benefits from other capital group entities

The remuneration policy provides that the Member of the management Board can receive the remuneration under the employment agreements or service agreements concluded with companies from the Company's group. In 2019 and 2020, no Member of the Management Board received such remuneration.

vi. Remuneration of Members of the Management Board 2019-2020*Table 1 Remuneration of the Members of the Management Board (in PLN)*

			1		2			3	4	5
			Fixed remuneration		Variable remuneration			Cost of pension schemes	Total remuneration (fixed salary + bonuses payable + cost of pension schemes)	Ratio/proportion of variable to fixed remuneration (2/1)
			Gross basic remuneration	Additional benefits / benefits granted	Annual awards/ bonuses due	Annual awards/ bonuses paid	Multi-annual awards/ bonuses paid			
Grzegorz Pinkosz	Due to appointment as the President of the Management Board	2019	396 000	0	0	0	0	0	396 000	
		2020	388 300	0	840 526	0	0	0	1 228 826	
	Under employment agreement as the Chief Operating Officer	2019	24 000	5 202	615 500	617 360	0	30	644 732	
		2020	24 000	5 763	0	615 500	0	9 593	39 356	
	Total	2019	420 000	5 202	615 500	617 360	0	30	1 040 732	144.75%
		2020	412 300	5 763	840 526	615 500	0	9 593	1 268 182	201.05%
Maciej Lubnauer	Due to appointment as the Vice-President of the Management Board	2019	360 000	0	0	0	0	0	360 000	
		2020	353 000	0	840 526	0	0	0	1 193 526	
	Under employment agreement as the Finance Director	2019	24 000	5 202	615 500	617 360	0	0	644 702	
		2020	24 000	5 763	0	615 500	0	0	29 763	
	Total	2019	384 000	5 202	615 500	617 360	0	0	1 004 702	158.14%
		2020	377 000	5 763	840 526	615 500	0	0	1 223 289	219.59%

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

Table 2: Financial and non-financial ratios for awarding the variable remuneration components for 2020.

Type of criterion	Criterion description	Evaluation of implementation
Financial criterion	Net profitability dynamics of TOYA S.A. (net profit) year-on-year	Positive
	No occurrence of any of the following events: a) Revenue budget implementation below 90% b) Budget implementation in the net profit item less than 90% c) Achieving a net loss d) Loss of financial liquidity by TOYA S.A.	Positive – none of the described events occurred
Non-financial criterion	Assessment of actions relating to the implementation of challenges of a rapidly changing legislative environment; developed and implemented: a) Implementation of compliance system b) TOYA S.A. Anti-Corruption Code. c) Procedures for applying anti-corruption clauses in agreements concluded by TOYA S.A. d) TOYA S.A. Gift Policy. e) Whistleblowing and investigation procedures at TOYA S.A. f) Establishment of organisational structures by separating organisational unit – Legal and Compliance Department and training staff	Positive
	Evaluation of actions taken by TOYA S.A. in emergency situations such as pandemic, potentially contributing to preventing negative social impacts. The actions should lead to a) ensuring the safety of persons employed and cooperating with the Company b) maintaining continuity of the organisation c) maintaining continuity and stability of employment d) ensuring that the Company is flexible to the expectations of employees affected by extraordinary situations	Positive

vii. Remuneration of the Members of the Supervisory Board

The rules for remunerating the Members of the Supervisory Board of the Company are specified in the Resolution of the General Meeting appointing the Member of the Supervisory Board for a three-year term.

The Members of the Supervisory Board are entitled to a fixed monthly remuneration. This remuneration is determined taking into account the performance of additional functions, such as working in committees of the Supervisory Board and the related 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 related to holding the position in the Company and the consequences for the Company and the Member of the Supervisory Board of the Company that can 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. the right to use certain assets of the Company
- b. the right to supplementary insurance
- c. the right to use additional company benefits intended for persons employed by the Company and those who cooperate with the Company on a regular basis
- d. the right to participate on general terms in the Company's pension schemes (including PPK).

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The value of non-cash benefits from the Company to the Members of the Supervisory Board cannot exceed 25% of the annual fixed remuneration for a given financial year. The General Meeting can decide to grant non-cash benefits to the Member of the Supervisory Board that are atypical, i.e. outside the Company's general practice.

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

In 2019 and 2020 the Company paid remuneration to the Supervisory Board Members 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	2019	180 000	0	180 000
	2020	180 000	0	180 000
Jan Szmidt Vice-Chairman of the Supervisory Board	2019	48 000	0	48 000
	2020	48 000	0	48 000
Dariusz Górka Member of the Supervisory Board	2019	120 000	150	120 150
	2020	120 000	1 800	121 800
Michał Kobus Member of the Supervisory Board	2019	48 000	60	48 060
	2020	48 000	720	48 720
Grzegorz Maciąg Member of the Supervisory Board	2019	120 000	150	120 150
	2020	120 000	1 800	121 800
Wojciech Papierak Member of the Supervisory Board	2019	48 000	60	48 060
	2020	48 000	720	48 720
Beata Szmidt Member of the Supervisory Board	2019	24 000	0	24 000
	2020	32 065	0	32 065

*The Members of the Supervisory Board in 2019 and 2020 were not granted additional remuneration for attending the meetings or additional non-cash benefits

In 2019 and 2020 the Company did not grant benefits for the close relatives and partners of the Members of the Supervisory Board.

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

From the adoption of the Remuneration Policy in 2020, the Company has performed payments of remuneration under the adopted Remuneration Policy and no deviations from the principles specified therein were applied in this respect.

5. Information on changes to the Company's remuneration policies and profit/loss

From the adoption of the Remuneration Policy in 2020, the Company has not made any changes to the remuneration policies for the Members of the Management Board and Supervisory Board.

Table 3 presents a summary of the total remuneration, selected profit/loss of the Company and the remuneration of employees other than the Members of the Management Board for 2020 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 is the average remuneration of the Company's employees, other than the Members of the Management Board, employed under the employment agreement and recorded as at 31 December of the given year. The average remuneration was determined on the basis of the sum of total remuneration (Income from PIT-11 form), i.e. fixed remuneration, variable remuneration, cash and non-cash benefits and all other payments paid to employees in a given calendar year (within 12 months) divided by employment as at 31 December of a given year. The remunerations of the employees recorded on 31 December of a given year working part-time have been recalculated for the full-time value and the remunerations of those recorded on 31 December of a given year who worked for the part of the year were annualised.

The table specifies the percentage changes 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, the Members of the Supervisory Board and the Company's profit/loss in the last 5 years

		2015	2016	2017	2018	2019	2020
Total remuneration of the Members of the Management Board							
Grzegorz Pinkosz President of the Management Board	remuneration in PLN	368 359	708 978	936 365	1 042 542	1 040 732	1 268 182
	year-on-year change		92.47%	32.07%	11.34%	-0.17%	21.85%
Maciej Lubnauer Vice-President of the Management Board	remuneration in PLN	366 253	708 978	918 946	1 006 542	1 004 702	1 223 289
	year-on-year change		93.58%	29.62%	9,53%	-0.18%	21.76%
Dariusz Hajek Vice-President of the Management Board	remuneration in PLN	368 642	218 766*	0	0	0	0
	year-on-year change		-40.66%	n/a	n/a	n/a	n/a
Total remuneration of the Members of the Supervisory Board							
Piotr Mondalski Chairman of the Supervisory Board	remuneration in PLN	180 000	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	180 000	180 000	114 000	48 000	48 000	48 000
	year-on-year change		0.00%	-36.67%	-57.89%	0.00%	0.00%
Dariusz Górka Member of the Supervisory Board	remuneration in PLN	120 000	120 000	120 000	120 000	120 150	121 800
	year-on-year change		0.00%	0.00%	0.00%	0.12%	1.37%
Michał Kobus Member of the Supervisory Board	remuneration in PLN	0	0	24 267	48 000	48 060	48 720
	year-on-year change		n/a	n/a	97.80%	0.12%	1.37%
Tomasz Koprowski Member of the Supervisory Board	remuneration in PLN	120 000	120 000	72 000	15 871	0	0
	year-on-year change		0.00%	-40.00%	-77.96%	n/a	n/a
Grzegorz Maciąg Member of the Supervisory Board	remuneration in PLN	120 000	120 000	120 000	120 000	120 150	121 800
	year-on-year change		0.00%	0.00%	0.00%	0.12%	1.37%
Wojciech Papierak Member of the Supervisory Board	remuneration in PLN	0	0	24 267	48 000	48 060	48 720
	year-on-year change		n/a	n/a	97.80%	0.12%	1.37%
Beata Szmidt Member of the Supervisory Board	remuneration in PLN	0	0	0	2 733	24 000	32 065
	year-on-year change		n/a	n/a	n/a	778.16%	33.60%

* The Member of the Management Board tol20 September 2016. Total remuneration represents only the base remuneration, which was annualised. The table omits the remuneration received under the employment agreement received after the end of holding the position of the Member of the Management Board.

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Selected financial ratios of the Company's capital group							
Revenues on sales	PLN '000	282 642	310 158	347 541	380 739	440 018	542 112
	year-on-year change		9.74%	12.05%	9.55%	15.57%	23.20%
Net profit (in PLN '000)	PLN '000	25 395	32 855	40 306	43 767	44 825	64 939
	year-on-year change		29.38%	22.68%	8.59%	2.42%	44.87%
Profit per share (in PLN)	PLN	0.32	0.42	0.52	0.58	0.60	0.87
	year-on-year change		31.25%	23.81%	11.54%	3.45%	45.00%
Selected standalone financial ratios of the Company							
Sales revenues	PLN '000	234 766	259 756	287 783	311 633	356 783	442 263
	year-on-year change		10.64%	10.79%	8.29%	14.49%	23.96%
Net profit (in PLN '000)	PLN '000	23 011	29 597	35 378	39 246	40 085	54 740
	year-on-year change		28.62%	19.34%	10.93%	2.14%	36.56%
Profit per share (in PLN)	PLN	0.29	0.38	0.46	0.52	0.53	0.73
	year-on-year change		31.03%	21.05%	31.04%	1.92%	37.74%
Total remuneration of employees who are not the Members of the Management Board							
Average total remuneration per FTE	PLN	61 699	63 406	69 732	73 886	80 063	85 568
	year-on-year change		2.77%	9.98%	5.96%	8.36%	6.87%

6. Summary

From the date of implementation of the Remuneration Policy, the Company paid remuneration to the Members of the Management Board and Supervisory Board only under the Remuneration Policy. The remuneration of the Members of the Management Board contributes to their full involvement in performing certain functions, motivates them to pursue business objectives of the Company and its amount was adequate to the positions held.

The Members of the Management Board received fixed remuneration and cash awards, the receipt of which is determined by performance ratios directly related to the Company's economic position. The variable component of remuneration 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 supports the implementation of business strategy, achievement 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 variable remuneration of the Members of the Management Board on a discretionary basis, taking into account the assessment of the overall performance criteria.