

REMUNERATION REPORT

Dear shareholders,

The main objective of TeraPlast Group in terms of remuneration is to respect the principle of equity, taking into account the business strategy, culture and values of the organization, the long-term interests of the company and shareholders.

This Remuneration Report was prepared by the Board of Administration and the Nomination and Remuneration Committee, respecting the Remuneration Policy of Teraplast Group. The remuneration policy valid for the period 2020-2022 is available on the Company's website (www.teraplast.ro). It is also reviewed annually to ensure its adequacy in promoting the sustainable growth of TeraPlast Group.

The objective of the remuneration report is to provide an overview of the remunerations, including all benefits, regardless of form, granted or due over the last five financial years, to the current managers of the Company, individually, in accordance with the Remuneration Policy.

Remuneration of non-executive managers

The remuneration plan consists of two components:

1. Fixed remuneration - net allowance of EUR 2,000/month (total gross amount granted in 2021: RON 892,933). The fixed remuneration of the members of the Board of Administration is established by the Decision of the General Meeting of Shareholders, annually.
2. Variable remuneration - may be granted differentiated according to the activity in committees and advisory commissions and on the basis of criteria established by the Board of Administration. The variable part cannot exceed 200% of the fixed annual indemnity according to the decision of the General Meeting of Shareholders.

Administrators also have civil liability insurance.

In the period 2017-2020, the remuneration package for non-executive administrators included only the fixed component of the monthly allowance. Starting with 2021, in accordance with the Remuneration Policy, a variable component was included, a benefit in the form of shares, an integral part of the Stock Option Plan 2021 of Teraplast SA.

The amount of the remuneration in the form of shares was set as follows: the price/share at the date of allocation multiplied by the number of shares assigned.

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Individual remuneration of members of the Board of Administration:

Name	Position	Start date	Year	Fixed remuneration (monthly net)	Fixed remuneration (gross)	Fixed/variable ratio
Dorel Goia	Chairman of the Board of Administration	7/1/2008	2021	9,852	176,898	100% / 0%
			2020	4,939	101,316	100% / 0%
			2019	4,939	101,316	100% / 0%
			2018	4,939	101,315	100% / 0%
			2017	4,939	84,000	100% / 0%

Name	Position	Start date	Year	Fixed remuneration (monthly net)	Fixed remuneration (gross)	Share-based remuneration	Total remuneration (gross)	Fixed/variable ratio
Magda Eugenia Palfi	Non-executive member	7/1/2008	2021	9,852	176,898	107,800	284,698	62% / 38%
			2020	4,939	101,316	-	101,316	100% / 0%
			2019	4,939	101,316	-	101,316	100% / 0%
			2018	4,939	101,315	-	101,315	100% / 0%
			2017	4,939	84,000	-	84,000	100% / 0%

Name	Position	Start date	Year	Fixed remuneration (monthly net)	Fixed remuneration (gross)	Share-based remuneration	Total remuneration (gross)	Fixed/variable ratio
Vlad Nicolae Neacșu	Non-executive member	9/14/2020	2021	9,852	176,898	303,800	480,698	37% / 63%
			2020	4,939	33,772	-	33,772	100% / 0%

Name	Position	Start date	Year	Fixed remuneration (monthly net)	Fixed remuneration (gross)	Share-based remuneration	Total remuneration (gross)	Fixed/variable ratio
Lucian Claudiu Anghel	Non-executive member	1/20/2021	2021	9,852	176,898	303,800	480,698	37% / 63%

Number of shares assigned to the members of the Board of Administration:

Non-executive managers	Position	Year	Number of allotted shares	Price at allotment date	Value of shares
Palfi Magda Eugenia	BoA member	2021	110,000	0.980	107,800
Neacșu Vlad Nicolae	BoA member	2021	310,000	0.980	303,800
Anghel Lucian Claudiu	BoA member	2021	310,000	0.980	303,800

Stock market capitalization and members' work in various advisory committees are the main indicators of members' performance.

The Board of Administration meets monthly, i.e. whenever needed through online consultation, while the Nomination and Remuneration Committee and the Audit Committee meet as many times as necessary, at least three times a year.

Vlad Neacșu is the chairman of the Audit Committee and a member of the Remuneration Committee.

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Lucian Claudiu Anghel is the chairman of the Remuneration Committee and a member of the Audit Committee.

Magda Palfi is a member of both committees, and Dorel Goia is a member of the Remuneration Committee.

Remuneration of executive managers

The remuneration plan consists of 3 components:

1. The fixed part, represented by the allowance according to the mandate contract or the salary agreed in the employment contract.
2. Annual performance bonus, granted according to performance indicators.
3. Bonus in TeraPlast shares, which is not limited in value. The value is established by evaluating the results for the last 3 years.

The amount of bonuses is established in relation to the fulfillment of the budget and an additional amount in case of exceeding the EBITDA budget.

The shares become the property of the beneficiaries one year after they are granted. During this one-year period, deductions may be applied as a result of adverse events generated by transactions carried out during the evaluation period, the effect of which materialised in the one-year period between the award and the transfer of ownership.

Other benefits include accommodation in the city of Bistrita, and the expenses generated by the company car.

Key performance indicators

The calculation of the bonus is made according to the key performance indicators of the Group:

- Turnover growth rate
- EBITDA growth rate
- The degree of implementation of the budget
- Operating cash, after deducting investment payments (free cash flow)
- Internal rate of return
- Achievement of M&A objectives
- Management of strategic projects: entry into new markets, significant investments, development of new products, significant improvement of processes

The share of performance indicators is established annually according to the Group's objectives.

Remuneration of executive managers

Name	Position	Start date	Year	Fixed remuneration (monthly net)	Fixed remuneration	Variable remuneration	Share-based remuneration	Other benefits	Total remuneration	Fixed/variable ratio
Alexandru Stănean	Chief Executive Officer	7/2/2018	2021	42,504	849,206	-	441,000	100,234	1,390,440	68% / 32%
			2020	37,591	775,388	-	421,400	72,421	1,269,209	67% / 33%
			2019	37,591	781,679	205,444	-	151,223	1,138,346	82% / 18%
			2018	37,591	539,955	-	-	65,335	605,290	100% / 0%
			2017	24,635	249,152	-	-	52,430	301,582	100% / 0%
Ioana Maria Birta	Chief Financial Officer	5/9/2017	2021	28,619	527,567	-	147,000	94,594	769,161	81% / 19%
			2020	28,518	578,743	34,185	357,329	65,203	1,035,460	62% / 38%
			2019	29,019	587,797	166,965	-	69,758	824,520	80% / 20%
			2018	21,935	489,392	-	80,446	66,757	636,595	87% / 13%
			2017	20,732	157,952	-	40,000	22,850	220,802	82% / 18%

The variable and share remuneration is allocated to the performance evaluation period on an accrual basis.

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In the period 2017-2021, the total remuneration of the Chief Executive Officer, Alexandru Stănean, includes the remuneration for the following roles within the Group:

- Chief Executive Officer of Teraplast S.A.: July 2, 2018 – present
- Administrator/Member of the Board of Administration:
 - Teraplast S.A.: July 2, 2018 – present;
 - Teraglass Bistrita S.R.L.: July 2, 2018 – present;
 - Teraplast Recycling S.A.: March 1, 2019 – present;
 - Teraplast Logistic S.R.L.: July 2, 2018 – March 1, 2019 (on March 1, 2019 the name of Teraplast Logistic SRL changed to Teraplast Recycling, and the legal form changed from limited liability company to joint-stock company);
 - Politub S.A. (company absorbed by Teraplast Recycling S.A.): June 28, 2018 – March 27, 2020
 - Wetterbest S.A.: November 1, 2019 – February 26, 2021;
 - Terasteel DOO Serbia: January 27, 2017 – September 13, 2017.

Also, Alexandru Stănean is the non-executive administrator of ACI Cluj SA, an affiliate of Teraplast Group, for which he is remunerated separately.

In the period 2017-2021, the total remuneration of the CFO, Ioana Maria Birta, includes the remuneration for the following roles within the Group:

- Chief Financial Officer:
 - Teraplast S.A.: June 14, 2017 – present;
 - Teraglass Bistrita S.R.L.: June 16, 2017 – present;
 - Terasteel S.A.: January 31, 2018 – February 26, 2021;
- Administrator/Member of the Board of Administration:
 - Politub S.A.: October 12, 2017 – March 27, 2020;
 - Teraplast Recycling S.A.: March 1, 2019 – present;
 - Terabio Pack S.R.L. (formerly Teraplast Folii Biodegradabile S.R.L.): August 20, 2020 – present;
 - Somplast SA: April 22, 2021 – present;
 - Terasteel DOO Serbia: September 13, 2017 – February 26, 2021.

Number of shares assigned to executive managers

Executive managers	Position	Year	Number of allotted shares	Price at allotment date	Value of shares
Stănean Alexandru	Chief Executive Officer	2020	450,000	0.980	441,000
		2020	771,795	0.546	421,400
		2019	-	-	-
		2018	-	-	-
		2017	-	-	-
		Birta Maria Ioana	Chief Financial Officer	2021	150,000
2020	654,449			0.546	357,329
2019	-			-	-
2018	201,114			0.400	80,446
2017	100,000			0.400	40,000

The most important events in the period 2017-2021 involved a significant involvement from the management team and influenced both the performance of the Group, as well as the variable component of the remuneration package:

2021

- ✓ upgrade to FTSE Russell (at Small Cap & All Cap) and inclusion in the CECE MidCap of the Vienna Stock Exchange;
- ✓ completion of the sale of the group's joinery profiles business line, which also includes TeraPlast Hungary;
- ✓ acquisition and putting into operation of the polyethylene film production line of Brikston Construction Solutions;
- ✓ turning of major investment projects of over RON 160 million operational, including the extension of the production capacities of the Installations, Recycling segment, respectively the new biodegradable packaging production unit;
- ✓ planning a new investment of over RON 53 million in a new factory for the production of stretch film;
- ✓ we have become TEPPFA members (European Plastic Pipes and Fittings Association) and UN Global Compact Signatory (UN'S largest global sustainability initiative - report in April)

2020

- ✓ Commissioning of the park of 7,000 photovoltaic panels that provide about 11% of the necessary electricity in the Industrial Park in Sărățel;
- ✓ Conclusion of the agreement for the sale of the Steel division - Wetterbest, TeraSteel Romania and Serbia - to Kingspan Group, in July 2020;
- ✓ The acquisition, in December 2020, of 70% of the shares of Somplast – a manufacturer of flexible packaging from Năsăud;

2019

- ✓ TeraPlast Recycling started its activity as an independent company in 2018, following the transfer of the business line from Teraplast SA;
- ✓ Consolidating the roofing systems business, TeraPlast Group reached a 99% ownership in Wetterbest;
- ✓ Implementation of three investment projects of over RON 70 million for the expansion of production capacities for the Installations, Joinery and Metallic Tile business lines;

2018

- ✓ Consolidating and integrating the roofing systems business, TeraPlast Group reached a 99% ownership in Wetterbest;
- ✓ Turning of the investment in the recycling division of the group operational, implemented at the end of 2017;

2017

- ✓ The expansion of the Group's operations in Central and Eastern Europe by opening the Sandwich Panels Factory TeraSteel Serbia, the first factory abroad inaugurated after 1990 with Romanian capital;
- ✓ The acquisition of a majority stake in Wetterbest, the second player on the metallic tile market in Romania;
- ✓ Implementation of an investment of over RON 19 million in the Recycling workshop, placing Teraplast Group in the top 10 rigid PVC recyclers in Europe, and on the first place in Romania, by processing capacity;
- ✓ The integration of Politub into Teraplast SA, becoming the polyethylene pipe division of the Installations segment;

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During the entire period in question, digitalization was a priority for the Group's Management, being a continuous process. Automation, paperless culture and the flexibility of remote work are part of the Group's organizational culture.

We have implemented a wide range of solutions, automation, cybersecurity and artificial intelligence. We have repetitive activities taken over by machines and so we release people, allowing them to be much more creative.

Since 2019 we have been using the robotization of the customer credit scoring process with UiPath software. Every year we had successions of simple and repetitive tasks that we automated with RPA.

In 2019 we implemented the electronic signature, and in 2021 we implemented the electronic signing and archiving of contracts.

In 2021 we completed the implementation at TeraPlast of the newest SAP version, S4HANA, part of a complex project to transition of all companies in the group to the newest version of ERP.

The Group's performance and the average remuneration of Teraplast SA's employees

In 2021, Teraplast Group continuously adapted to the challenges of the business environment as well as to the changes generated by the global context, managing to exceed the performance of 2020, when the Group had the best year in history. The excellent results were made possible by the quick, determined and judicious approach adopted by the Group's management, supported by the dedication of both employees and business partners.

The effervescence of the events of 2021, led the company's capitalization to historical highs, and Teraplast's share reached the share with the highest yield (+181%) in the BET index. Moreover, the Group's transparency was rewarded by obtaining the maximum score in communicating with investors.

The main financial ratios performed excellently in 2021, despite the complex market climate and delays generated by external factors in the commissioning of investments. Turnover increased in 2021 by 55%, and EBITDA had an increase of 34% compared to the previous year.

Analyzing the evolution of the last five financial years, as evidenced by the following table, the commitment and ambitious objectives of the management led to the tripling of the turnover (2021: RON 615.1 million, 2017: RON 192.5 million), and to the four-fold increase of the EBITDA indicator that exceeded the threshold of RON 74.2 million in 2021 (2017: RON 18.7 million).

in million RON	2017	2018	2019	2020	2021
Turnover	192.5	265.5	342.8	396.2	615.1
EBITDA	18.7	20.4	34.1	54.5	74.2
% EBITDA	9.7%	7.7%	9.9%	13.7%	

% annual variation

% Turnover YoY	-	38%	29%	16%	55%
% EBITDA YoY	-	9%	67%	60%	36%

% CAGR 2017-2021

% Turnover	-	-	-	-	26%
% EBITDA	-	-	-	-	32%

The table above includes the Group's results in the period 2017-2021 from the businesses that continue their activity within the Group.

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The average annual growth of EBITDA was 26%, and the remuneration of managers increased on average by 5% for CEOs and 41% for non-executive managers.

% annual variation	2019 vs.2018	2020 vs.2019	2021 vs.2020	CAGR 2018-2021
Remuneration of managers				
Board of Administration	8%	17%	212%	41%
Executive managers	-9%	71%	-21%	5%
Average remuneration of Company's employees				
Gross average salary	8%	10%	11%	7%

Lucian Anghel, Chairman of the Remuneration Committee

Alexandru Stanean, Chief Executive Officer

Ioana Birta, Chief Financial Officer