

## **KERNEL HOLDING S.A.**

*Société anonyme*

Registered office: 9, rue de Bitbourg

L-1273 Luxembourg

R.C.S. Luxembourg B 109 173

(the “**Company**”)

### **Remuneration Policy**

#### **Introduction**

The Company is a Luxembourg public limited liability company whose shares are admitted to trading on the regulated market (within the meaning of Directive 2014/65/EU) of the Warsaw Stock Exchange.

As per the provisions of Luxembourg law and Article 7 of the Company’s Articles of association, the Company is managed by its board of directors (the “**Board of Directors**”). The Board of Directors is vested with the broadest power to perform all acts of administration in compliance with the Company’s Articles of association.

Additionally, the executive directors of the Company together with the executive management team of the Company’s operating subsidiaries (together the “**Executive Management Team**”) are in charge, amongst other things, of the day-to-day management of the Company and its subsidiaries (together the “**Group**”).

#### **Scope of application**

The following remuneration policy has been drawn up for the purposes of Article 7bis of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings, as amended (the “**Shareholders’ Rights Law**”).

It applies to the remunerations paid to the Board of Directors as from the financial year commencing on 1 July 2021.

Remunerations paid to the Board of Directors shall only be paid in accordance with this remuneration policy.

Exceptional circumstances as referred to in the first subparagraph shall cover only situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

#### **Adoption and amendments; Advisory vote by the general meeting of the shareholders**

The remuneration policy has been adopted by the Board of Directors on 26 May 2021.

As per the provisions of the Shareholders' Rights Law, the remuneration policy will be presented by the Company for an advisory vote to the extraordinary general meeting of the shareholders to be held in Luxembourg on 30 August 2021.

The Board of Directors has the right to amend the remuneration policy as it may deem required or where the general meeting dissents with the proposed remuneration policy.

In case of an amendment, the revised remuneration policy shall describe and explain all significant changes and, where applicable, how the votes and views of general meeting of shareholders on the remuneration policy and, as the case may be, the remuneration reports since the most recent vote on the remuneration policy by the general meeting of shareholders have been taken into account.

In case of an amendment of the remuneration policy for whatsoever reason, the Company shall submit a revised policy to an advisory vote at the following general meeting of the shareholders.

In case of no amendment, the remuneration policy will be presented periodically to the annual general meeting of the shareholders for an advisory vote in accordance with statutory requirements set out in the Shareholders' Rights Law.

### **Conflict of interests**

The Company has in place the following measures to avoid and manage conflicts of interests with respect to the remuneration paid to the members of the Board of Directors:

- The level of compensation paid to each of the Directors is approved annually by the general meeting of the shareholders of the Company.
- Executive Directors also execute additional duties as members of the Executive Management Team. The level of compensation paid to the members of the Executive Management Team is proposed by the chairman of the Board of Directors (save where he is subject to the procedure) in accordance with this remuneration policy and the incentive plans drawn up by the Nomination and Remuneration Committee of the Company (the "**N&R Committee**") and is reviewed and, if necessary, adjusted by the N&R Committee on an annual basis. The Board of Directors shall approve any long-term management incentive plan. Non-executive Directors constitute the majority in the N&R Committee of the Board of Directors of the Company.

### **Structure of the compensation of the Directors of the Company**

Remuneration is one of the key instruments for companies to align their interests and those of their shareholders and other stakeholders. As per the provisions of the Shareholders' Rights Law, the Company is required to establish a remuneration policy ensuring such interest alignment and contributing to the business strategy, long-term interests and sustainability of the Company.

Compensation of the Directors of the Company is comprised only of the remuneration paid for the services provided by the Directors in their capacity as members of the Board of Directors of the Company.

#### **A. Executive Directors**

##### **I. Fixed remuneration**

Fixed remuneration consists of fees determined in a service agreement entered into between each executive Director and the Company (the "**Service Agreement**"). The fees foreseen by the Service Agreement of each executive Directors are approved annually by the annual general meeting of the shareholders of the Company based on the proposal of the Board of Directors. As at the date of the adoption of this

remuneration policy, the chairman of the Board of the Directors is entitled to the compensation of USD 200,000 per year, and each of the remaining executive Directors is entitled to the compensation of USD 10,000 per year. The fixed remuneration is paid for the services provided by the executive Directors in their capacity as members of the Board of Directors, as described in the Corporate Governance Charter of the Company available on Company's website <https://www.kernel.ua/investor-relations/corporate-documents/>.

## II. Variable remuneration

Executive Directors are not entitled to variable remuneration for their services as members of the Board of Directors.

## III. Remuneration by way of allocation of shares

Executive Directors are not entitled to remuneration by way of allocation of shares, share options, or any other securities of financial instruments giving right to acquire shares as a consequence of being converted or the rights conferred by them being exercised for their services as members of the Board of Directors.

## IV. Pension schemes

The executive Directors do not benefit from any pension or retirement schemes set up by the Company.

## V. Other contractual details

As described above, each executive Director enters into a Service Agreement with the Company which specifies key contractual terms of the respective engagement, including, but not limited to the respective remuneration and termination details.

The Service Agreement may be terminated at any time and without reason by the Company by way of delivering a written notice of termination to the executive Director. In such case, termination will become effective thirty (30) days after the receipt of the written notice by the executive Director.

Any executive Director may terminate at any time and without reason her/his Service Agreement by way of delivering a written notice of termination to the Company. In such case, termination will become effective ninety (90) days after the receipt of the written notice by the Company.

Notwithstanding the above, the Service Agreement can be terminated without notice with an immediate effect in case one of the parties to the Service Agreement does not observe its legal obligations and/or contractual obligations set out in the relevant Service Agreement.

The Service Agreements between each of the executive Directors and the Company are established for an unlimited period of time, subject to the regular renewal of the mandate by the general meeting of shareholders. The mandate of the chairman of the Board of Directors is renewed every five years. The mandates of other executive Directors are renewed each year.

## **B. Non-executive Directors**

The non-executive Directors' remuneration consists of a fixed annual fee (being in total USD 260 thousand for three non-executive Directors as of May 2021) and does not contain any performance-based variable component (including, but not limited to any share options, other securities or financial instruments giving right to acquire shares of the Company as a consequence of being converted or the rights conferred by them being exercised), ensuring a certain degree of independence when fulfilling their duties as members of the Board of Directors. Remuneration of each non-executive Director is determined in a service agreement entered into between such non-executive Director and the Company. The aggregated fixed remuneration of non-executive Directors is approved annually by the annual general meeting of the shareholders based on

the proposal of the Board of Directors. The fixed remuneration is paid for the services provided by the non-executive Directors in their capacity as members of the Board of Directors, as described in the Corporate Governance Charter of the Company available on Company's website <https://www.kernel.ua/investor-relations/corporate-documents/>.

Non-executive Directors are entitled to the reimbursement of the certain traveling, hotel and other expenses related to the exercise of their directorship duties.

### **Structure of the compensation of the members of the Executive Management Team**

Four executive Directors in their capacity as members of the Executive Management Team also receive compensation for their services provided to subsidiaries of the Company, with such compensation being paid by the subsidiaries of the Company. Compensation of the members of the Executive Management Team (15 people in total as at the date of the adoption of this Policy) is based on a pay-for-performance principle, rewarding sustainable growth and long-term value creation for shareholders of the Company. A significant portion of remuneration comes from a variable part depending on the Group's consolidated financial performance. Compensation structure of the Executive Management Team is as follows:

#### **I. Fixed remuneration**

Members of the Executive Management Team receive a base salary determined at the discretion of the Board of Directors, commensurate with the respective position and the individual profile of the relevant members in terms of qualifications, skill set, and experience. All amounts are fixed and shall be paid monthly. For the 12 months ended 30 June 2020, the aggregated base salary for 15 members of the Executive Management Team amounted to USD 2,840 thousand paid by the subsidiaries of the Company.

#### **II. Variable remuneration**

An annual variable monetary bonus (if applicable) is paid as well. Such bonus is determined by the formula approved by the Board of Directors upon the recommendation of the N&R Committee. The bonus shall reward the members of the Executive Management team for the financial performance of the Group which derives from the financial performance of each of its subsidiaries where each respective member of the Executive Management Team is employed or has contractual obligations. The structure of the variable remuneration is as follows:

- The bonus pool for 13 members of the Executive Management Team (the "Bonus Pool") is expressed as a percentage of the consolidated EBITDA of the Group less the consolidated financial costs of the Group ("**EBITDA Less Finance Costs**"), with a minimum threshold level of USD 123 million required to activate the pay-out. The Bonus Pool as a percentage of EBITDA Less Finance Costs is gradually increasing starting from 0.46% of EBITDA Less Finance Costs in case EBITDA Less Finance Costs exceeds USD 123 million and reaching 3.66% of EBITDA Less Finance Costs in case EBITDA Less Finance Costs exceeds USD 443 million. The exact allocation of the Bonus Pool between the relevant members of the Executive Management Team is determined by the N&R Committee.
- Two members of the Executive Management Team have different metrics determining their variable remuneration, including the financial results of the business divisions they lead, Group EBITDA and personal key performance indicators.

The variable remuneration is paid by the subsidiaries of the Company for duties and services provided by members of the Executive Management Team to subsidiaries of the Company.

#### **III. Long-term management incentive plan**

Seven members of the Executive Management Team are subject to the long-term management incentive plan which shall reward such members of the Executive Management Team for accomplishing individual performance goals related to the duties and services provided by such individuals to subsidiaries of the Company, altogether contributing to the better financial and non-financial results of the group of companies to which the Company belongs over the long-term period and aligning the interests of the Executive Management Team with those of the shareholders of the Company. The long-term management incentive plan is duly reviewed by the N&R Committee and approved by the Board of Directors after the generic terms thereof having been approved by the general meeting of shareholders. Seven members of the Executive management team are granted with put options providing the right but not the obligation to sell a fixed number of Company's shares owned by management at the moment at Put Price during the exercise period:

- exercise period shall commence on 1 November 2024 and end on 31 December 2025, if no put options are exercised during Exercise Period, then such put options shall lapse. Put option also provide for acceleration events which dictate that the put options may be exercised before the commencement of the exercise period if the following events occur: 1) the cessation of trading of Company's shares at the Warsaw Stock Exchange or any other recognised stock exchange; or 2) a change of control event where the shareholding of Namsen Limited or its ultimate beneficial owner in Kernel's total votes falls below twenty five percent (25%)
- Put Price is determined as lower of (1) USD23.80; or (2) operating profit before working capital changes minus interest paid plus interest received minus interest tax paid minus maintenance capital expenditures in the fixed amount of USD155,000,000, where all amounts, except for the maintenance capital expenditures, are specified in USD in the relevant paragraph of the consolidated statement of cash flows of the audited annual consolidated accounts of the Company and its subsidiaries for the Financial Years 2022-2024, divided by 3 divided by 12% and divided by 84,031,230.

Some members of the Executive Management Team also keep in total 1,200,000 phantom share options which are fully vested and lapse on 4 November 2036. Each option grants the beneficiary the right to receive the phantom payment determined as a difference between:

- the price of Company's share traded on the Warsaw Stock Exchange and exercise price. The exercise price is equal to the PLN 67.71 less specified leakage value per share; or
- USD 23.80 and exercise price, if Company's shares cease to be traded on the Warsaw Stock Exchange or any other recognized stock exchange, or if specified change of control in relation to the Company occurs.

## **Remuneration report**

Starting from the financial year ended on 30 June 2021, the Company shall present to the annual general meeting of the shareholders a remuneration report, providing a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the most recent financial year to the Board of Directors in accordance with Article 7ter of the Shareholders' Rights Law.

## **Publicity**

After the vote on the remuneration policy at the general meeting, the remuneration policy, together with the date and the results of the vote, is made public without delay on the website of the Company and remains publicly available, free of charge, at least as long as it is applicable.

## Annex I

Extract from Article 9a of Directive 2007/36/EC

*“... The remuneration policy shall contribute to the company’s business strategy and long-term interests and sustainability and shall explain how it does so. It shall be clear and understandable and describe the different components of fixed and variable remuneration, including all bonuses and other benefits in whatever form, which can be awarded to directors and indicate their relative proportion.*

*The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy. Where a company awards variable remuneration, the remuneration policy shall set clear, comprehensive and varied criteria for the award of the variable remuneration. It shall indicate the financial and nonfinancial performance criteria, including, where appropriate, criteria relating to corporate social responsibility, and explain how they contribute to the objectives set out in the first subparagraph, and the methods to be applied to determine to which extent the performance criteria have been fulfilled. It shall specify information on any deferral periods and on the possibility for the company to reclaim variable remuneration.*

*Where the company awards share-based remuneration, the policy shall specify vesting periods and where applicable retention of shares after vesting and explain how the share based remuneration contributes to the objectives set out in the first subparagraph.*

*The remuneration policy shall indicate the duration of the contracts or arrangements with directors and the applicable notice periods, the main characteristics of supplementary pension or early retirement schemes and the terms of the termination and payments linked to termination.*

*The remuneration policy shall explain the decision-making process followed for its determination, review and implementation, including, measures to avoid or manage conflicts of interests and, where applicable, the role of the remuneration committee or other committees. Where the policy is revised, it shall describe and explain all significant changes and how it takes into account the votes and views of shareholders on the policy and reports since the most recent vote on the remuneration policy by the general meeting of shareholders.”*