

Current report no 14/2021

dated 30 July 2021

## PROPOSED RESOLUTIONS

### EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 30 AUGUST 2021

Dear Shareholders,

We refer you to the extraordinary general meeting of shareholders to be held at the registered office of **Kernel Holding S.A.** (referred to as the “**Company**” or “**Parent Company**” as the case may be) on 30 August 2021 at 3.00 p.m. Luxembourg time. In accordance with the provisions of the Law of 24 May 2011 implementing the Directive 2007/36 EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders of listed companies, we hereby inform you of the resolutions to be proposed for adoption at the annual general meeting of shareholders:

### AGENDA

#### 1. Acknowledgement of certain conflicts of interest

Before any resolutions, the extraordinary general meeting of shareholders acknowledges certain conflicts of interest of the directors of the Company with respect to the conflict of interest of Mr. Yevgen Osypov, Ms. Anastasiia Usachova, Ms. Viktoriia Lukianenko and Mr. Yuriy Kovalchuk regarding the approval of the management incentive plan during the board of directors of the Company meeting held on 26 May 2021,

#### 2. Acknowledgement, approval and, to the extent necessary, ratification of the management incentive plan and, in the context of such management incentive plan, acknowledgement of put option agreements and granting of an authorisation to the board of directors of the Company for a period commencing on the date of the general meeting resolving on the present agenda and expiring on 31 December 2025, to purchase in this context, in the name and on behalf of the Company, a maximum of two million seven hundred ninety-two thousand four hundred thirty-five (2,792,435) shares of the Company without nominal value, in accordance with the conditions set forth in the article 430-15 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, for a purchase price as set out in such put option agreements

The board of directors proposes the adoption of the following resolution:

“**WHEREAS** the general meeting of shareholders noted that the Company intends to adopt a new management incentive plan to motivate and reward employees of the group of companies to which the Company belongs for accomplishing individual performance goals related to the duties and services provided by such employees 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 (the “**Management Incentive Plan**”).

**WHEREAS** the general meeting of shareholders further noted that in the context of the Management Incentive Plan, the Company, as purchaser, intends to enter into Luxembourg law governed put option agreements whereby the Company shall grant to the beneficiaries of the put options the right to sell to the Company and to require the Company to purchase in total up to two million seven hundred ninety-two thousand four hundred thirty-five (2,792,435) ordinary shares of the Company without nominal value comprising three point three hundred twenty-three percent (3.323%) of the issued share capital of the Company, and any shares, stocks or other securities which derive (whether directly or indirectly) from them, to which the beneficiary of the put option (or its affiliates or nominees) becomes legally or beneficially entitled (the “**Put Option Agreements**”). The consideration for each share will be a minimum of (i) twenty-three United States Dollar and eighty cents (USD 23.80) and (ii) (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 one hundred fifty-five million United States Dollars (USD 155,000,000.-)), where all amounts, except for the maintenance capital expenditures, are specified in United States Dollars (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 three (3) *divided* by twelve percent (12%) and *divided* by eighty-four million thirty-one thousand two hundred and thirty (84,031,230). The option period is set for a period commencing on 1 November 2024 and expiring on 31 December 2025.

**WHEREAS** the general meeting of shareholders understood that in case of an acceleration event (the cessation of trading of Company's shares at the Warsaw Stock Exchange or any other recognised stock exchange or 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%) - the "**Acceleration Event**"), put options shall be exercisable immediately.

**WHEREAS** the general meeting of shareholders acknowledged that, for the purposes of the Management Incentive Plan and the implementation of the terms of the Put Option Agreements, it is now intended for the shareholders of the Company to grant an authorisation to the board of directors of the Company for a period commencing on the date of the present general meeting and expiring on 31 December 2025, to purchase, in the name and on behalf of the Company, a maximum of two million seven hundred ninety-two thousand four hundred thirty-five (2,792,435) shares of the Company without nominal value, in accordance with the conditions set forth in the article 430-15 of the Luxembourg law of 10 August 1915 on commercial companies, as amended (the "1915 Law"), for a purchase price which shall be a minimum of (i) twenty-three United States Dollar and eighty cents (USD 23.80) and (ii) (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 one hundred fifty-five million United States Dollars (USD 155,000,000.-)), where all amounts, except for the maintenance capital expenditures, are specified in United States Dollars (USD) in the relevant paragraph of the consolidated statement of cash flows of the audited annual consolidated accounts of the Purchaser and its subsidiaries for the Financial Years 2022-2024, *divided* by three (3) *divided* by twelve percent (12%) and *divided* by eighty-four million thirty-one thousand two hundred and thirty (84,031,230) (the "**Authorization**").

The extraordinary general meeting of the shareholders of the Company acknowledges, approves and, to the extent necessary, ratifies the Management Incentive Plan, acknowledges the Put Option Agreements and resolves to grant the Authorization."

This resolution shall come into force on the day of its adoption.

3. **Granting of an authorisation to the board of directors of the Company for a period of two (2) years as of the date of the general meeting resolving on the present agenda, to (i) purchase, in the name and on behalf of the Company, or (ii) designate any wholly-owned subsidiary of the Company to purchase, a maximum of 19,200,000 (nineteen million two hundred thousand) shares of the Company without nominal value, in accordance with the conditions set forth in the article 430-15 and the article 430-23 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, for a purchase price which shall (i) not be less than PLN 50 (fifty Polish Zloty) per share and (ii) not be more than PLN 65 (sixty-five Polish Zloty) per share, for a total maximum consideration equivalent to USD 250,000,000 (two hundred and fifty million United States Dollars)**

The board of directors proposes the adoption of the following resolution:

**“WHEREAS** the recent financial results of the Company and its subsidiaries allowed the Company to accumulate significant liquidity.

**WHEREAS** the Company does not face any new attractive investment opportunities in the short term.

**WHEREAS** the leverage of the Company and its subsidiaries on the consolidated basis is at comfortable one point four (1.4)x Net-debt-to-EBITDA as of 31 March 2021, as presented in the Kernel Holding S.A. and Subsidiaries Condensed Consolidated Interim Financial Statements for the three (3) months ended 31 March 2021.

**WHEREAS** the board of directors of the Company recognize the increased demand from shareholders for higher allocation of profits to shareholders, with a substantial percentage of shareholders expressing a preference of the share buyback over dividends.

**WHEREAS**, in the context of the above, the board of directors of the Company resolved to suggest to the general meeting of shareholders to grant the authorization to the board of directors of the Company, according to the article 430-15 of the 1915 Law, during a period of two (2) years ending on the second anniversary of the date of these resolutions of the general meeting of shareholders, to (i) purchase, in the name and on behalf of the Company, or (ii) designate any wholly-owned subsidiary of the Company to purchase a maximum of 19,200,000 (nineteen million two hundred thousand) shares of the Company without a nominal value in accordance with the conditions set forth in the article 430-15 of the 1915 Law regarding the repurchase of own shares by a company and the article 430-23 of the 1915 Law regarding the cross-participation regime for a purchase price which shall (i) not be less than PLN 50 (fifty Polish Zloty) per share and (ii) not be more than PLN 65 (sixty-five Polish Zloty) per share, for a total maximum consideration equivalent to USD 250,000,000 (two hundred and fifty million United States Dollars).

Accordingly, the general meeting of shareholders resolves to grant authorisation to the board of directors of the Company for a period of two (2) years ending on the second anniversary of the date of these resolutions of the general meeting of shareholders, to (i) purchase, in the name and on behalf of the Company, or (ii) designate any wholly-owned subsidiary of the Company to purchase, in one or several times, a maximum of 19,200,000 (nineteen million two hundred thousand) shares of the Company in accordance with the conditions set forth in the article 430-15 of the 1915 Law regarding the repurchase of own shares by a company and the article 430-23 of the 1915 Law regarding the cross-participation regime. The bought-back shares shall be subsequently cancelled, kept, sold or used for such legitimate purposes as the board of directors deem advisable. It is being understood that in case where the above option (ii) (cross-participation regime) is chosen by the board of directors of the Company, the latter has to ensure that the respective subsidiary complies at all times with all the contractual provisions applying to transfer and holding of such Company's shares by such subsidiary. The purchase price of the bought-back shall (i) not be less than PLN 50 (fifty Polish Zloty) per share and (ii) not be more than PLN 65 (sixty-five Polish Zloty) per share, for a total maximum consideration equivalent of USD 250,000,000 (two hundred and fifty million United States Dollars). The shares purchased and retained by the Company or its subsidiary shall not carry any voting rights and shall not give any dividend rights.

The general meeting of shareholders resolves to authorize the board of directors of the Company to take all legal and factual actions in order to implement this resolution and in any format as they deem fit, in compliance with the conditions set out therein, including to conclude an agency agreement with the selected investment firm for the purchase of shares. The board of directors of the Company is also authorized to establish the detailed terms and conditions of the acquisition of own shares in limits specified in this resolution, but in any case with assurance of equal and proportional access by shareholders to exercise the right to sell shares.

The general meeting of shareholders specifies that the board of directors of the Company shall satisfy itself that, at the time of each authorised acquisition, the conditions of the article 430-15 of the 1915 Law are complied with."

This resolution shall come into force on the day of its adoption.

#### **4. Approval and ratification of the remuneration policy**

The board of directors proposes the adoption of the following resolution:

**"WHEREAS** the general meeting of shareholders noted that, pursuant to the Article 7bis of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings, as amended, companies must establish a remuneration policy as regards directors and must submit it to the vote of shareholders at the general meeting.

**WHEREAS** the general meeting of shareholders further noted that according to the article 5.2.4 of the Company's corporate governance charter (the "**CGC**"), the nomination and remuneration committee (the "**N&R Committee**") of the Company is in charge of the establishment of the remuneration policies and has therefore drawn up an updated remuneration policy of the directors of the Company in the form as substantially set out in the Schedule 1 attached

hereto (the “**Remuneration Policy**”) and has presented such Remuneration Policy to the vote of the shareholders at the present extraordinary general meeting of the shareholders of the Company.

The extraordinary general meeting of the shareholders of the Company approves and ratifies the Remuneration Policy.”.

This resolution shall come into force on the day of its adoption.

#### **5. Appointment of Mrs. Pieterneel Boogaard as a new non-executive independent director of the Company and approval of her remuneration**

The board of directors proposes the adoption of the following resolution:

“**WHEREAS** the general meeting of shareholders noted that, pursuant to the same article 5.2.4 of the CGC, the N&R Committee is in charge of the identification and recommendation of candidates for their appointment as directors of the Company, including assessment of the skills, knowledge and experience of the individuals appointed, as well as of the appointment and removal of the directors of the Company.

**WHEREAS** the general meeting of shareholders acknowledged that the N&R Committee identified the profile of Mrs. Pieterneel Boogaard, born on 16 July 1967 in Sliedrecht, the Netherlands, and residing at Wilhelminastraat 60, 2011 VP Haarlem, the Netherlands (“**Mrs. Boogaard**”).

**WHEREAS** the general meeting of shareholders further acknowledged that the N&R Committee noted that Mrs. Boogaard showcases strong skills and significant experience in the field of agriculture, sustainable development and finance that shall positively contribute to the Company’s growth and expansion, these skills and experience being fundamental for a potential member of the board of directors of the Company. The N&R Committee also noted that appointment of Mrs. Boogaard as a director of the Company shall increase the diversity within the composition of the board of directors of the Company.

**WHEREAS** the general meeting of shareholders understood that, further to the above, the N&R Committee is of opinion that Mrs. Boogaard fulfills the criteria required to be appointed as non-executive independent director of the Company and thus recommends the board of directors of the Company to nominate Mrs. Boogaard to be appointed by the general meeting of shareholders as a director of the Company.

**WHEREAS** the general meeting of shareholders further understood that, further to the above, the board of directors of the Company decided to nominate Mrs. Boogaard to be appointed by the general meeting of shareholders as a Director of the Company for a term mandate which shall terminate on the date of the general meeting of shareholders to be held in 2021.

**WHEREAS** the general meeting of shareholders acknowledged that the board of directors of the Company decided to recommend the general meeting of shareholders to approve the fee for Mrs. Boogaard for a total gross annual amount of fifty thousand US dollars (USD 50,000), implying thirteen thousand nine hundred seventy-three US dollars (USD 13,973) pro rata fee for the period commencing on the date of this general shareholder meeting and expiring on the date of the general meeting of shareholders to be held in 2021.

The extraordinary general meeting of the shareholders of the Company resolves to appoint Mrs. Boogaard, born on 16 July 1967 in Sliedrecht, the Netherlands, and residing professionally at Wilhelminastraat 60, 2011 VP Haarlem, the Netherlands, as a new non-executive independent director of the Company for a term mandate which shall terminate on the date of the general meeting of shareholders to be held in 2021.

The extraordinary general meeting of the shareholders of the Company resolves to approve the fee to Mrs. Boogaard, for the period commencing on the date of this general shareholder meeting and expiring on the date of the general meeting of shareholders to be held in 2021 for a total gross amount of thirteen thousand nine hundred seventy-three US dollars (USD 13,973).”.

This resolution shall come into force on the day of its adoption.

#### **6. Amendment of articles 1, 5, 10 and 11 of the articles of association of the Company**

The board of directors proposes the adoption of the following resolution:

“**WHEREAS** the general meeting of shareholders acknowledged that it is intended to perform amendments to the article 1 of the articles of association of the Company (the “**Articles of Association**”) according to the various updates of the 1915 Law.

The extraordinary general meeting of the shareholders of the Company resolves to **amend the article 1** of the Articles of Association which shall henceforth read as follows:

**“ARTICLE 1.**

*The registered office of the corporation is established in Luxembourg.*

*It may be transferred to any other place in the Grand Duchy of Luxembourg by a decision of the board of directors.*

*If extraordinary political or economic events occur or are imminent, which might interfere with the normal activity at the registered office, or with easy communication between this office and abroad, the registered office may be declared to have been transferred abroad provisionally until the complete cessation of these abnormal circumstances.*

*Such decision, however, shall have no effect on the nationality of the company.*

*Such declaration of the transfer of the registered office shall be made and brought to the attention of third parties by the organ of the corporation, which is best situated for this purpose under such circumstances.””.*

The board of directors proposes the adoption of the following resolution:

“**WHEREAS** the general meeting of shareholders recalled that all call options provided to the beneficiaries of the management incentive plans were converted into phantom form and no shares will be issued under such management incentive plans. As a result, the board of directors of the Company proposes to respectively amend the article 5 of the Articles of Association.

The extraordinary general meeting of the shareholders of the Company resolves to **amend the article 5** of the Articles of Association which shall henceforth read as follows:

**“ARTICLE 5.**

*The share capital of the Company is set at two million two hundred eighteen thousand nine hundred twenty-eight US Dollars and sixty-four cents (USD 2,218,928.64) and is divided into eighty-four million thirty-one thousand two hundred and thirty (84,031,230) shares without indication of a nominal value.*

*The shares of the Company may be created at the owner’s option in certificates representing single shares or in certificates representing two or more shares.*

*The shares shall be in a bearer or in a registered form.*

*The Company may, to the extent and under the terms permitted by law, purchase its own shares.*

*The corporate capital may be increased or reduced in compliance with the legal requirements.””*

The board of directors proposes the adoption of the following resolution:

“**WHEREAS** the general meeting of shareholders acknowledged that it is intended to perform amendments to the article 10 of the Articles of Association according to the various updates of the 1915 Law.

The extraordinary general meeting of the shareholders of the Company resolves to **amend the article 10** of the Articles of Association which shall henceforth read as follows:

**“ARTICLE 10.**

*The corporation will be bound in any circumstances by joint signatures of two directors or by the sole signature of a managing director, without prejudice of special decisions that have been reached concerning the authorized signature in case of delegation of powers or proxies given by the board of directors pursuant to article 11 of the present articles of association.”*”

The board of directors proposes the adoption of the following resolution:

**“WHEREAS** the general meeting of shareholders acknowledged that it is intended to perform amendments to the article 11 of the Articles of Association according to the various updates of the 1915 Law.

The extraordinary general meeting of the shareholders of the Company resolves to **amend the article 11** of the Articles of Association which shall henceforth read as follows:

**“ARTICLE 11.**

*The board of directors may generally or from time to time delegate the power to conduct the daily management of the corporation as well as the representation of the corporation in relation to such management as provided for by article 441-10 of the law of August 10th 1915 on commercial companies and the amendment hereto, to an executive or other committee or committees whether formed from among its own members or not, or to one or more directors, managers or other agents who may act individually or jointly. The delegation to a member of the board of directors imposes to the board of directors an obligation to report annually to the ordinary general annual meeting the remunerations, fees and any advantages granted to the delegated person. The board of directors shall determine the scope of the powers, the conditions for withdrawal and the remuneration attached to these delegations of authority including the authority to sub-delegate.*

*The board of directors may establish one or several committees composed of members of the board and / or external persons to whom it may delegate powers and functions from time to time. If an audit committee is established, at least one independent director with finance and accounting expertise should be a member of that committee.*

*The board of directors may also confer special powers upon one or more attorneys or agents of its choice.”*”

These resolutions shall come into force on the day of their adoption.

- 7. Appointment of a new independent auditor of the Company in respect of the audit of the consolidated and unconsolidated annual accounts of the Company for a one-year term, which shall become effective on the date of the annual general meeting of the shareholders to be held in 2021 and which shall terminate on the date of the annual general meeting of shareholders to be held in 2022**

The board of directors proposes the adoption of the following resolution:

**“WHEREAS** the general meeting of shareholders notes that in accordance with article 17 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the **“Audit Regulation”**), *“a public-interest entity shall appoint a statutory auditor or an audit firm for an initial engagement of at least one year. The engagement may be renewed. Neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with any renewed engagements therewith shall exceed a maximum duration of 10 years.”*

**WHEREAS** Deloitte Audit, a *société à responsabilité limitée* registered with the Luxembourg Trade and Companies’ Register under number B 67 895, acts as independent auditor of the Company since 7 December 2011, and such engagement was continuously renewed for 9 years in a row, bringing the total duration of the mandate to 10 years;

**WHEREAS** the general meeting of shareholders notes that in accordance with article 16 of the Audit Regulation, “*the audit committee shall submit a recommendation to the administrative or supervisory body of the audited entity for the appointment of statutory auditors or audit firms. [ ] Unless it concerns the renewal of an audit engagement in accordance with Article 17(1) and 17(2), the recommendation of the audit committee referred to in paragraph 2 of this Article shall be prepared following a selection procedure organised by the audited entity.*”

**WHEREAS** the Audit Regulation further states in its article 16 paragraph 5 that: “*the proposal to the general meeting of shareholders or members of the audited entity for the appointment of statutory auditor or audit firms shall include the recommendation and preference referred to in paragraph 2 made by the audit committee or the body performing equivalent functions.*”

**WHEREAS** the general meeting of shareholders notes that further to the above, the audit committee of the Company (the “**Audit Committee**”) has identified the following audit firms for the position of an independent auditor of the Company:

- PwC *Société coopérative*, having its registered office at 2, rue Gerhard Mercator B.P. 1443 L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 (“**PwC**”); and
- Deloitte Audit, a *société à responsabilité limitée*, having its registered office at 20, Boulevard de Kockelscheuer, L-1821 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 67 895 (“**Deloitte**”)

(together the “**Independent Auditor Candidates**”).

**WHEREAS** the proposal is based on the results of the formal auditor selection process conducted by the auditor selection team, which includes all Audit Committee members and selected employees of the group of companies to which the Company belongs.

**WHEREAS** the general meeting of shareholders further notes that the Audit Committee recommended the candidacy of the Independent Auditor Candidates to the board of directors of the Company.

**WHEREAS** the Audit Committee explained that it prefers the candidacy of **PwC** as an independent auditor of the Company given that **PwC** obtained higher final score during the auditor selection process when evaluating the proposals and presentations in accordance with selection criteria and respective weights defined in Appendix II of the Auditor Selection Procedure approved by the board of directors of the Company on 17 July 2020. Namely, the **PwC** scored higher than **Deloitte** on such criteria as:

- Qualification of the team in Ukrainian office;
- Audit Approach;
- Audit methodology for effectiveness and efficiency; and
- Presentation to the Audit Committee.

Although **Deloitte** scored higher than **PwC** on the criterion “Industry-specific experience”, and both candidates were ranked equal on such criteria as “Provision of audit services to public-interest entities from CIS”, “Price (‘Value for money’)”, “Qualifications of the team in Luxembourg office”, “Evidence of audit quality (review of the auditor’s specific inspection reports)”, and “Reputation”, the assigned weights to each criterion resulted in the 8.8 final score for **PwC** and 8.5 final score for **Deloitte**.

The Audit Committee mentioned that it is free from influence by a third party and that no clause of the kind referred to in Art. 16 (6) of the Audit Regulation has been imposed upon it.

**WHEREAS** the decision of the board of directors of the Company regarding the selection of an auditor does not depart from the recommendation of the Audit Committee and the board of directors of the Company submitted the candidacy of the Independent Auditor Candidates to the vote of the general meeting of shareholders with a justifiable preference of **PwC**.

**WHEREAS** the board of directors of the Company proposes that in case the candidacy of **PwC** is approved by a simple majority of votes of shareholders of the Company, **PwC** shall be appointed as a new independent auditor of the Company and its mandate shall begin on the date of the annual general meeting of shareholders to be held in 2021 and shall terminate on the date of the annual general meeting of shareholders to be held in 2022.

**WHEREAS** the board of directors of the Company further proposes that in case **PwC** does not collect the required majority of votes of shareholders of the Company, the candidacy of **Deloitte** shall be submitted to the vote of the general meeting of shareholders of the Company and in case the candidacy of **Deloitte** is approved by a simple majority of votes of shareholders of the Company, **Deloitte** shall be appointed as a new independent auditor of the Company and its mandate shall begin on the date of the annual general meeting of shareholders to be held in 2021 and shall terminate on the date of the annual general meeting of shareholders to be held in 2022.

The extraordinary general meeting of the shareholders resolves to appoint PwC *Société coopérative*, having its registered office at 2, rue Gerhard Mercator B.P. 1443 L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 as independent auditor of the Company in respect to the audit of the consolidated and unconsolidated annual accounts of the Company for a one-year term, which shall begin on the date of the annual general meeting of shareholders to be held in 2021 and which shall terminate on the date of the annual general meeting of shareholders to be held in 2022”.

This resolution shall come into force on the day of its adoption.

#### **8. Delegation of powers**

The board of directors proposes the adoption of the following resolution:

“The general meeting of the shareholders resolves to appoint any director of the Company, (the “**Director(s)**”) each acting individually, with power of substitution to take all actions and do such things on behalf and in the name of the Company that are necessary or desirable for the Company to take or to do in order for the above resolutions to be implemented, to agree or amend the form, terms and conditions of, to certify any and all documents as certified true copies and to make, sign, execute and do, all such deeds, instruments, agreements, applications, forms, declarations, confirmations, notices, acknowledgements, letters, certificates, powers-of-attorney, general assignments, and any other documents (including any notarial deeds) relating to and required or desirable under the above resolutions, and in particular all the agreements and/or documents the entering of which is approved in the present resolutions.”.

This resolution shall come into force on the day of its adoption.

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### **SCHEDULE 1**

The Remuneration Policy



**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 – Drafting note]

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.”*

Legal grounds: Art. 56.1.1 of the Act of 29 July 2005 on public offerings, conditions governing the introduction of financial instruments to the organised trading system, and public companies.

Signatures of individuals authorised to represent the Company:

Anastasiia Usachova

Yuriy Kovalchuk