



KARELIA TOBACCO COMPANY INC.

REMUNERATION POLICY

OF THE MEMBERS OF THE BOARD OF DIRECTORS

TABLE OF CONTENTS

| | |
|---|----------|
| I. ABOUT THE REMUNERATION POLICY | 3 |
| II. OBJECTIVE | 3 |
| III. WHOM DOES IT CONCERN | 4 |
| IV. BREAKDOWN OF REMUNERATION | 4 |
| V. CATEGORIES OF REMUNERATION | 5 |
| VI. OTHER REMUNERATION | 7 |
| VII. REMUNERATION REPORT | 7 |
| VIII. APPROVAL, DURATION AND REVIEW | 8 |
| IX. DEVIATION FROM REMUNERATION POLICY | 8 |
| X. PUBLICATION | 9 |
| XI. DATE OF ENTRY INTO FORCE | 9 |

I. ABOUT THE REMUNERATION POLICY

1. "KARELIA TOBACCO COMPANY INC.", with General Commercial Registry No. 15082945000 and headquarters in Kalamata (Athens street - Asprochoma), establishes a Remuneration Policy for the members of its Board of Directors. The Remuneration Policy is an integral part of the Company's corporate governance and is in line with its overall operating policy, business strategy, objectives and long-term interests.

2. The Remuneration Policy shall be adopted and implemented in accordance with the provisions of Articles 109 to 114 of Law 4548/2018 (Government Gazette A 104/13/06.2018), which partially incorporated into Greek law the provisions of Directive 828/2017 (SRDII) concerning the encouragement of the long-term active participation of shareholders in the decisions regarding the remuneration of the Board of Directors,, as well as the provisions of Law 4706/2020 (Government Gazette A 136/17.07.2020).

II. OBJECTIVE

1. The objective of the Remuneration Policy is to create a remuneration system that will allow the Company to make available to its management highly qualified members for its Board of Directors, Greek or foreign nationals, who add value to the Company with their skills, knowledge and experience.

2. At the same time, the Remuneration Policy aims to establish a competitive remuneration system in relation to other such policies adopted by Greek or foreign companies with similar characteristics to Karelia, regarding, for example, their size and international presence. At the same time, it aims to promote the proper and effective management and coverage of the risks associated with the Company's activities in general, as well as to discourage the taking of excessive risks, or risks incompatible with the Company's objectives and ultimately with the Company's sustainability.

III. WHOM DOES IT CONCERN

The Remuneration Policy applies to all members of the Board of Directors of the Company (executives, non-executives and independent members), to the General Director of the Company and to any Deputy Director. Any Reference to the Board of Directors in this policy shall also include the General Director and Deputy Director.

IV. BREAKDOWN OF REMUNERATION

1. The Remuneration Policy covers all remuneration paid to the members of the Company's Board of Directors (executives, non-executives and independent members). Remuneration means any form of fees and benefits provided by the Company, in exchange for and in the context of the services they provide to the Company, which are analysed in Chapter V hereof.

2. The Remuneration Policy is in line with the Company's general remuneration policy, financial situation, performance and prospects, and ensures that the fees received are proportionate to the fees received by executive, non-executive and independent members of the Board of Directors acting in similar positions within similar-sized companies in other European countries.

3. Decisions regarding remuneration are linked to the Company's corporate strategy, objectives and their realisation, with the ultimate goal of creating long-term value for the Company. Decisions regarding remuneration shall take into account the level of responsibility involved in the tasks and responsibilities undertaken, the specialised competences, the relevant professional experience, the commitment of the members of the Board of Directors when it comes to performing the tasks entrusted to them, the current market conditions, the general macroeconomic environment, the present economic situation, the cost of living, the tax rates, the present and future risks, as well as the fees and benefits received during the previous year.

4. Special agreements involving the provision of additional services to the Company – such as, but not limited to, employment contracts, work

contracts, mandate agreements or other business or professional relations with the Company – shall be concluded separately and the agreed remuneration shall be granted in accordance with the provisions of Articles 109 par. 3, 99 to 101 of Law 4548/2018, Law 4706/2020 and Article 19 of the Company's Articles of Association. The aforementioned employment of the directors is parallel to, coexists with, remains in force regardless of, and is unaffected by their status as members of the Board of Directors throughout the co-existence of these roles.

V. CATEGORIES OF REMUNERATION

1. The remuneration of the members of the Board of Directors (executive, non-executive and independent) may derive from the following reasons, which are independent from each other and cannot be combined:

a) From participation in the profits for the respective fiscal year, granted in accordance with the provisions of the applicable legislation (Articles 109 to 114 Law 4548/2018) and article 19 of the Company's Articles of Association. This remuneration is granted to the directors by virtue of being employed as members of the Board of Directors, as well as for filling any additional positions in the various committees of the Company. It shall be paid each trimester.

b) Administrative services agreements, conducted verbally or in writing, for services provided by the directors on the basis of their institutional relationship with the Company. These contracts shall be concluded and the agreed remuneration shall be granted in accordance with the provisions of the applicable legislation (Articles 99 par. 3 case b, 109 to 114 of Law 4548/2018) and article 19 of the Company's Articles of Association. The duration of the remuneration policies will correspond to the term of office of the directors. They may be terminated at any time: (a) by decision of the General Meeting immediately following a decision to revoke them; (b) by termination of the policy by the Board of Directors, provided that it is notified in writing in accordance with the terms of any contract between them, or, if the contract does not specify any such terms, at least one (1) month prior; (c) in the event of resignation or loss for any reason of their

status as members of the BoD, as well as in the event that a remuneration is agreed upon by any other reason but those specified for herein, the remuneration policies shall be automatically terminated. This remuneration shall be paid each trimester. The contracts may be accompanied by health insurance plans.

2. The Directors may also enter into special service relationships with the Company – such as, but not limited to, employment contracts, work contracts, mandate agreements or other business or professional relationships – which, as mentioned in paragraph 4 of Chapter IV hereof, are governed by the provisions of Articles 109 par. 3, 99 to 101 of Law 4548/2018, Law 4706/2020 and Article 19 of the Company's Articles of Association.

3. The General Meeting may allow the advance payment of remuneration derived from items 1 a) and b) above for the period until the next Ordinary General Meeting. The advance payment is subject to its approval by the next ordinary General Meeting. The remuneration derived from the item specified in paragraph 2 above is governed, as stated above, by Articles 109 par. 3 and 99 to 101 of Law 4548/2018.

4. The members of the Board of Directors of the Company are also provided, along with the above-specified remuneration, with other benefits, according to the terms and conditions set out below, which are independent from each other and may intersect:

a) The Company shall pay to the members of the Board of Directors, as compensation, the cost of travel expenses, i.e. reasonable travel, accommodation and maintenance expenses of the directors, provided that they take place exclusively in the context of the business activity of the Company and in the performance of their duties. The payment of these expenses shall be made upon submitting the required receipts and expense reports, as required by the legislation of the country where the expense was incurred.

b) The Company may provide the BoD members with the possibility to use corporate cars, real estate and/or other assets of the Company, owned or

leased, the services of drivers employed by the company, as well as tobacco products.

VI. OTHER REMUNERATION

No variable remuneration shall be paid to the members of the Board of Directors. Variable remuneration means additional payments or benefits that depend on the performance of the members of the Board of Directors. Also, for the time being the directors have no right to participate in any share distribution plans of the Company, in the form of stock options.

Furthermore, in order to comply with case a) of par. 2 of Article 9 of Law 4706/2020, and notwithstanding the above, it is noted that the criterion on the basis of which the concept of a substantial reward or benefit is defined, according to the provisions of the aforementioned case a), is its amount in relation to the fixed remuneration granted by the Company for the participation of the member in the BoD, in accordance with the present document. In particular, any remuneration or benefit referred to in par. a) of the aforementioned provision, which exceeds the fixed remuneration of the member of the BoD is considered a substantial benefit.

VII. REMUNERATION REPORT

The Company shall prepare an annual Remuneration Report for all members of the BoD, which shall be submitted for discussion at the Annual General Meeting of the Company, in accordance with the provisions of the applicable legislation (article 112 of Law 4548/2018). The remuneration report contains, inter alia, information on the total remuneration paid to all members of the BoD in the last fiscal year. The remuneration report should provide a clear link between the total remuneration paid and the approved remuneration policy. The remuneration report, after submission to the Company's ordinary General Meeting, shall be made available on its website www.karelia.gr, for a period of ten (10) years.

VIII. APPROVAL, DURATION AND REVIEW

- 1.** The remuneration policy is submitted for approval to the Company's General Meeting of Shareholders. The shareholders' vote shall be binding.
- 2.** The duration of the present policy may not exceed four (4) years from the date of its approval by the General Meeting. The Company is obliged to submit this policy for approval to the General Meeting whenever there is a material change in the conditions under which the approved remuneration policy was established and, in any case, every four (4) years from its approval.
- 3.** The preparation of the present policy, the determination of its content, its review and revision are carried out by the Board of Directors, with the assistance of the Remuneration Committee and based on the provisions of its Rules of Procedure, which takes all measures to avoid and effectively manage conflicts of interest. In particular, the Company implements measures to prevent or minimise conflicts of interest, such as, but not limited to, avoiding the linkage of fees to sales or targets that are not related to the actual improvement of the Company's financial performance, through a thorough examination of the data in each specific case.
- 4.** In the event that the Company has a Remuneration Policy approved by the General Meeting and the General Meeting does not approve the proposed new Policy, the Company may continue to pay the remuneration of the members of the BoD in accordance with the previously approved Policy and submit a revised Remuneration Policy for approval at the next General Meeting.

IX. DEVIATION FROM REMUNERATION POLICY

The Board of Directors may deviate from the approved Remuneration Policy to the extent that the Company's overall financial policy is not affected if:

- a) there are exceptional circumstances justifying such deviation,
- b) such circumstances make the deviation necessary in order to serve the interests of the Company as a whole in the long term or in order to ensure its future sustainability.

The elements for which a deviation is permitted are only

those listed in Chapter V hereof, regarding the remuneration of the executive, non-executive and independent members of the Board of Directors. Such deviation should be duly justified in writing in the relevant decision of the Board of Directors, which includes all the aforementioned elements, and should be communicated to the next General Meeting.

X. PUBLICATION

The approved Remuneration Policy, together with the date of the General Meeting that approved it and the results of the vote, are published and remain available on the Company's website www.karelia.gr for at least as long as this Remuneration Policy is in force.

XI. DATE OF ENTRY INTO FORCE

This Remuneration Policy becomes effective as of January 01, 2019, subject to its approval by the Company's General Meeting of Shareholders. As to its duration, the provisions of Chapter VIII hereof apply.