



**KARELIA TOBACCO COMPANY INC**

**REMUNERATION REPORT**

**OF THE BOARD MEMBERS**

**FINANCIAL YEAR 2021**

## **1. INTRODUCTION**

### **1.1. COURSE OF BUSINESS - PERFORMANCE OF THE COMPANY AND THE GROUP**

Financial Year 2021 was characterized by significant financial milestones for KARELIA TOBACCO COMPANY, INC. [hereinafter "The Company"] and for the KARELIA Group, in an environment of strong uncertainty due to the recurring waves of the Covid-19 pandemic and the transitions between periods of restrictive measures and periods of easing. We managed to deliver a significant increase in Sales Turnover, growth in shipment volumes both in our domestic and international markets and a further improvement in our cash reserves, resulting in an increase in the Group's pre-tax profits of 57%.

Furthermore, the decrease in operating and administrative expenses compared to those of previous financial years, allowed us to offset the first signs of strong inflationary pressures during the later months of 2021, when we faced an escalation in raw material procurement prices as well as steep increases in energy and shipment costs.

In our international markets, shipment volumes increased in our EU, eastern European, Balkan and African markets. We experienced headwinds in most of our Asian markets including the Duty-free market of Turkey, with a gradual improvement, nonetheless, towards the end of the year.

In the Greek domestic market, our sales volume increased by 6.6% in cigarettes and marginally in Roll-Your-Own tobacco, while our market share reached 19.34% (2020: 18.24%) in cigarettes and 27.24% (2020: 26.97%) in RYO tobacco.

Easing of travel restrictions during the second semester of 2021 allowed us to fully offset the sales decline experienced during the first quarter of the year in the Greek Duty free and travel retail outlets and, thus, achieve an annual increase growth in turnover from the sector of 42%.

Driven by the above volume improvement, our consolidated sales turnover (net of excise taxes) increased by 8% compared to that of 2020, while operating profits before interest, currency exchange differences and depreciation reached EUR 106.973m, an improvement of 16.65% compared to 2020. Coupled with strong and favourable currency exchange differences, Group net profits after tax and minority interests surpassed EUR 87.7m, an increase of 60.5% over those of the previous financial year.

The Board of Directors (hereinafter, the "BoD") has implemented, also in the financial year 2021, its long-standing financial policy, namely the careful and prudent management of corporate resources and the increase of the Company's shares in stable, mature and developed markets. In addition, it has remained true to its commitment to uphold the highest ethical and corporate principles in every aspect and area of the business, particularly with regard to employees, customers, the community and the environment in which the Company operates. Thus, the Company continued its corporate social responsibility activities, in the form of financial aid to many organizations of public benefit, with amounts exceeding EUR 850 thousand. The Company's business activities and its contribution to the Greek economy were, in 2021, a benchmark, leading for yet another year to an award for its performance from the country's business community.

## **1.2. PREPARATION OF THE REMUNERATION REPORT**

This Remuneration Report reviews and describes, for the financial year from 01.01.21 to 31.12.21, the total remuneration of the Board Members and the Managing Director of the Company, which is regulated in the Company's Remuneration Policy. It is clarified that there is no deputy Managing Director. Any reference in this report to the BoD also includes the Managing Director.

The Company has prepared a Remuneration Policy for the Board Members, in accordance with articles 110 - 111 of Law 4548/2018, which was approved by the Annual General Meeting of Shareholders in 2018, subsequently was revised, compliant with the provisions of L. 4706/2020,

by the Annual General Meeting of Shareholders in 2020 and is published as currently in force on its official website [www.karelia.gr](http://www.karelia.gr) .

The Remuneration Report provides the shareholders with comprehensive information on the remuneration regulated in the Remuneration Policy and paid to the abovementioned persons for the financial year 2021, both by the Company and by other companies of the KARELIA Group, as specified in article 32 of Law 4308/2014, in order to increase corporate transparency regarding the remuneration of the Board Members.

The Remuneration Report was prepared by the BoD, in accordance with article 112 of Law 4548/2018, which harmonizes Greek Law with article 9b of Directive 2007/36/EC, as introduced by Directive 2017/828/EU. Its content was formulated on the basis of the European Commission's guidelines for the standardized presentation of Remuneration Reports under Directive 2007/36/EC, as amended by Directive 2017/828/EU.

The Remuneration Committee of the Company, according the provision of Art. 11 c) of Law 4706/2020 and Chapter 6 par. 3 of the remuneration's committee Charter, examined the information included in the final draft of the Annual Remuneration Report, and submitted to the Board her opinion, verifying that the Report is clear, the information complete and the remuneration is in line with the Remuneration Policy of the Company.

The Remuneration Report was approved by the Company's BoD and audited in accordance with article 112(4) of Law 4548/2018, by an auditor, who verified that all the information is provided, as required by article 112 of Law 4548/2018.

It is also submitted, pursuant to article 112(3) of Law 4548/2018, for discussion to the Annual General Meeting of the financial year 2021, as an item of the agenda. The vote of the shareholders participating in the vote is advisory in nature and will be taken into account for the preparation of the Remuneration Report for the next financial year.

The Remuneration Report, following the Annual General Meeting of the financial year 2021, will be made available on the Company's official website [www.karelia.gr](http://www.karelia.gr) for a period of ten (10) years.

## **2. TOTAL REMUNERATION OF THE BOARD MEMBERS**

### **2.1. INTRODUCTION**

Following the above, **Table A** - as well as the accompanying explanations - is presented with detailed information on the total (gross) remuneration of each individual Board member (executive, non-executive, independent non-executive), as regulated by the Company's Remuneration Policy. This information concerns **the remuneration of the Board Members paid during the financial year 2021, the services they offered to the Company**, with a breakdown into their individual components and with reference to the relative percentages of fixed and variable remuneration. This information is reported in compliance with **article 112 (2) (a)** of Law 4548/2018.

Moreover, in compliance with **article 112 (2) (c)** of Law 4548/2018, it is stated that no remuneration from other companies of the KARELIA Group has been paid to the Board Members of the Company, as specified in article 32 of Law 4308/2014. Therefore, it is not necessary to provide a separate table for any remuneration paid to the Board Members from other Group companies, as there is no such remuneration.

It is noted that any remuneration reflected below has already been paid / granted and is not due. Also, all monetary figures are shown in EUR.

## 2.2. TABLE A: Remuneration of the Board Members for the Financial Year 2021

Board Member	Position	FY	Fixed Remuneration - Pay (*)	Fixed Remuneration - Expenses (*)	Fixed Remuneration - Benefits in natura (*)	Fixed Remuneration - Health insurance (*)	Variable Remuneration (*)	Exceptional Payments (*)	Retirement Expenses (*)	Total Remuneration	Fixed / Variable Remuneration Ratio
Andreas G. Karelias	Executive Member - CEO	2021	106.218,68	6.813,91	34.343,56	789,00	-	-	-	148.165,15	100/0
		2020	106.218,68	6.152,03	35.454,61	855,96	-	-	-	148.681,28	100/0
Efsthathios G. Karelias	Executive Member - Vice Chairman - Managing Director	2021	99.137,43	8.301,58	36.444,85	785,16	-	-	-	144.669,02	100/0
		2020	99.137,43	9.720,27	37.564,12	852,12	-	-	-	147.273,94	100/0
Victoria - Margarita G. Karelia	Non-Executive Member - Chairman of the BoD	2021	-	3.007,68	57.194,01	-	-	-	-	60.201,69	100/0
		2020	-	3.104,94	58.631,16	-	-	-	-	61.736,10	100/0
Vasileios G. Antonopoulos	Non-Executive - Independent Member	2021	145.200,00	488,94	-	-	-	-	-	145.688,94	100/0
		2020	132.000,00	1.347,35	-	-	-	-	-	133.347,35	100/0
Robin Derlwyn Joy	Non-Executive - Independent Member	2021	145.200,00	570,00	-	-	-	-	-	145.770,00	100/0
		2020	132.000,00	1.601,93	-	-	-	-	-	133.601,93	100/0

## 2.3. EXPLANATORY NOTES TO TABLE A

### (\* ) Fixed Remuneration – Pay

The pay of the executive Board Members, i.e. Andreas G. Karelias and Efsthathios G. Karelias, is derived from employment contracts with the Company, which, in accordance with article 109 of Law 4548/2018, chapter IV para. 4 and chapter V para. 2 of the Remuneration Policy, are governed by articles 99 to 101 of Law 4548/2018, Law 4706/2020 and article 19 para. 3 of the Company's Articles of Incorporation. They are also reflected in the Remuneration Report in order to provide shareholders with comprehensive information on the remuneration paid.

The pay of the non-executive - independent Board Members, i.e. Vasileios G. Antonopoulos and Robin Derlwyn Joy, is derived from management service contracts with the Company, which are governed by article 99 para. 3b, 109 to 114 of Law 4548/2018, chapter V para. 1b of the Remuneration Policy and article 19 para. 2 of the Company's Articles of Incorporation

No remuneration was paid / granted to the non-executive Board Member Victoria - Margarita G. Karelia.

It is noted that, on the one hand, no remuneration was granted through profit distribution for the financial year and, on the other hand, the Remuneration Policy does not provide for separate remuneration for participation in Committees - Meeting of the Company's bodies. Furthermore, no separate remuneration was granted to the Board Members who participate to the Company's Committees (Audit Committee, Remuneration and Nomination Committee), for that participation.

**(\* Fixed Remuneration - Expenses**

This is the cost of the travel expenses provided for in chapter V para. 4a of the Remuneration Policy, i.e. reasonable expenses for travel, accommodation away from headquarters and subsistence incurred exclusively in connection with the Company's affairs.

**(\* Fixed Remuneration - Benefits "in natura"**

These are benefits provided for in chapter V para. 4b of the Remuneration Policy, i.e. "in natura" (non-monetary) benefits, which are expressed in monetary terms, based on their fair value.

The benefits "in natura" of the executive Board Members, i.e. Andreas G. Karelias and Efstathios G. Karelias, concern tobacco products and the use of a company car and company driver. The benefits "in natura" of the non-executive BoD's Member Victoria - Margarita G. Karelia concern tobacco products, the use of a company car, company driver and company immovable property. The non-executive - independent Board Members, i.e. Vasileios G. Antonopoulos and Robin Derlwyn Joy, were not paid / granted any benefits "in natura".

**(\* Fixed Remuneration - Health insurance**

They are health insurance schemes accompanying the employment contracts of the executive Board Members, i.e. Andreas G. Karelias and

Efstathios G. Karelias, which, according to article 109, para. of Law 4548/2018, chapter IV para. 4 and chapter V para. 2 of the Remuneration Policy, are governed by articles 99 to 101 of Law 4548/2018, Law 4706/2020 and article 19 para. 3 of the Company's Articles of Incorporation. They are also reflected in the Remuneration Report in order to provide shareholders with comprehensive information on the remuneration paid. The other Board Members, i.e. Victoria - Margarita G. Karelia, Vasileios G. Antonopoulos and Robin Derlwyn Joy, do not participate in the Company's health insurance schemes.

#### **(\*) Variable Remuneration**

In accordance with chapter VI of the Remuneration Policy, no variable remuneration is paid to the Board Members.

#### **(\*) Exceptional Payments**

No other non-recurring benefit, in cash or otherwise, was paid/granted to the Board Members in connection with the remuneration categories of chapter V of the Remuneration Policy.

#### **(\*) Retirement Expenses**

No retirement expenses were paid/granted for the Board Members, i.e. pension contributions, fixed or variable, to finance a fund for the future compensation of the Board Members.

### **3. PARTICIPATION OF BOARD MEMBERS IN STOCK OPTION PLANS**

In accordance with chapter VI of the Remuneration Policy, no rights are provided for the participation of the Board Members in the Company's stock option plans in the form of stock options. Therefore, in compliance with article 112 para. (2) (d) and (e) of Law 4548/2018, it is mentioned that there are no shares and stock options for shares granted or offered to the



Board Members, nor are there any options exercised on the part of the BoD under any Corporate Stock Option Plan.

#### **4. POSSIBILITY TO RECLAIM VARIABLE REMUNERATION**

As already noted, according to the explicit provision of chapter VI of the Remuneration Policy, Board Members are not paid variable remuneration. Therefore, in compliance with article 112 para. (2) (f) of Law 4548/2018, there is no possibility to reclaim variable remuneration.

#### **5. COMPLIANCE OF REMUNERATION WITH THE REMUNERATION POLICY**

The total remuneration of the Board Members of the Company for the financial year 2021, which is regulated in the Remuneration Policy and described in this Remuneration Report, is in full compliance with the Company's Articles of Incorporation, the applicable legal provisions and its overall financial policy, as reflected in the Remuneration Policy. More specifically, the Remuneration Report complies with article 112 para. (2) (a) of Law 4548/2018 and with chapter VII of the Company's Remuneration Policy, which require linking the total remuneration paid to the approved Remuneration Policy and an explanation of how such compliance is achieved.

Specifically, the Company's remuneration system, as described in the Remuneration Policy, is oriented towards providing Board Members with fixed remuneration of specific categories. In particular, chapter V of the Remuneration Policy provides for the possibility of granting remuneration based on profit distribution for the financial year (para. 1a) and under management service contracts (para. 1b), causes that are independent of each other and do not concur. In addition, the possibility is provided for the conclusion of agreements for the provision of special services of the directors to the Company - such as, but not limited to, employment contracts, works contracts, transaction-management contracts or other business or professional agreements - governed by the provisions of articles 109 para. 3, 99 to 101 of Law 4548/2018, Law 4706/2020 and

article 19 of the Company's Articles of Incorporation (para. 2). Finally, in addition to the above remuneration, it is provided that the Company covers the cost of travel expenses of the Board Members, incurred in connection with the Company's affairs and during the performance of their duties, upon presentation of the required receipts and expense accounts (para. 4a), while the Company also has the possibility of awarding certain non-monetary benefits to the Board Members (para. 4b). Finally, no variable remuneration is paid to the Board Members, nor are there any rights to participate in the Company's stock option plans in the form of stock options (chapter VI).

As it follows from all the information provided in chapters 2, 3 and 4 of this report, the remuneration of the Board Members for the financial year 2021 fully complies with the Remuneration Policy. This is because the Board Members have been awarded fixed remuneration derived from a specific category of remuneration, namely the non-executive - independent Board Members from management service contracts and the executive Board Members from employment contracts. In addition, no variable remuneration was paid, and the directors did not participate in any of the Company's stock option plans. Furthermore, the expenses paid by the Company, the benefits "in natura" and the payments under health insurance schemes are fully in line with the provisions of chapter V of the Remuneration Policy. Finally, it is clarified that, as the Board Members are not paid variable remuneration, no performance criteria have been defined in the Remuneration Policy. It is therefore not necessary to explain how they are applied in this Remuneration Report, as no such criteria exist.

In addition, through the Company's remuneration scheme, with which the remuneration for the financial year 2021, as well as for previous financial years, complies, the objective of the Remuneration Policy, as reflected in its Chapter II, is achieved, as the Company has highly qualified Board Members in its management, who add value to the Company with their skills, knowledge, and experience.

Moreover, it is a competitive remuneration scheme compared to similar ones adopted by companies in Greece and abroad, with similar

characteristics, such as, but not limited to, the size and the international presence. The way in which the remuneration has been structured ensures that it is commensurate with the remuneration received by the executive, non-executive and independent directors in similar positions in companies of similar size in other European countries, as set out in chapter IV of the Remuneration Policy.

At the same time, the Company's remuneration scheme and the remuneration paid under it allow for the proper and effective management and coverage of the risks related to the performance of the Company's activities in general, and also discourage excessive risk-taking or the taking of risks incompatible with the Company's corporate objectives and ultimately with the Company's sustainability. In particular, the non-payment of variable remuneration tied to sales or targets that are not related to the actual improvement of the Company's financial performance helps to achieve the above purpose, while at the same time encouraging the directors to achieve business and financial objectives that are fully aligned with the interests of the shareholders and the Company's core business values.

In addition, the level of remuneration awarded and reflected herein is aligned with the Company's employee pay conditions and general remuneration policy, through which the long-term performance and sustainability of the Company is achieved. In particular, the remuneration of each of the employees exceeds or is at least equal to that set out in the respective national collective agreements, while exceptional voluntary benefits were granted, also for the financial year 2021, to all employees, as well as additional bonuses to employees who achieved high performance. Furthermore, they are in line with the financial situation and performance of the Company, as described in chapter 1 of this report, as well as with its prospects, its overall operating policy, its business strategy, its objectives and its long-term interests.

In addition, in setting the remuneration of the Board Members, the level of responsibility of the tasks and duties assumed and the number of risks and uncertainties, present and future, that they are called upon to address,

were also taken into account. Examples include foreign exchange and credit risks, interest rate and liquidity risks, continuous increases in taxation, as well as other legislative interventions, which lead to significant restrictions on the appearance of the Company's products and on the ways in which the consumer public is informed. Also, the challenges of the multitude of markets in which the Group operates, such as geopolitical, economic and social developments, as well as intense competition from large multinationals, regional tobacco companies and state monopolies. Finally, account was taken of the Board Member's specific competencies, their relevant professional experience and commitment to the tasks assigned to them, the labor market conditions, the general macroeconomic environment, the current economic situation, the cost of living, tax rates, as well as the remuneration of the Board Members in the previous year.

From all of the above, it follows that this Report and the remuneration described in it, fully complies with the Company's approved Remuneration Policy and corporate governance principles and is fully in line with the overall operating and financial transparency policy that the Company continuously applies, its business strategy, objectives and long-term interests.

## **6. DEROGATIONS FROM THE APPLICATION OF THE REMUNERATION POLICY**

In order to comply with **article 112 para. (2) (g)** of Law 4548/2018, it is noted that there are no derogations from the application of the Remuneration Policy, pursuant to article 110 para. 6 of Law 4548/2018 and charter IX of the Remuneration Policy.

## **7. COMPARATIVE INFORMATION FOR THE FIVE-YEAR PERIOD 2016-2020**

### **7.1. GENERAL**

Below are Tables B1 and B2 concerning the last five financial years, i.e. for the five-year period 2016-2020. **Table B1 includes numerical information of the following items**, while **Table B2 includes comparative information on their annual change**:

- i)** Total remuneration regulated in the Remuneration Policy and paid to each individual BoD Member of the Company (executive, non-executive, independent non-executive). It is clarified that the remuneration presented in Table A, in the column "Total Remuneration", i.e. the total remuneration for their services provided to the Company, is reported;
- ii)** Performance of the Company, based on two performance indicators, i.e. its profitability (net profit) and its turnover;
- iii)** Average earnings of the Company's full-time employees, other than executives, i.e. other than the Board Members and directors, as defined in the International Accounting Standard 24 para. 9 (persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company).

The above information is indicated in compliance with **article 112 para. (2) (b)** of Law 4548/2018 and is jointly presented with the abovementioned data, in order to facilitate their comparison by the shareholders. It is noted that the monetary figures are presented in EUR and the percentages have been rounded to the second decimal place.

**7.2. TABLE B1: BoD Remuneration - Performance of the Company - Earnings of Employees for the Financial Years 2016-2021**

Financial Year		2016	2017	2018	2019	2020	2021
Total Remuneration of the Board Members							
Andreas G. Karelias	Executive Member - Chief Executive Officer	163,779.44	158,416.41	155,713.06	155,052.49	148,681.28	148,165.15
Eftathios G. Karelias	Executive Member - Board Vice-Chairman - Managing Director	159,252.25	154,663.62	154,389.28	150,912.86	147,273.94	144,669.02
Victoria - Margarita G. Karelia	Non-Executive Member - Chairman of the BoD	63,334.43	65,116.71	64,971.65	67,014.39	61,736.10	60,201.69
Vasileios G. Antonopoulos	Non-Executive - Independent Member	86,382.50	121,896.21	123,932.66	128,216.50	133,347.35	145,688.94
Robin Derlwyn Joy	Non-Executive - Independent Member	89,930.88	124,151.50	124,970.13	135,773.07	133,601.93	145,770.00
Performance of the Company							
Profitability		61,786,000	51,683,000	76,298,000	65,660,000	54,284,000	86,044,000
Turnover		646,740,000	679,730,000	694,754,000	736,670,000	754,091,000	802,839,000
Average Earnings of the Company's Employees							
Company's Employees		28,107.47	28,803.92	30,872.41	29,967.80	30,698.68	29,859.10

### 7.3. TABLE B2: Comparative Information on Annual Change for the Financial Years 2016 - 2020: of the BoD Remuneration - of the Company's Performance - of the Employees' Earnings

Financial Years to be Compared		2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020
Annual Change in the Remuneration of the Board Members						
Andreas G. Karelias	Executive Member - Chief Executive Officer	-3.27%	-1.71%	-0.42%	-4.11%	-0.35%
Eftathios G. Karelias	Executive Member - Board Vice-Chairman - Managing Director	-2.88%	-0.18%	-2.25%	-2.41%	-1,77%
Victoria - Margarita G. Karelia	Non-Executive Member - Chairman of the BoD	2.81%	- 0.22%	3.14%	-7.88%	-2,49%
Vasileios G. Antonopoulos	Non-Executive - Independent Member	41.11%	1.67%	3.46%	4.00%	9,26%
Robin Derlwyn Joy	Non-Executive - Independent Member	38.05%	0.66%	8.64%	-1.60%	9,11%
Annual Change in the Performance of the Company						
Profitability		-16.35%	47.63%	-13.94%	-17.33%	58,51%
Turnover		5.10%	2.21%	6.03%	2.36%	6,46%
Annual Change in the Average Earnings of the Company's Employees						
Company's Employees		2.48%	7.18%	-2.93%	2.44%	-2,73%

### 8. INFORMATION ON SHARHOLDER VOTING

In order to comply with article 112 para. 3 of Law 4548/2018, it is stated that the BoD of the Company took into account, when preparing this Remuneration Report, the result of the vote on the Remuneration Report for the financial year 2020 at the Annual General Meeting of the said financial

year, which, unanimously with 1.460.204 votes, decided by majority to grant an advisory vote. This represents 100% of the share capital represented at the Annual General Meeting, which provided an affirmative vote, approving the remuneration of the Board Members reflected in the Remuneration Report of the previous financial year.

The result of the vote was taken into account when determining the remuneration of the Board Members for the financial year 2021, as it is in line with the remuneration of the previous financial year, while being in full compliance with the Company's Articles of Incorporation, the applicable legal provisions and the overall financial policy of the Company, as reflected in the Remuneration Policy.

The Board of Directors unanimously approves the above report on the remuneration of its members for the year 2021.