Current report no 12/2018

dated 17 September 2018

REPORT CONCERNING THE INCIDENTAL BREACH OF THE CODE OF BEST PRACTICE FOR WSE LISTED COMPANIES 2016

Acting pursuant to § 29 section 3 of WSE Rules, Kernel Holding S.A. hereby publishes report concerning the scope of detailed principles set forth in the "Code of Best Practice for WSE listed companies 2016", which are not exercised in Kernel Holding S.A.

Recommendation IV.R.2

"If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through: 1) real-life broadcast of the general meeting; 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary."

The application of this principle is not justified by the structure of shareholders or expectations of shareholders. The Company does not intend to apply this principle in the nearest future.

Principle I.Z.1.16

"Information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;"

The Company does not arrange real-time broadcasting of the general meetings, as explained in the Company's comment to the principle IV.Z.2.

Principle I.Z.1.20

"An audio or video recording of a general meeting;"

The Company believes that the existing approach to documenting General Meetings by immediately publishing adopted minutes on its website fully ensures the transparency of General Meetings and provides stakeholders with full access to the matters being examined. Envisaging no risks in applying the existing approach to documenting General Meetings, the Company is not contemplating introducing the audio or video recording of General Meetings in the nearest future.

IV.Z.2

"If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings."

The Company believes that the immediate publication of the adopted resolutions following the completion of the General Meeting session ensures transparency, equal treatment and protection

of rights of all shareholders. The Company does not intend to introduce the real-time broadcasting in the nearest future.

VI.Z.4

"In this activity report, the company should report on the remuneration policy including at least the following:

1) **general information about the company's remuneration system;**
2) **information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;**
3) **information about non-financial remuneration components due to each management board member and key manager;**
4) **significant amendments of the remuneration policy in the last financial year or information about their absence;**

assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability."

The Company does not include in its activity report the information about the conditions and amounts of remuneration of each management board member and the information about non-financial remuneration components due to each management board member and key manager, considering such information as a commercially sensitive information.

Legal grounds: § 29 section 3 of Warsaw Stock Exchange Rules.

Signatures of individuals authorised to represent the Company:

Anastasiia Usachova

Yuriy Kovalchuk