

**REPORT
OF THE BOARD OF DIRECTORS
OF MONBAT
REGARDING APPLICATION OF THE
REMUNERATION POLICY FOR THE MEMBERS OF
THE BOARD OF DIRECTORS IN THE COMPANY,
DEVELOPED IN COMPLIANCE WITH THE
REQUIREMENTS OF ORDINANCE NO. 48 OF THE
FINANCIAL SUPERVISION COMMISSION DATED
MARCH 20, 2013 REGARDING REQUIREMENTS TO
REMUNERATION**

The Remuneration Policy has been amended and supplemented most recently with a decision of the General Meeting of the shareholders held on 18.09.2020

This report contains an overview of the manner in which the remuneration policy for the members of the Board of Directors has been applied for the accounting year 2020 and a program for application of the policy in the next financial year. This report reflects the factual application of objective principles for formation of the remuneration in view of attracting and retaining qualified and loyal members of the Board of Directors and their motivation to work in the interest of the company and the shareholders, by avoiding a potential and a real conflict of interests.

The remunerations of the Board of Directors in MONBAT AD for 2020 have been formed only by fixed remuneration. No additional bonuses and variable remunerations have been paid.

No changes to the remuneration policy of the Board of Directors of MONBAT AD are stipulated in 2021.

Information under article 13 of Ordinance No. 48 of FSC regarding the requirements to the remunerations:

1. Information regarding the decision-making process in determining the remuneration policy, including, if applicable, information about the mandate and the members of the remunerations committee, the names of the external consultants, the services of which have been used in determining the remuneration policy

The remuneration policy for the members of the Board of Directors of MONBAT AD, and each of its amendments and supplements shall be developed by the Board of Directors of the company and shall be approved by the General Meeting of the shareholders.

The currently effective Policy has been developed by the Board of Directors of the company based on the decision-making procedure by the corporate governance, designated in the Statute of the company. In compliance with the regulatory requirements, the Policy has been adopted by the regular annual meeting of the shareholders, held on 27.06.2016 and has been amended with a decision of the General Meeting of the shareholders dated 18.09.2020. When developing the remuneration policy for the members of the Board of Directors of MONBAT AD, all regulatory requirements have been complied with, as well as the recommendations of the National Corporate Governance Code.

According to the effective remuneration policy for the members of the Board of Directors of MONBAT AD, the company has not established a remunerations committee. For determining the Policy, the Board of Directors of MONBAT AD has not used external consultants.

The remuneration policy for the members of the Board of Directors of MONBAT AD has the objective of establishing objective criteria in determining the remunerations of corporate governance of the company, in view of attracting and retaining qualified and loyal members of the Board and incentivizing them to work in the interest of the company and the shareholders, by avoiding potential and real conflict of interests.

During the financial year, MONBAT AD applies the remuneration policy for the members of the Board of Directors in compliance with the regulatory requirements for public companies, the objectives, the long-term interests and the strategy for future development of the company, as well as its financial and economic status in the context of the national and European economic juncture, in reporting the recommendations of the National Corporate Governance Code.

2. Information about the relative burden of the variable and fixed remuneration of the members of the managing and regulatory bodies

According to the effective remuneration policy for the members of the Board of Directors of MONBAT AD during the reporting financial year, the company has paid to the members of the Board of Directors fixed remuneration, the particular amount of which has been approved by the General Meeting of the shareholders of the Company.

Given the financial and economic condition of the company, as well as given the particular commitment of the members of the Board of Directors of Monbat AD, for the financial year 2020, the amount of the monthly remunerations of the members of the Board shall be determined as follows: net monthly remuneration of the members of the Board of Directors – equal to 3,000 BGN. According to the decision of the General Meeting of the shareholders of the Company for 2020 for the executive member of the Board of Directors, fixed remuneration has been designated, equal to 205,000 euro.

During the reporting year, the members of the Board of Directors of MONBAT AD have not received variable remuneration.

3. Information regarding the criteria for the results achieved, on the basis of which options on shares, shares of the company, or another type of variable remuneration are provided, and an explanation on how the criteria set forth in article 14, paragraphs 2 and 3 of Ordinance 48 contribute to the long-term interests of the company

According to the effective remuneration policy, an option for providing shares or options on shares as a type of additional remuneration of the members of the Board of Directors has been stipulated.

The provision of article 2.4 of the Policy stipulates the possibility of MONBAT AD to pay to members of the Board of Directors additional variable annual remuneration in the form of shares or options over shares, as well as the application and implementation of this provision shall be postponed until such time that the General Meeting of shareholders approved a particular scheme for allocation of additional variable remuneration in the form of shares or options over shares.

4. Explanation of the methods applied for assessment of fulfillment of the criteria for the achieved results

During the reporting year, the members of the Board of Directors of MONBAT AD have only received fixed remuneration.

5. Clarification regarding the dependency between the remuneration and the results achieved

According to the effective Remuneration Policy, the Board of Directors shall determine on an annual basis the values of the performance indicators for each calendar year at the start of the same year on the basis of an analysis of the approved budget and strategy for the following three-year period and offers them for approval by the General Meeting of the shareholders. In consideration of the difficulties in the activity of the company, which have occurred as the result of the COVID-19 pandemic and other objective and subjective circumstance in 2020, indicators according to the previous sentence have not been offered and approved.

During the expired year, the members of the Board of Directors of MONBAT AD have not received variable remuneration.

6. The main payments and justification of the annual bonus disbursement and/or scheme for disbursement of all other non-financial additional remunerations

During the expired year, the members of the Board of Directors of MONBAT AD have only received fixed remuneration. The General Meeting of the shareholders of the Company has not adopted a decision for accrual or payment and additional remuneration of the members of the Board of Directors for 2020.

7. A description of the main characteristics of the scheme for additional voluntary pension security and information regarding the paid and/or outstanding payables by the company to the benefit of the director for the respective financial year, when applicable

As regards to the members of the Board of Directors of MONBAT AD, there is no commitment by the company for additional voluntary pension insurance by members of the board and the company does not have obligations for making installments to the benefit of directors for the reporting financial year.

8. Information about the periods for repayment of variable remunerations

According to the effective Remuneration Policy, the payment of the variable remuneration shall be made by having 60% of the remuneration accrued for the respective year being paid after a decision by the general meeting of the shareholders, respectively 40% of the remuneration accrued for the respective year, shall be paid in equal installments for a term of 3 years, starting as of the date of taking the decision by the general meeting of the shareholders for its provision.

During the reporting year, the members of the Board of Directors of MONBAT AD have not received variable remuneration.

9. Information about the remuneration policy when terminating the agreements

According to the effective remuneration policy for the members of the Board of Directors of MONBAT AD, the following terms and conditions and compensations have been stipulated in terminating the agreement only with the company executive director, namely in case of termination of the agreement with an executive director prior to the expiration of the term, for which it has been concluded, due to a cause other than the fault of that member, the Company shall owe liquidated damages according to the stipulations in the Agreement, but the general amount of the remuneration shall not exceed the paid annual fixed gross remunerations of the person for the past two year.

10. Information about the period in which the shares may not be transferred and options over shares may not be exercised in variable remunerations based on shares

In case the General Meeting of the shareholders has adopted the particular scheme for allocation of additional variable remuneration in the form of shares or options over shares, it shall also include rules regarding the period in which the shares may be transferred and the options over shares may not be exercised. The respective rules shall be compliant with both the regulations and with the interests of the company.

11. Information about the policy for preservation of a particular number of shares to the end of the mandate of the members of the managing and regulatory bodies after expiration of the period set forth in article 10

In case the General Meeting of the shareholders has adopted a particular scheme for allocation of additional variable remuneration in the form of shares or options over shares, it

shall also include rules regarding the policy for retention of a certain number of shares until the expiration of the mandate of members of the Board of Directors.

12. Information about the agreements of the members of managing and regulatory bodies, including the term of each agreement, the term of the advance notice for termination and details regarding compensations and/or other outstanding payments in case of advance termination

The mandate of the members of the Board of Directors is 5 years and it starts from the time of registering those in the Commercial Register. At the time of drafting this document, mandates have expired. All remunerations of the members of the Board of Directors have been designated in compliance with the remuneration policy for the members of the Board of Directors and the decision of the General Meeting.

The liquidated damages payable for the pro-term termination of agreements by members of the Board of Directors shall be completed in accordance with the remuneration policy for the members of the Board of Directors.

13. The complete amount of the remuneration and of the other tangible incentives of the members of the Board of Directors for the respective financial year

For 2020, the members of the Board of Directors of the Company, the following remunerations have been paid:

	Full name	Position	Net/BGN	gross amount
Board of Directors				
1	Aleksandar Chaushev	Member of the Board of Directors	30 454,52	27 409,09
2	Evelina Slavcheva	Member of the Board of Directors	39 999,96	36 000,00
3	Yordan Karabinov	Member of the Board of Directors	43 307,16	36 000,00
4	Nikolay Trenchev	Member of the Board of Directors	33 929,35	27 392,96
5	Plamen Bobokov	Member of the Board of Directors	30 454,54	27 409,09
6	Stoian Stalev	Member of the Board of Directors	22 173,89	19 956,52
7	Chavdar Danev	Member of the Board of Directors	9 999,99	9 000,00
8	Atanas Bobokov	Member of the Board of Directors	30 454,54	27 409,09
9	Peter Bozadzhiiev	Member of the Board of Directors	39 999,96	36 000,00
10	Petar Petrov	Member of the Board of Directors	9 999,99	9 000,00
11	Dimitar Kostadinov	Member of the Board of Directors	10 000,00	9 000,00
12	Dimitar Kostadinov	Executive member of the Board of Directors	463 196,32	415 760,51
13	Dimitar Kostadinov	procurator	130 386,68	117 348,00
14	Atanas Bobokov	Chairperson and Executive member of the Board of Directors	238 420,17	211 229,64
15	Plamen Bobokov	Contract	299 999,97	270 000,00
Under employment contracts				
	Petar Bozadjiev	Group operations director	480 456,33	427 946,00
	Petar Petrov	Director of the Battery division	294 047,69	260 178,22
Additional remuneration by decision of the General Meeting of Shareholders 18.09.2020				
	Atanas Bobokov	Additional remuneration	277 777,78	250 000,00
	Plamen Bobokov	Additional remuneration	277 777,78	250 000,00

For 2020, the members of the Board of Directors of the Company have not received other material incentives.

14. Information for the remuneration of each person, who has been a member of the managing or regulatory body in a public company for a particular period of time during the respective financial year:

a) the complete amount of the paid remuneration for the entity for the respective financial year

The complete amount of the paid remunerations to the members of the Board of Directors has been indicated in article 13 of this report. No material incentives have been paid. No other types of remuneration have been calculated, other than the fixed remuneration.

b) the remuneration and other tangible and intangible incentives received by the person by companies from the same group

Full names	Position	Net / BGN
Atanas Bobokov - Chair of the Board of Directors of Monbat AD	Member of the Board of Directors of Monbat Recycling EAD	372,000
Plamen Bobokov	Member of the Board of Directors of Start AD	8,400
Nikolay Georgiev Trenchev	Member of the Board of Directors of Start AD	8,400
Peter Bozadzhiev – member of the Board of Directors	Member of the Board of Directors of Monbat New Power AD	0
Atanas Bobokov - Chair of the Board of Directors of Monbat AD	Member of the Board of Directors of Monbat New Power AD	0
Atanas Bobokov - Chair of the Board of Directors of Monbat AD	Member of the Board of Directors of Start AD	8,400

c) remuneration received by the person in the form of profit allocation and/or bonuses and grounds for allocating them

In 2020, none of the members of the Board of Directors of MONBAT AD has received remuneration by the company in the form of allocation of profit and/or other bonuses.

d) all additional payments for services provided by the person outside of its regular functions, when such payments are permitted according to the contract concluded with that person

Petar Hristov Petrov – member of the Board of Directors of MONBAT AD has received in 2020 net employment remuneration MONBAT AD as a division director batteries to the amount of 260,178.22 BGN.

Petar Bozadzhiev – member of the Board of Directors of MONBAT AD has received in 2020 net employment remuneration MONBAT AD as a group operational director to the amount of 427,946 BGN.

e) the paid and/or accrued compensation as regards to suspension of his functions during the last financial year

In 2020, no remuneration has been paid as regards to suspension of functions by a member of the Board of Directors.

f) total assessment of all non-financial benefits, equal to remunerations outside of the ones indicated in letters a through e

In 2020, no member among the members of the Board of Directors of MONBAT AD has received non-financial benefits, equal to remunerations, outside of the ones indicated in letters “a” through “d”.

g) information regarding all loans provided, payments to social and living costs and guarantees by the company, or by its affiliates, or other companies, which are the subject of consolidation in its annual financial statement, including data regarding the outstanding unpaid portion and interests

In 2020, no members of the Board of Directors of MONBAT AD have any claims against them related to social and utility expenses and guarantees by the company or its subsidiaries or other companies, which are the subject matter of consolidation in its annual financial statement.

In 2020, loans have been provided to the following members of the Board of Directors of MONBAT AD:

Atanas Stoilov Bobokov – loans granted for 436 thousand BGN;

Plamen Stoilov Bobokov – loans granted for 1,000 thousand BGN;

15. Information regarding the shares and/or the options over shares and/or other incentive schemes based on shares:

a) number of the offered options on shares, or shares provided by the company during the respective financial year and the conditions under which they have been offered and provided, respectively;

b) number of options exercised over shares during the respective financial year and for each of them, the number of shares and the price of exercising the option, or the value of the interest rate under the scheme for incentivizing based on shares as at the end of the financial year;

c) number of non-exercised options over shares as at the end of the financial year, including data regarding their price and date of exercising, and material terms and conditions for exercising rights;

d) all changes in terms and conditions on existing options over shares, adopted during the financial year;

Both in 2020 and in previous reports, additional variable annual remuneration has been paid in the form of shares or options on shares. Respectively, the General Meeting of the shareholders has not approved a particular scheme for allocation of additional variable remuneration in the form of shares or options over shares.

16. Annual change in the remuneration, the results of the company and the average amount of the remunerations based on full-time employment of other company employees, who are not directors, as a minimum during the past five financial years, presented jointly in a manner that allows comparison.

year	2014	2015	Change in 2015 compared to 2014 %	2016	Change in 2016 compared to 2015 %	2017	Change in 2017 compared to 2016 %	2018	Change in 2018 compared to 2017 %	2019	Change in 2019 compared to 2018 %	2020	Change in 2020 compared to 2019 %
Gross remuneration of all members of the Board of Directors for a year	1 256 682,0	1 249 198,0	- 0,6	1 483 378,0	18,8	1 242 375,0	- 16,3	1 353 706,0	9,0	1 243 537,0	- 8,1	1 096 333,0	- 11,8
Average amount of remuneration for a member of the Board of Directors for a year	13 090,4	13 012,5	- 0,6	15 451,9	18,8	12 941,4	- 16,3	14 101,1	9,0	12 953,5	- 8,1	15 226,9	17,6
Results of the company - profit	12 832 000	18 452 000	43,80	18 303 000	- 0,81	6 352 000	- 65,30	9 732 000	53,21	6 981 000	- 28,27	5 356 000	- 23,28
Gross remuneration based on full-time employment of company employees, who are not directors for a year	4 109 841,0	5 726 730,0	39,3	8 133 696,0	42,0	8 715 405,0	7,2	10 118 388,0	16,1	11 900 565,0	17,6	13 144 654,0	10,5
Average amount of remuneration based on full-time employment of company employees, who are not directors for a year	1 122,9	1 601,4	42,6	1 846,9	15,3	1 824,8	- 1,2	2 092,3	14,7	2 165,3	3,5	2 320,7	7,2

17. Information regarding exercising the option to request refund of variable remuneration.

During the past year, the option of requesting refund of variable remuneration has not been exercised.

18. Information about all deviations from the procedure for application of the remuneration policy in conjunction with extraordinary circumstances set forth in article 11, paragraph 13, including for clarification of the nature of the extraordinary circumstances and indication of the particular components, which are not applied.

In 2020, no extraordinary circumstances have occurred, in conjunction with which the company should be deviated from the procedure of applying the Remuneration Policy.

19. Program for application of the Remuneration Policy for the next financial year.

The Company shall agree to follow the underlying rules in the remuneration policy for the members of the Board of Directors of MONBAT AD regarding disbursement of remunerations for the following financial year. The management is of the opinion that the current principles underlying in the policy for determining the remunerations are effective. The members of the Board of Directors accept that in case of significant change in the business environment, the financial indicators and risks, and in relation to the requirements set forth in article 11, paragraph 4 of Ordinance No. 48, dated March 20, 2013, the Remuneration Policy shall be reviewed and the changes stipulated shall be proposed for voting by the general meeting of the shareholders, of which the public shall be informed in compliance with the provisions of the Law on Public Offering of Securities. Taking into consideration the prevailing economic situation in which the company shall exercise its activity in 2021, the Board of Directors does not consider it expedient to determine the values per performance indicators in 2021, in view of receiving additional variable remuneration.

29 March 2021

Chavdar Danev – Executive Member of the Board of Directors

