

**REPORT
OF
THE BOARD OF DIRECTORS
OF MONBAT AD
ON THE IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE
COMPANY'S MEMBERS OF THE BOARD OF DIRECTORS, DRAWN UP IN
COMPLIANCE WITH THE REQUIREMENTS OF ORDINANCE No 48 OF THE
FINANCIAL SUPERVISION COMMISSION AS OF 20 MARCH 2013 ON THE
REQUIREMENTS FOR THE REMUNERATIONS, ADOPTED BY THE REGULAR
GENERAL ASSEMBLY OF THE SHAREHOLDERS, HELD ON 27.06.2016**

This report was prepared by the Board of Directors of Monbat AD in accordance with the provision of art. 12, par. 1 of ORDINANCE № 48 of the Financial Supervision Commission from 20 March 2013 on the Requirements for the Remunerations. The report contains a review of the manner in which the Remuneration Policy was being implemented in 2017.

1. Information about the decision-making process in elaborating the Remuneration policy, including, if applicable, information about the term and members of the Remuneration Committee, the name of the external consultants, whose services have been used in elaborating the Remuneration policy

The Remuneration policy for the members of the Board of Directors of MONBAT AD, as well as any amendments and supplements thereto, shall be elaborated by the Board of Directors and approved by the General Assembly of Shareholders.

The current Policy was developed by the Company's Board of Directors pursuant to the procedure for adoption of decisions by the corporate board set out in the Company's Articles of Association. In compliance with the regulatory requirements, the Policy was adopted by the regular Annual General Assembly of Shareholders, held on 27.06.2016. When developing the Remuneration policy for the members of the Board of Directors of MONBAT AD all legal requirements and recommendations of the National Corporate Governance Code were taken into consideration.

Under the current Remuneration policy for the members of the Board of Directors of MONBAT AD, the company has not set up a remuneration committee. When developing the Remuneration 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 aims to establish objective criteria when setting the corporate board's remuneration of the company with a view to attract and retain qualified and loyal members of the board and motivate them to work for the benefit of the company and the shareholders and avoid potential and actual conflicts of interest.

During the reporting financial year MONBAT AD has applied the Remuneration policy for the members of the Board of Directors in compliance with the regulatory requirements for public companies, the objectives, long-term interests and strategy for the future development of the company, as well as its financial and economic standing in the context of the national and European economic environment, while taking into account the recommendations of the National Corporate Governance Code.

2. Information about the relative weight of the variable and fixed components of the remuneration of the members of management and controlling bodies

Pursuant to the current 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 only permanent remuneration, as the particular amount was approved by the General Assembly of company's shareholders and accounted:

- The obligations and contribution of each board member in the operations and results of the company;
- The possibility to select and retain qualified and loyal board members;
- The conformity of the interests of the board members and long-term interests of the company.

In view of the financial and economic situation of the company and given the particular commitment of the members of the Board of Directors of MONBAT AD, for the financial 2017 the amount of the monthly remuneration of the Board members was defined as follows: net monthly remuneration of the members of the Board of Directors amounting to BGN 3000. During the reporting financial year all members of the Board of Directors of MONBAT AD received equal permanent remunerations.

Pursuant to the current Remuneration policy for the members of the Board of Directors of MONBAT AD the Company has paid to the members of the Board of Directors additional remuneration, the amount of which accounted:

- The obligations, workload, commitment and involvement of the members in the company's management, as well as the contribution of each member of the Board of Directors in the operations and results of the company;
- The possibility to select and retain qualified and loyal members of the Board of Directors
- The presence of conformity of the interests of the Board members and the long-term interests of the company.

During the reporting 2017 financial year additional remunerations were paid to the following members of the Board of Directors of MONBAT AD:

- Atanas Stoilov Bobokov
- Plamen Stoilov Bobokov

3. Information about the criteria for achieved targets, based on which stock options, stocks of the Company or other types of variable payment are provided and an explanation how the criteria under art. 14, par. 2 and 3 contribute to the long-term interests of the Company

The current Remuneration policy for the members of the Board of Directors of MONBAT AD provides an option for granting company shares, stock options and other suitable financial instruments or other types of variable remuneration to the members of the Board of Directors and therefore criteria for achieved results have been set on the basis of which variable remuneration may be granted.

The provisions of item 6 and item 7 of § II of the Remuneration Policy provide the following principal options that have not been implemented during the reporting year:

- After a reassessment of the financial and economic standing of the company and the establishment of objective and measurable performance criteria, fixed in advance in amendments and supplements to this Remuneration Policy, MONBAT AD could provide as additional remuneration of the members of the Board of Directors shares, stock options and other suitable financial instruments.
- The performance criteria under the preceding paragraph shall foster the stability of the company in the long term and shall include non-financial indicators that are important for the long-term business of the company, such as compliance with applicable rules and procedures.

4. Clarifications regarding the applied methods for assessment whether the criteria for reaching of results have been completed

The provisions of item 6 and item 7 of § II of the Remuneration Policy provide such principal options that have not been implemented during the reporting year.

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

MONBAT AD has paid the members of the Board of Directors additional remuneration the amount of which accounted:

- The obligations, workload, commitment and involvement of the members in the company's management, as well as the contribution of each member of the Board of Directors in the operations and results of the company;
- The possibility to select and retain qualified and loyal members of the Board of Directors;
- The presence of conformity of the interests of the Board members and the long-term interests of the company.

6. Base remunerations and justification of the annual scheme for bonus payments and/or all other non-monetary additional remunerations

In view of the financial and economic situation of the company and given the particular commitment of the members of the Board of Directors of MONBAT AD, the amount of the additional remuneration of the members of the Board of Directors was set by the General Assembly of shareholders in 2017 in the total amount of up to BGN 500 000.

7. Description of the main characteristics of the scheme for additional voluntary retirement insurance and information about the paid and/or due contributions by the Company in favor of the Director for the respective financial year, when applicable

In terms of members of the Board of Directors of MONBAT AD there is no commitment on the part of the company in respect of additional voluntary pension insurance for board members and the company does not have liabilities for payment of contributions in favour of the directors for the reporting fiscal year.

8. Information regarding the deferment period for payment of variable remunerations

The current Remuneration policy for the members of the Board of Directors of MONBAT AD does not set any deferment periods for payment of such remunerations.

9. Information about the compensation policy upon contract termination

In compliance with the requirement under art. 16, para. 2 of Ordinance No 48, chapter III of the current Remuneration policy for the members of the Board of Directors of MONBAT AD provides the following conditions and compensations in case of contract termination only with the executive director of the company:

- In case of contract termination with a member of the Board of Directors of MONBAT AD due to expiration and non-renewal of the mandate for which he was elected, the company shall not owe any compensation.
- In case of contract termination with a member of the Board of Directors of MONBAT AD prior to the expiration of the mandate for which he was elected through no fault of his, the company shall not owe any compensation.
- In case of failure to comply with the notice period for the early contract termination with a member of the Board of Directors of MONBAT AD no compensation shall be due.

- Upon early contract termination with the executive member of the Board of Directors of MONBAT AD due to failure to comply with the clause prohibiting conduct of competitive operations, no compensation shall be due.

10. Information about the period, during which the stocks cannot be transferred and the options on stocks cannot be exercised, concerning variable remuneration, based on stocks

The current Remuneration policy for the members of the Board of Directors of MONBAT AD does not provide such an option.

11. Information about the policy for retaining a definite number of shares until the end of the term of the members of the management and controlling bodies after expiration of the period under item 10

The current Remuneration policy for the members of the Board of Directors of MONBAT AD does not provide such an option.

12. Information about the contracts of the members of the management and controlling bodies, including the term of each contract, the notification period for termination and details regarding the compensations and/or other due payments in the event of early termination

The management contracts with all members of the Board of Directors were concluded for a 5-year period as from June, 2012. Details on the provided compensations and/or other payments due in the event of early termination are presented under item 9 of this report.

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

For 2017 the following remunerations have been paid to the members of the company's Board of Directors:

Full name	Position	Net/BGN
Atanas Bobokov	Chairperson and Executive member of the Board of Directors	567 640
Plamen Bobokov	Member of the Board of Directors	646 000
Alexandar Chaushev	Member of the Board of Directors	36 000
Nikolay Trenchev	Member of the Board of Directors	36 000
Florian Huth	Member of the Board of Directors	0
Peter Bozadzhiev	Member of the Board of Directors	36 000
Yordan Karabinov	Member of the Board of Directors	36 000
Evelina Slavcheva	Member of the Board of Directors	36 000
Petar Petrov	procurator	159 093

For 2017 the members of the Board of Directors have not received other material incentives.

14. Information about the remuneration of each person, who has been a member of a management or controlling body of a public company for a certain period in the respective financial year:

a) full amount of the paid and/or accrued remuneration of the person for the respective financial year

For 2017 the following remunerations have been paid to the members of the company's Board of Directors:

Full name	Position	Net/BGN
Atanas Bobokov	Chairperson and Executive member of the Board of Directors	567 640
Plamen Bobokov	Member of the Board of Directors	646 000
Alexandar Chaushev	Member of the Board of Directors	36 000
Nikolay Trenchev	Member of the Board of Directors	36 000
Florian Huth	Member of the Board of Directors	0
Peter Bozadzhiev	Member of the Board of Directors	36 000
Yordan Karabinov	Member of the Board of Directors	36 000
Evelina Slavcheva	Member of the Board of Directors	36 000
Petar Petrov	procurator	159 093

In 2017 members of the company's Board of Directors have not received non-monetary benefits. The company does not have deferred or contingent liabilities arising during the year, even if the remuneration is due at a later stage. As of 31.12.2017 MONBAT AD does not owe amounts for payment of pensions or retirement benefits.

b) remuneration and other material and non-material incentives received by the person from companies belonging to the same group

Full name	Position	net/BGN
Atanas Bobokov - Chairperson 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 Monbat AD	Member of the Board of Directors of Start AD	8 400
Nikolay Trenchev - Member of the Board of Directors of Monbat AD	Member of the Board of Directors of Start AD	8 400
Atanas Bobokov - Chairperson of the Board of Directors of Monbat AD	Member of the Board of Directors of Octa Light AD	12 042
Atanas Bobokov - Chairperson of the Board of Directors of Monbat AD	Member of the Board of Directors of New Power AD	0
Atanas Bobokov - Chairperson of the Board of Directors of Monbat AD	Member of the Board of Directors of Start AD	8 400
Peter Bozhadzhiev - Member of the Board of Directors of Monbat AD	Member of the Board of Directors of New Power AD	0

c) remuneration received by the person in the form of distribution of profit and/or bonuses and the reasons for their payment

In 2017 no member of the Board of Directors of MONBAT AD has received remuneration from the company in the form of profit and/or other bonuses distribution.

d) any additional payments for services provided by the person beyond his usual functions when such payments are permitted under contract concluded with him

The contracts with the independent members of the Board of Directors of MONBAT AD do not provide additional payments to be made for services, provided by the persons beyond their usual functions.

In 2017 have been paid the following additional services to the member of the Board of Directors - Peter Bozhadzhiev, who performs the functions of Group Financial Director, namely: BGN 310 506 net remuneration

e) paid and/or accrued compensation on the occasion of termination of duties during the past financial year

In 2017 no changes have been adopted in the Board of Directors.

f) overall assessment of all non-cash benefits, treated as remuneration, except for those pointed out under letters "a" - "e"

In 2017 no member of the Board of Directors of MONBAT AD has received non-cash benefits treated as remuneration than those specified under letters "a" - "e".

g) information on all loans granted, payments of welfare costs and guarantees on the part of the company or its subsidiaries or other companies subject to consolidation in the annual financial statements, including data on the remaining outstanding part and the interest

In 2017, in respect of no one of the members of the Board of Directors of MONBAT AD have been granted loans, paid welfare costs and guarantees on the part of the company or its subsidiaries or other companies subject to consolidation in its annual financial statements.

15. Information about stocks and/or stock options and/or other incentive schemes based on stocks:

The current Remuneration policy for the members of the Board of Directors of MONBAT AD provides an option for granting stock options, company shares or other types of incentive schemes based on stock for members of the corporate board but such have not been paid or otherwise provided.

Information on the application of the Remuneration Policy of the members of the Board of Directors of MONBAT AD for the next financial year

As of the date of this Report the Board of Directors of MONBAT AD has not found any need of accepting changes in the Policy for the Remuneration of the Members of Corporate Management, adopted and approved by the General Meeting of Shareholders of the Company. Despite this fact, the Board of Directors will discuss the Policy at its meeting, and if required, the Board of Directors shall propose changes thereto at the forthcoming Annual General Meeting of the Shareholders in 2018.



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Atanas Bobokov – Executive member of the Board of Directors
30.03.2018

