

POLICY FOR THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF MONBAT AD

18.09.2020

This Policy for the remuneration of the Members of the Board of Directors („the Policy“) has been drafted by the Company Board of Directors in compliance with the requirements of Ordinance No. 48 of the Financial Supervision Commission regarding the remunerations requirements, by also taking into consideration the recommendations of the National Corporate Governance Code. This Policy has been adopted at the regular annual General Meeting of the shareholders of the Company, which has been conducted on 27.06.2016 and it has been amended with a decision of the General Meeting dated 18.09.2020.

I. GENERAL PROVISIONS

1.1. The Members of the Board of Directors Remuneration Policy of Monbat AD („the Company“), and any of its amendment and supplement, shall be drafted by the Board of Directors (“BoD“) of the Company and shall be adopted by the General Meeting of the shareholders (“GMS“).

1.2. The objective of the Policy is to establish objective criteria for determining the remuneration of the company corporate governance.

1.3. Monbat AD shall apply the Remunerations Policy in compliance with the regulatory requirements for public companies, the objectives, the long-term interests and the strategy for future development of the Company and its financial and economic condition in the context of the national and the European economic juncture.

1.4. The Board of Directors of Monbat AD shall be responsible for the application of the Remuneration Policy, by performing a review of the Policy at least once every year, respectively propose a review of the policy to GMS at least once every four years.

1.5. In the process of preparing the Remunerations Policy of Monbat AD, the remuneration and the work conditions of the Company employees are stipulated, taking into consideration the following: the average number of employees in the Company, the work salary and duration of employment, the benefits and material incentives that they receive, as well as the productivity, work load, labor conditions and occupational environment. The ratio between the payment levels of the Company top management and the remuneration of the other employees is under close supervision and is one of the key factors in the decision-making process for determining the remuneration of the BoD members.

1.6. The main objective of this Remuneration Policy shall be to provide an opportunity to the Company to recruit and retain the employment of highly-qualified leaders to manage the Company, both as regards to the Company performance on the domestic market, and a regards to the international context where the Company and its subsidiaries are operating. The Remuneration Policy shall contribute to reaching the business objectives and fulfilling the strategy and the sustainable development of the Company, by taking into consideration

the identity, the mission, and the values of the Company

1.7. The following guiding principles have been used in the development of the Policy:

- intelligibility and transparency;
- reporting the results achieved;
- support for the long-term creation of value for the shareholders;
- fairness and reasonable risk assessment;
- avoidance of discrimination, conflict of interests and unequal treatment of members of the corporate governance of the Company in the determination of remuneration.

II. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

2.1. Monbat AD shall disburse to the Members of the Board of Directors fixed and regular remuneration, the amount of which shall be approved by the General Meeting of the shareholders of the Company and the following shall be taken into consideration:

2.1.1. The obligations and the contributions to each Member of the Board in the Company operations and the Company results;

2.1.2. The possibility for recruitment and retention of qualified and loyal Members of the Board;

2.3.1. The existence of consistency in the interests of the members of the Board and the long-term interests of the Company.

2.2. In view of the financial and economical position of the Company, and in consideration of the specific commitment of the Members of the Board of Directors of Monbat AD, the amount of fixed monthly remuneration of the Board Members shall be determined as follows:

2.2.1 net monthly remuneration of the BoD members – equal to 3,000 (three thousand) BGN;

2.2.2 the net monthly remuneration of the BoD members, who are awarded with the management and representation of the Company (Executive Director/s) shall be determined with a decision of the General Meeting of the shareholders of the Company.

2.3. Monbat AD may pay the members of the BoD additional variable annual remuneration. The variable remuneration is an element of the total remuneration in the form of royalties/bonuses and shall be paid on the grounds of the criteria for evaluation of the performance of the activity.

2.4. Monbat AD may pay the members of the BoD additional variable annual remuneration in the form of shares or stock options. The application and the performance of this provision shall be deferred until such time that a scheme for allocation of additional variable remuneration in the form of shares or stock options with a decision of the General Meeting is adopted.

2.5. The amount of the annual variable remuneration disbursed by the Members of the Board of Directors shall not exceed the total of 1,500,000 (one million and five hundred thousand) BGN for the whole Board of Directors.

2.6 Other than their apportioned part of the variable remuneration under the previous article 2.5, additional bonuses may also be disbursed to the Executive Directors, the amount of which shall not exceed 300% (three hundred percent) of the fixed annual gross remuneration of the respective member for the respective year.

2.7. The variable remuneration of the BoD members of Monbat AD shall be accrued and paid in compliance with the following criteria:

2.7.1 In conjunction with the disbursement of the variable remuneration, financial and non-

financial criteria for the results achieved shall be used. The criteria for disbursement of variable remuneration are objective and measurable and shall include indicators which are significant for the long-term operation of the Company, and the criteria shall be measures for a period of three years (for example 2020, 2021 and 2022). Defining and implementation of the criteria, followed based on the increase of the value of an indicator over the course of a given period, shall be based on the Compound Annual Growth Rate (CAGR) method. The criteria shall follow the long-term strategic planning of the Company, as communicated with the market and the public, and shall be selected in such a manner that they contribute to the stability and performance of the strategy of the Company over a long term.

2.7.2. The criteria connected with financial indicators shall be selected in compliance with the manner that they reflect the creation of a value by the Company and how this refers to market capitalization. The financial indicators may include, but shall not be limited to, the criteria on the basis of the consolidated profit before taxes, interest and amortization (EBITDA), growth of consolidated income, consolidated profit, efficiency and value of a new business.

2.3.7. The non-financial criteria are selected in compliance with the strategy of the Company to contribute to stable, inclusive, and sustainable practices in the economy and in society. The non-financial criteria may include, but shall not be limited to, criteria related to clients (such as employees (such as engagement, leadership, talent development and diversity), length of service in the Company and the Company Group, operational efficiency (corporate social responsibility and sustainable environment), compliance with the applicable rules and procedures, stable and sustainable development of the Company and the Group in economic, social and environmental aspect.

2.7.4. The Board of Directors on a daily basis shall determine the values of 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.

2.7.5. The assessment regarding the implementation of the financial criteria for results achieved shall be performed on an annual basis by the Board of Directors based on the consolidated financial statement of the Company, certified by a registered auditor. The assessment regarding the implementation of the non-financial criteria for the results achieved, shall be performed on an annual basis by the Board of Directors on the basis of an analysis of the results achieved, based on the assigned non-financial criteria.

2.7.6 After performance of the assessment set forth in article 2.7.5, the BoD shall offer on an annual basis to GMS to determine a particular amount of the variable remuneration for the previous year, for each member of the BoD, including each of the Executive Directors.

2.8. The General Meeting of shareholders shall have the right with its own decision to adjust the amount of the variable remuneration designated for disbursement to a particular BoD member, in case the Board of Directors Member is responsible for a conduct which was significantly harmful to the Company.

2.9. The General Meeting of the shareholders may stop the disbursement of up to 50% of the outstanding or non-provided variable remuneration to a BoD member in the following cases:

2.9.1 significant impairment of the financial status of the Company on a consolidated basis, which is the result of actions/failure to act by the respective member of the BoD;

2.9.2 The respective member of the BoD shall take part in or shall be responsible for a conduct which has resulted in significant losses for the Company or for any of its

subsidiaries;

2.9.3 In case of regulatory changes which have necessitated the limitation of the amount of the variable remuneration, subject to disbursement.

2.10. With a decision of the General Meeting of the shareholders, return of up to 100% of paid or provided variable remuneration to a BoD member may be requested in the following cases:

2.10.1 the respective member of the BoD has performed actions which are considered as abuse or fraud, including crimes against property against the Company and its subsidiaries;

2.10.2 specific conduct which has resulted in a significant (reputation) harm to the Company or any of its subsidiaries;

2.10.3 The respective member of the BoD shall take part in or shall be responsible for a conduct which has resulted in significant losses for the Company or for any of its subsidiaries;

2.10.4 the variable remuneration has been provided based on data presented by the respective member of the BoD, which have subsequently proven to be untrue.

2.11. With the purpose of achieving stable financial results, the disbursement of 40% of the variable remuneration shall be rescheduled into equal installments for a period of 3 years, starting as of the date of the decision by GMS.

III. TERMS AND CONDITIONS, INDEMNITIES UPON TERMINATION OF AN AGREEMENT WITH A MEMBER OF THE BOARD OF DIRECTORS

3.1. Upon termination of the agreement with a BoD member of Monbat AD, due to the expiration and failure to renew the mandate, for which such BoD member has been elected, the Company shall not owe any liquidated damages.

3.2. Upon termination of the agreement with Executive Director, prior to the expiration of the term, for which it has been concluded, not due to fault of the Executive Director, the Company shall owe liquidated damages in accordance with the stipulations in the agreement, but shall not exceed the paid annual gross fixed remuneration of the person over the course of the past two years.

IV. FINAL PROVISIONS

§1. This Policy and all amendments thereto shall become effective as of the date of its approval by the General Meeting of the shareholders of the Company.

§2. Any amendments and supplements to the Remunerations Policy of the BoD members of Monbat AD shall be approved and shall become effective in compliance with the provisions of its adoption.

§3. In case of changes in the laws which revoke or amend provisions of this Policy, the General Meeting shall adopt a decision for amending or supplementing this Policy. Until such decision is approved, the affected provisions shall be interpreted in compliance with the laws in force in the country, the Company Statute and the universally accepted principles and good practices of corporate governance.