

**REPORT
ON IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE
BOARD OF DIRECTORS OF GRADUS AD FOR 2020**

This Report has been prepared in accordance with Article 12, paragraph 1 of Ordinance No 48 dated 20 March 2013, issued by the Financial Supervision Commission, and Article 3, paragraph 1 of the 2013 Remuneration Policy for the members of the Board of Directors of Gradus AD, elaborated by the Board of Directors

The Report presents the implementation of the Remuneration Policy for the members of the Board of Directors and the Executive Director, the main goal of which is to establish principles and rules for determining and paying their remuneration in carrying out their duties.

I. Information about the implementation of the Remuneration Policy for the period from its approval to the 2020 year-end

1. Information about the decision-making process concerning the Remuneration Policy, including, if applicable, information about the mandate and composition of the Remuneration Committee, the name of external consultants, whose services have been used in determining the Remuneration Policy

The Remuneration Policy for the members of the Board of Directors has been elaborated in accordance with the requirements of Ordinance No 48 and also takes into account the recommendations of the National Corporate Governance Code.

Pursuant to the effective Remuneration Policy for the members of the Board of Directors, they have not set up a Remuneration Committee. The services of external consultants have not been used in the elaboration of the Remuneration Policy.

2. Information about the weight of the variable and fixed remuneration of the members of the managing and control bodies

The company may pay the members of the Board of Directors both permanent (fixed) and variable remuneration.

The remuneration and tantiemmes of the members of the Board of Directors shall be determined by decision of the General Meeting of Shareholders and shall be paid in accordance with the terms and conditions of the management contracts concluded between them and the Company.

At the time of adoption of this Policy, the members of the Board of Directors are paid only fixed remuneration.

In the past 2020, the members of the Board of Directors received only permanent remuneration.

3. *Information about the assessment criteria, on the basis of which share options, company shares or other types of variable remuneration are granted; and explanation on how the criteria under Article 14, paragraphs 2 and 3 contribute to the achievement of the long-term goals of the Company*

No remuneration was paid to the members of the Board of Directors in the form of company shares, share options or rights to acquire shares.

4. *Explanation of the method applied and assessment whether the criteria reflecting the results achieved have been met*

According to the Remuneration Policy, the members of the Board of Directors are entitled to receive additional variable remuneration in case of a positive financial result (objectives achieved) for the previous year.

5. *Explanation of the interrelation between the remuneration and the results achieved*

Variable remuneration, if voted on, depends on the achievement of certain objectives and is linked to the following criteria:

1. Financial indicators, namely operating results, as follows:

- 1.1. amount and dynamics of EBITDA (the earnings of the company and its subsidiaries before interest, taxes, depreciation and amortisation);
- 1.2. amount and dynamics of the sales of the subsidiaries;
- 1.3. amount and dynamics of the receivables of the subsidiaries.

2. Non-financial indicators, as follows:

- 1.1. compliance with the principles of the National Corporate Governance Code;
- 1.2. implementation of observance of the approved Code of Ethical Conduct and other internal rules and policies of the Company.

6. *Basic payments and reasons underlying the annual scheme for payment of bonuses and/or other non-monetary consideration*

The remuneration of the members of the Board of Directors shall be paid on a monthly basis to a bank account up to the 25th day following the month for which it is due.

Bonuses and other non-cash supplementary remuneration were not paid to the members of the Board of Directors in 2020.

7. *Description of the key features of the additional voluntary pension insurance plan and information about contributions paid and/or due by the company in favour of a director for the respective financial year, where applicable*

Additional voluntary pension insurance is not envisaged for the members of the Board of Directors.

8. *Information about the period of deferral of variable remuneration*

The payment of 40% of the variable remuneration defined in the decision of the General Meeting of Shareholders shall be deferred for a period of 3 years, and the payment of the deferred part of the variable remuneration shall be effected proportionally during the period of deferral.

9. *Information about the compensation policy to an early termination of a contract*

The contract with a member of the Board of Directors shall regulate the terms and conditions, and the maximum amount of benefits in case of its early termination, as well as payments relating to the period of notice or provided for in the clause prohibiting the pursuit of a competitive activity.

Upon termination of the contract, compensation is paid corresponding to the amount of the unused paid annual leave and the unpaid remuneration in an amount set in the contract.

Benefits from the Company shall not be due if the termination of the contract is due to unsatisfactory results and/or guilty behaviour of a member of the Board of Directors.

10. *Information about the period in which shares cannot be transferred and share options cannot be exercised in the case of share-based variable remuneration*

No such period is set.

11. *Information about the policy for preserving a certain number of shares until the end of the mandate of the members of the managing and control bodies after the expiry of the period under item 10*

No such a policy is pursued by the Company.

12. *Information about the contracts of the members of the managing and control bodies, including the term of each contract, the term of the notice of termination and details about the compensations and/or other payments due in case of early termination*

The General Meeting of Shareholders held on 05 June 2020 extended the mandate of the members of the Board of Directors with five years, until 17 November 2025. During the reporting financial year, the company has no contract terminated with a member of the Board of Directors.

13. Full amount of the remuneration and other incentives paid to the members of the managing and control bodies for the respective financial year

The full remuneration of the members of the Board of Directors for the financial year 2020 amounts to BGN 324,000.00. Remuneration is current and no other incentives or deferred remuneration have been paid.

Ivan Angelov – BGN 108 thousand

Luka Angelov – BGN 108 thousand

Georgi Babev - BGN 108 thousand

The remuneration is current and no other material incentives or deferred remuneration have been paid.

- Remuneration of the BD members paid by companies from the same group;

Ivan Angelov Angelov

- Gradus 1 EOOD – none;
- Millennium 2000 EOOD – BGN 366 thousand
- Lora 2004 EOOD – BGN 246 thousand
- Gradus 98 AD - none;
- Gradus 3 AD – none;
- Gold Farm 91 EOOD – none;
- Zhyuliv EOOD – BGN 240 thousand
- Gradus Logistics EOOD – none;

Luka Angelov Angelov

- Gradus 1 EOOD – none;
- Millennium 2000 EOOD – BGN 240 thousand
- Lora 2004 EOOD – BGN 96 thousand
- Gradus 98 AD - BGN 120 thousand
- Gradus 3 AD – BGN 96 thousand
- Gold Farm 91 EOOD – none;
- Zhyuliv EOOD – BGN 120 thousand

- Gradus Logistics EOOD – none;

Georgi Aleksandrov Babev

– Gradus 1 EOOD – none;

- Millennium 2000 EOOD – none;

- Lora 2004 EOOD – none;

- Gradus 98 AD - none;

- Gradus 3 AD – none;

- Gold Farm 91 EOOD – none;

- Zhyuliv EOOD – none;

- Gradus Logistics EOOD – none;

14. Information about the remuneration of each individual who has been a member of a managing or control body of a public company for a certain period of time during the respective financial year

The following remuneration was paid to the members of the Audit Committee:

Dobri Svetlozarov Simeonov – BGN 1,500;

Petya Radoslavova Panova – BGN 3,000;

Georgi Aleksandrov Babev – BGN 3,000.

15. Information about the shares and/or share options and/or other share-based incentive schemes

There is no such information

16. Annual movement of remuneration, the company's results and the average amount of remuneration on a full-time basis of the company employees who are not directors, during the previous five fiscal years at least, presented together in a way that allows comparison:

Information pursuant to Article 13, item 16	2018 BGN'000	2019 BGN'000	Change 2019 compared to 2018 %	2020 BGN'000	Change 2020 compared to 2019, %
Gross remuneration of all BD members for one year	324	324	0%	324	0%
Average remuneration of a BD member for one year	108	108	0%	108	0%
Results of the company - EBITDA	26 351	11 415	-57%	11 326	-1%
Gross remuneration based on full-time basis of the company employees who are not directors for one year	30	53	77%	135	155%
Average remuneration based on full-time basis of the company employees who are not directors for one year	30	18	-40%	45	150%

17. Information about the possibility to demand a refund of the variable remuneration;

Variable remuneration is not paid.


18. Information about any deviations from the procedure for the implementation of the remuneration policy in connection with extraordinary circumstances under Article 11, paragraph 13, including an explanation of the nature of the extraordinary circumstances and an indication of the specific components that have not been implemented

In 2020, there were no deviations from the procedure for implementation of the remuneration policy.

II. Program on the application of the Remuneration Policy during the subsequent year

The Remuneration Policy aims to support the long-term business goals of the Company and promote behaviour, which supports the creation of value for the shareholders while ensuring a competitive remuneration that is sufficient to attract and retain directors with qualities necessary for the successful management and development of the company.

This Policy has been developed for a long period of time, unless the shareholders of the company request its update and revision. Amendments to the Policy approved by the General Meeting of Shareholders shall be adopted in accordance with the procedure followed in its preparation and approval.



At present, the company does not plan to change the program for implementation of the remuneration policy for the next financial year or for a longer period.

The Board of Directors believes that the principles for determining remuneration at present, underlying this Policy, are effective in view of the financial results achieved during the reporting period. Their implementation will continue to be a priority of the Board of Directors.

The Board of Directors shall be responsible for the timely disclosure of the Remuneration Policy approved by the General Meeting of Shareholders and any subsequent amendments thereto.

19 March 2021

Executive Director:

Ivan Angelov

Chairman of Board of Directors:

Luka Angelov