

Remuneration policy of the members of the Board of Directors of Gradus AD

Introduction

Art. 1. This policy contains principles and requirements for determining and paying the remuneration of the members of the Board of Directors of Gradus AD (the Company).

Art. 2. The policy aims to establish objective criteria for determining the remuneration of the corporate management of the Company in order to attract and retain qualified and loyal members of the Board of Directors and to motivate them to work for the interest of the Company and shareholders, avoiding potential and actual conflict of interests. The remuneration policy contributes to the achievement of the business goals, strategy and sustainable development of the Company.

Art. 3. When developing the policy, the following principles have been applied:

- comprehensibility and transparency;
- reporting of the achieved results;
- support for long-term value for shareholders;
- fairness and reasonable risk assessment;
- avoiding discrimination, conflict of interests and unequal treatment of the members of the corporate management of the Company in determining the remuneration;

Basic principles

Art. 4. (1) The remuneration policy, as well as any of its amendments and/or additions, shall be developed by the Board of Directors of Gradus AD and shall be adopted by the General Meeting of Shareholders of Gradus AD AD by including a separate item on the agenda of the General Meeting, which shall be announced in the invitation under Art. 115, paragraph 2 of the Public Offering of Securities Act.

(2) In case of any amendments and/or additions, the remuneration policy shall include: description and explanation of the significant amendments; the manner in which the results of the voting of the General Meeting have been reported, the opinions of the shareholders; the minutes of the general meetings at which the remuneration policy was reviewed and voted.

Art. 5. The Board of Directors shall review this policy periodically, and at least once at each 4 years the remuneration policy shall be presented for adoption by the General Meeting of Shareholders of the

Company, as well as when significant amendments and/or additions to the policy are needed or it is necessary to achieve the objectives set out therein.

Art. 6. When preparing and evaluating the remuneration policy, the Board of Directors shall take into account the opinions and interests of various interested parties through holding meetings and/or other communication channels. Interested parties shall include employees, shareholders, the investment community, regulation bodies and society in general. In preparing this policy, the remuneration and working conditions of the Company's employees, additional financial incentives, organizational culture and work environment have been taken into account.

Remuneration of the members of the Board of Directors

Art.7. The amount and structure of the remuneration of the members of the Board of Directors shall be determined by the General Meeting of Shareholders of the Company.

Art. 8. The Company may pay to the members of the Board of Directors both permanent (fixed) and variable remuneration on the basis of criteria for evaluation of the performance of activity.

Art. 9. (1) The permanent remuneration shall represent the payments, which shall not be formed on the basis of evaluation of performance and shall include the remuneration of permanent character, which is determined precisely or are definitely determinable.

(2) The amount of the permanent remuneration of a member of the Board of Directors shall be determined in a manner that allows the implementation of a flexible policy by the Company regarding the variable remuneration, including the possibility of the variable remuneration not being paid when the achieved criteria are not met, as well as when there is a significant deterioration of the financial position of the Company.

Art. 10. The variable remuneration is a component of the total remuneration and shall be paid by decision of the General Meeting of Gradus AD and on the basis of criteria for evaluation of the performance of activity. It may include, but shall not be limited to, the following objective and measurable criteria that are relevant to the long-term performance of the Company:

A) Financial indicators, and namely results of operations, as follows:

- amount and dynamics of EBITDA (earnings before interest, taxes, depreciation and amortization);

- amount and dynamics of sales of subsidiaries;

- amount and dynamics of receivables of subsidiaries.

B) Non-financial indicators as follows:

- customer satisfaction;

- compliance with the principles of the National Corporate Governance Code;

- implementation and observance of the adopted Code of Ethics and other internal rules and policies of the Company.

Art. 11.(1) The total amount of the variable remuneration, if such is voted, shall be based on a combination of the evaluation for performance of the individual member of the Board of Directors, of the Board of Directors as a whole, as well as of the results of the Company's activity.

(2) The payment of not less than 40% of the variable remuneration determined in the decision of the General Meeting of the Shareholders, if such is voted, shall be rescheduled for a period of 3 years.

(3) The payment of the rescheduled portion of the variable remuneration, if such is voted, shall be made proportionally during the period rescheduled.

Art. 12. The Board of Directors shall have the right to adjust the variable remuneration in case the member of the Board of Directors (i) does not comply with appropriate standards in terms of competence and proper conduct, or (ii) was responsible for conduct that significantly harmed the Company.

The Board of Directors may suspend the payment of up to 100% of unpaid or outstanding variable remuneration in the following cases:

- significant deterioration of the financial position of the Company on a consolidated basis;
- the respective member does not participate or is responsible for conduct that has led to significant losses for the Company or for any of its subsidiaries;
- in case of significant negative changes in the economic frame.

Art. 13. By decision of the General Meeting of Shareholders the return of up to 100% of the paid or provided variable remuneration may be required in the following cases:

- the respective member demonstrated disloyal behavior towards the Company and its subsidiaries and/or has committed actions that are considered crimes against property against the Company and its subsidiaries;
- specific behavior that has led to a significant negative change in the annual consolidated financial statements of the Company for previous years, on the basis of which the variable remuneration has been provided and/or significant (reputational) damage to the Company or any of its subsidiaries has been inflicted;
- the respective member participates or is responsible for conduct that has led to significant losses for the Company or for any of its subsidiaries;
- the variable remuneration was provided on the basis of data which subsequently proved to be incorrect.

Art. 14. The members of the Board of Directors may be provided with social benefits such as those available to the employees of the Company, such as food vouchers, social allowances, additional health insurance and other such benefits. The members of the Board of Directors may be provided with other financial benefits that assist them in the performance of their functions, including but not limited to health insurance for healthcare services, group insurance packages, travel insurance, liability insurance and other insurance related to the activities they perform for the Company.

Management contracts

Art. 15. (1) The contract with a member of the Board of Directors shall regulate the conditions and the maximum amount of the compensations at its early termination, as well as payments related to the term of the notice or such that are set out in the clause prohibiting the performance of competitive activity.

(2) In case of early termination of the contract the compensation shall be determined as the sum of all amounts of paid permanent remunerations for the last 24 (twenty four) months.

(3) No compensation shall be due in the event of early termination of the contract in case of unsatisfactory results or culpable conduct of a member of the Board of Directors.

Art. 16. (1) The members of the Board of Directors shall be obliged within 7 days from their election to submit a guarantee for their management, the amount of which shall be determined by the General Meeting of the Shareholders and may not be less than their three-month gross remuneration. Where the general meeting has not determined the amount of the management guarantee, its amount shall be deemed to be equal to their three-month gross remuneration.

(2) In case the guarantee is not paid within the determined term, the respective person shall not receive remuneration as a member of the respective body until the full amount of the guarantee is paid.

(3) In case of change of the amount of the remuneration the amount of the guarantee shall be updated too.

Announcement and disclosure of information on the policy

Art. 17. (1) The Company shall disclose the policy and any subsequent amendments thereto in a clear and accessible manner, without disclosing sensitive business information or other information constituting a secret protected by the law, by publishing it on the Company's website - www.gradus.bg. The policy shall be announced together with information about the date of its adoption, date of its entry into force, as well as the results of the voting of the General Meeting.

(2) The Company shall disclose to its shareholders the manner in which it shall implement the remuneration policy in a report representing a separate document enclosed to the annual financial statements of the Company, which shall be published on the Company's website website: www.gradus.bg

(3) The report under paragraph 2 shall contain a program for the implementation of the remuneration policy for the next financial year or for a longer period of time, an overview of the manner in which the remuneration policy has been implemented during the year/ the period under review, and shall emphasize the significant amendments thereto, if any, compared to the previous financial year. The report shall also contain the information required by law, as described in Art. 13 of Ordinance No. 48.

Additional provisions

Art. 18. This policy is adopted in accordance with Ordinance No. 48 of 2013 of the Financial Supervision Commission on the requirements for remuneration and is developed in accordance with the provisions of the Public Offering of Securities Act concerning the remuneration of the members of the management and supervisory bodies of public company.

Art. 19. For the purposes of Art. 4, paragraph 2 of this policy, the amendments in the wording of the policy shall be reflected in brackets preceding the text of the amended and/or supplemented legal provision, whereby the date of adoption of the respective amendment shall also be specified. Amendments shall be also presented in tabular form in this section as follows:

Version of document	Version 01
Version Author	Developed by the Board of Directors;
	Approved by minutes of proceedings of the Board of Directors dated 01 August 2018
Adoption	Adopted by the General Meeting of Shareholders on 10.06.2019;
Grounds for the amendments	(n/a)
Description of significant amendments	(n/a)
Status of version	Repealed

Version of document	Version 02
Version Author	Developed by the Board of Directors;
Adoption	Adopted by the General Meeting of Shareholders on
Grounds for the amendments	<i>Alignment of the policy with the amendments in the regulatory framework;</i>
Description of significant amendments	<p><i>The main amendments in the remuneration policy are related to amendments in the regulatory framework and the alignment of the policy with Ordinance No. 48 of the Financial Supervision Commission of 20 March 2013 on the requirements for remuneration (last amended and supplemented by Ordinance amending and supplementing Ordinance No. 48, State Gazette issue No. 61 of 10 July 2020). The following have been added:</i></p> <p><i>New provision - Art. 12 of this policy (Version 02), regulating the rights of the Board of Directors to adjust the variable remuneration in case of realization of any of the hypotheses indicated therein, as well as the possibility of the Board of Directors to suspend the payment of up to 100% of the unpaid or outstanding variable remuneration in the cases specified.</i></p> <p><i>New provision - Art. 13 of this policy (Version 02), regulating the possibility by a decision of the General Meeting of Shareholders to require a refund of up to 100% of the paid or provided variable remuneration in the cases specified in the provision.</i></p> <p><i>New provision - Art. 14 of this policy (Version 02), regulating the possibility for the members of the Board of Directors to be provided with social benefits such as those available to the employees of the Company, including other financial benefits assisting them in the performance of their functions.</i></p>

Description of significant amendments	<p><i>The provision of Art. 15, paragraph 2 of this policy (Version 02) determines the amount of compensation in case of early termination of the management contract of a member of the Board of Directors. A new clause has been added - Art. 15, paragraph 3 of this policy (Version 02), which provides that no compensation shall be due in case of early termination of the contract for unsatisfactory results or culpable conduct of a member of the Board of Directors.</i></p> <p><i>New provision - Art. 16 of this policy (Version 02), which provides for the obligation of the members of the Board of Directors to submit a guarantee for their management, regulating the manner of determining the amount of the guarantee, the term for submission, the consequences of its non-payment, and the conditions for updating the amount of the guarantee.</i></p> <p><i>The policy for remuneration of the members of the Board of Directors of Gradus AD (Version 02) also contains other insignificant amendments made in order to align the policy with the amendments in the regulatory framework, such are the supplements made in this section "Additional provisions" reflecting the regulatory requirements for disclosure of information, as well as such insignificant changes (amendments and supplements) made with a view to achieve better structuring and systematization of the provisions, which is considered as a precondition for prevention of incorrect interpretation and/or misinterpretation of the individual clauses and the policy in its integrity.</i></p>
Status of version	Effective as of 01/07/2021

Art. 20. For the purposes of Art. 4, paragraph 2 of this policy, in a tabular form in this section the following information is reflected/supplemented regarding the manner in which the results of the voting of the General Meeting were recorded, the opinions of the shareholders, including the minutes of the General Meetings at which the remuneration policy was reviewed and voted:

Version of document	Results from voting of the General Meeting of Shareholders		
	„PRO“	„ABSTAINED“	„AGAINST“
Version 01			
Version 02			

Art. 21. The present remuneration policy (Version 02) is developed by the Board of Directors of Gradus AD and is adopted by the General Meeting of Shareholders of the Company held on 11.06.2021, and repeals the policy for remuneration of the members of the Board of Directors of Gradus AD, adopted by the General Meeting of Shareholders on 10.06.2019 (Version 01)