

## REPORT

### ON THE IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE SUPERVISORY AND MANAGING BOARDS OF INDUSTRIAL HOLDING BULGARIA PLC IN 2017

This report has been prepared pursuant to art. 12 of Ordinance № 48 of the Financial Supervision Commission of 20 March 2013 on the requirements for remuneration and art. 2, para. 3-5 of the remuneration policy for the members of the Supervisory and Managing Boards of Industrial Holding Bulgaria PLC.

This report reflects the actual implementation in 2017 of the criteria for formation of the remuneration of the members of the Supervisory and Management Board of the company.

***Information on the decision-making process in determining the remuneration policy, including, if applicable, information on the mandate and composition of the remuneration committee, the names of external consultants whose services have been used in determining the remuneration policy;***

The remuneration policy of Industrial Holding Bulgaria PLC was elaborated and adopted by the Supervisory Board of the Company on 15 August 2013, and approved by the General Meeting of Shareholders on 30 September 2013. External advisors were not involved in its development. Considering its internal organization, Industrial Holding Bulgaria PLC has not formed a remuneration committee. No changes were made to the remuneration policy of Industrial Holding Bulgaria PLC in the reporting year of 2017.

***Information on the relative weight of variable and fixed remuneration of the members of management and supervisory bodies;***

The members of the Supervisory and Managing Boards receive fixed remuneration only.

***Information on the performance criteria, based on which stock options, company shares or other variable compensation is granted and an explanation of how the criteria of art. 14, para. 2 and 3 contribute to the long-term interests of the company;***

The members of the Supervisory and Management Boards Stock are not granted options and company shares, and therefore, no such criteria have been developed.

***Explanation of the methods applied to assess whether the performance criteria are met; clarification on the relationship between pay and performance;***

The members of the Supervisory and Managing Board receive only fixed remuneration, the amount of which is not immediately and directly tied to their performance.

***Basic payments and annual payout of bonuses and/or any other additional non-cash compensation;***

In addition to the regular remuneration, the company does not apply a scheme for the payment of bonuses and /or other non-cash benefits.

***Description of the main characteristics of the supplementary voluntary pension insurance and information on contributions paid and / or payable by the company in favour of the Director for the relevant financial year, if applicable;***

The company does not pay on its account contributions for supplementary voluntary pension insurance for the members of the Supervisory and Management Boards.

***Information on the periods of delayed payment of variable remuneration;***

The members of the Supervisory and Managing Boards receive fixed remuneration only.

***Information on the severance payment policy;***

The contracts of the members of the Supervisory and Managing Boards do not include a severance package.

***Information on the period in which the shares cannot be transferred and stock options cannot be exercised at variable share-based remuneration;***

As the Company does not provide to the members of the Supervisory and Managing Boards stock options or company shares, no information on the period, in which the shares cannot be transferred and the share options cannot be exercised, is provided.

***Information on the policy to retain a certain number of shares until the end of the mandate of the members of the Supervisory and Managing Boards;***

The Company has not pursued a policy to maintain a certain number of shares until the end of the mandate of members of the Supervisory and Management Board after a certain period.

***Remuneration and other incentives to the members of the Supervisory and Managing Boards for the respective financial year***

Remuneration received by the members of the Supervisory and Managing Board of Industrial Holding Bulgaria PLC in the fiscal 2017 totals to BGN 143,160.

***Information on the contracts of the members of the Supervisory and Managing Boards***

**1. Konstantin Zografov – member of the Supervisory Board**

***a. Contract duration - until the mandate expires;***

***b . Period of notice for termination of the contract - without notice***

***c. Details on compensation and / or other payments due in the event of early termination - no such benefits and/or other payments are envisaged;***

***d. Full remuneration and other financial incentives received in 2017 – BGN 12 000***

***e. Remuneration and other tangible and intangible incentives received by the person from companies in the same economic group – BGN 70 400***

***f. Remuneration derived by the person in the form of profit-sharing and/or bonuses and the reasons for granting them - none.***

***g . All additional payments for services provided by the person outside the normal functions when such payments are allowed in the contract - none.***

***h . Compensation paid and/or accrued in connection with termination of the mandate during the last financial year - none.***

***i. General evaluation of all non-cash benefits equalised to remuneration, other than the above - none.***

**k . Information on all loans, welfare payments and guarantees granted by the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the outstanding balance and interest** - Industrial Holding Bulgaria PLC, its subsidiaries and other companies that are subject to consolidation in the financial statements of the Industrial Holding Bulgaria PLC have not provided personal loans, nor did paid welfare costs or issued guarantees, therefore information on the unpaid portion of such obligations is not applicable.

## **2. Snejana Hristova – member of the Supervisory Board**

**a. Contract duration** - until the mandate expires;

**b . Period of notice for termination of the contract** - without notice

**c. Details on compensation and or other payments due in the event of early termination** - no such benefits and/or other payments are envisaged;

**d. Full remuneration and other financial incentives received in 2017** – BGN 12 000

**e. Remuneration and other tangible and intangible incentives received by the person from companies in the same economic group** – none

**f. Remuneration derived by the person in the form of profit-sharing and/or bonuses and the reasons for granting them** – BGN 1,200.

**g . All additional payments for services provided by the person outside the normal functions when such payments are allowed in the contract** – BGN 6,000.

**h . Compensation paid and/or accrued in connection with termination of the mandate during the last financial year** - none.

**i. General evaluation of all non-cash benefits equalised to remuneration, other than the above** - none.

**k . Information on all loans, welfare payments and guarantees granted by the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the outstanding balance and interest** - Industrial Holding Bulgaria PLC, its subsidiaries and other companies that are subject to consolidation in the financial statements of the Industrial Holding Bulgaria PLC have not provided personal loans, nor did paid welfare costs or issued guarantees, therefore information on the unpaid portion of such obligations is not applicable.

## **3. DZH AD – member of the Supervisory Board**

**a. Contract duration** - until the mandate expires;

**b . Period of notice for termination of the contract** - without notice

**c. Details on compensation and or other payments due in the event of early termination** - no such benefits and/or other payments are envisaged;

**d. Full remuneration and other financial incentives received in 2017** – BGN 12 000

**e. Remuneration and other tangible and intangible incentives received by the person from companies in the same economic group** – none

**f. Remuneration derived by the person in the form of profit-sharing and/or bonuses and the reasons for granting them** - none.

**g . All additional payments for services provided by the person outside the normal functions when such payments are allowed in the contract** – none.

**h . Compensation paid and/or accrued in connection with termination of the mandate during the last financial year** - none.

**i. General evaluation of all non-cash benefits equalised to remuneration, other than the above** - none.

**k . Information on all loans, welfare payments and guarantees granted by the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the outstanding balance and interest** - Industrial Holding Bulgaria PLC, its

subsidiaries and other companies that are subject to consolidation in the financial statements of the Industrial Holding Bulgaria PLC have not provided personal loans, nor did paid welfare costs or issued guarantees, therefore information on the unpaid portion of such obligations is not applicable.

#### **4. Daneta Zheleva – member of the Managing Board and Chief Executive Officer**

**a. Contract duration** - until the mandate expires;

**b . Period of notice for termination of the contract** - without notice

**c. Details on compensation and or other payments due in the event of early termination** - no such benefits and/or other payments are envisaged;

**d. Full remuneration and other financial incentives received in 2017** – BGN 45,960;

**e. Remuneration and other tangible and intangible incentives received by the person from companies in the same economic group** – BGN 278 569;

**f. Remuneration derived by the person in the form of profit-sharing and/or bonuses and the reasons for granting them** - none.

**g . All additional payments for services provided by the person outside the normal functions when such payments are allowed in the contract** – none.

**h . Compensation paid and/or accrued in connection with termination of the mandate during the last financial year** - none.

**i. General evaluation of all non-cash benefits equalised to remuneration, other than the above** - none.

**k . Information on all loans, welfare payments and guarantees granted by the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the outstanding balance and interest** - Industrial Holding Bulgaria PLC, its subsidiaries and other companies that are subject to consolidation in the financial statements of the Industrial Holding Bulgaria PLC have not provided personal loans, nor did paid welfare costs or issued guarantees, therefore information on the unpaid portion of such obligations is not applicable.

#### **5. Emilian Abadjiev– member of the Managing Board and Executive Director**

**a. Contract duration** - until the mandate expires;

**b . Period of notice for termination of the contract** - without notice

**c. Details on compensation and or other payments due in the event of early termination** - no such benefits and/or other payments are envisaged;

**d. Full remuneration and other financial incentives received in 2017** – BGN 31,200;

**e. Remuneration and other tangible and intangible incentives received by the person from companies in the same economic group** – BGN 142 436;

**f. Remuneration derived by the person in the form of profit-sharing and/or bonuses and the reasons for granting them** - none.

**g . All additional payments for services provided by the person outside the normal functions when such payments are allowed in the contract** – none.

**h . Compensation paid and/or accrued in connection with termination of the mandate during the last financial year** - none.

**i. General evaluation of all non-cash benefits equalised to remuneration, other than the above** - none.

**k . Information on all loans, welfare payments and guarantees granted by the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the outstanding balance and interest** - Industrial Holding Bulgaria PLC, its subsidiaries and other companies that are subject to consolidation in the financial statements of the Industrial Holding Bulgaria PLC have not provided personal loans, nor did paid welfare costs or issued guarantees, therefore information on the unpaid portion of such obligations is not applicable.

## 6. Borislav Gavrilov– member of the Managing Board

- a. Contract duration** - until the mandate expires;
- b. Period of notice for termination of the contract** - without notice
- c. Details on compensation and or other payments due in the event of early termination** - no such benefits and/or other payments are envisaged;
- d. Full remuneration and other financial incentives received in 2017** – BGN 12,000;
- e. Remuneration and other tangible and intangible incentives received by the person from companies in the same economic group** – BGN 6,000;
- f. Remuneration derived by the person in the form of profit-sharing and/or bonuses and the reasons for granting them** - none.
- g . All additional payments for services provided by the person outside the normal functions when such payments are allowed in the contract** – none.
- h . Compensation paid and/or accrued in connection with termination of the mandate during the last financial year** - none.
- i. General evaluation of all non-cash benefits equalised to remuneration, other than the above** - none.
- k . Information on all loans, welfare payments and guarantees granted by the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the outstanding balance and interest** - Industrial Holding Bulgaria PLC, its subsidiaries and other companies that are subject to consolidation in the financial statements of the Industrial Holding Bulgaria PLC have not provided personal loans, nor did paid welfare costs or issued guarantees, therefore information on the unpaid portion of such obligations is not applicable.

## 7. Boyko Noev – member of the Managing Board

- a. Contract duration** - until the mandate expires;
- b. Period of notice for termination of the contract** - without notice
- c. Details on compensation and or other payments due in the event of early termination** - no such benefits and/or other payments are envisaged;
- d. Full remuneration and other financial incentives received in 2017** – BGN 12,000;
- e. Remuneration and other tangible and intangible incentives received by the person from companies in the same economic group** – none;
- f. Remuneration derived by the person in the form of profit-sharing and/or bonuses and the reasons for granting them** - none.
- g . All additional payments for services provided by the person outside the normal functions when such payments are allowed in the contract** – none.
- h . Compensation paid and/or accrued in connection with termination of the mandate during the last financial year** - none.
- i. General evaluation of all non-cash benefits equalised to remuneration, other than the above** - none.
- k . Information on all loans, welfare payments and guarantees granted by the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the outstanding balance and interest** - Industrial Holding Bulgaria PLC, its subsidiaries and other companies that are subject to consolidation in the financial statements of the Industrial Holding Bulgaria PLC have not provided personal loans, nor did paid welfare costs or issued guarantees, therefore information on the unpaid portion of such obligations is not applicable.

### **Information on shares and / or stock options and / or other share-based incentive schemes**

The members of the Supervisory and Management Boards of the company do not receive shares and / or stock options and / or other share-based incentive schemes.

***Program on the implementation of the remuneration policy of Industrial Holding Bulgaria PLC by the end of 2018***

In 2018, the company does not foresee changes in the remuneration policy and rules for determination of the remuneration of the members of the Supervisory and Managing Boards of Industrial Holding Bulgaria PLC. In 2018, the company still plans to pay only constant (fixed) remuneration to the members of the Supervisory and Managing Boards, which is determined by the General Meeting of Shareholders on proposal by the Supervisory Board, by observing the following principles:

- Providing remuneration to allow attraction, retention and motivation of board members with the necessary skills to ensure the successful management and development of the company.
- Not allowing any discrimination, conflict of interests and unequal treatment of members of the Supervisory Managing Boards of the company in determining and negotiating their remuneration.
- Reporting obligation, commitment and contribution of each member of the Managing Board to the activity and results of the company.
- Provide reliable and effective risk management and discourage risk appetite that exceeds the allowed level.

This report is a separate document to the annual financial statements and is published on the website of the public company.

**Daneta Zheleva**  
***Chief Executive Officer***