

**REPORT  
OF THE BOARD OF DIRECTORS  
Of ALLTERCO JSCo  
ON THE IMPLEMENTATION OF THE REMUNERATION POLICY  
FOR THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY**

**on the grounds of art. 13 of Ordinance No. 48 of the Financial Supervision Commission of 20 March 2013 on remuneration requirements**

*This report was prepared by the Board of Directors of ALLTERCO JSCo in compliance with the provisions of art. 13 in connection with art. 12, par. 1 of ORDINANCE No. 48 of the Financial Supervision Commission of 20 March 2013 on remuneration requirements; this is an independent document which is part of the annual financial statement of the company by 31 Dec. 2020. The report contains a review of the method of implementation of the remuneration policy in 2020 and information on the implementation of the remuneration policy for the next year is annexed to it.*

**1. Information on the process of decision-making on remuneration policy, including, if applicable, information on the mandate and members of the remuneration committee, names of external consultants whose services are used when determining remuneration policy**

The remuneration policy for the members of the Board of Directors of ALLTERCO JSCo as well as amendments and additions thereto are prepared by the Board of Directors of the company and approved by the General Meeting of Shareholders.

The current Policy was prepared by the Board of Directors of the company in compliance with regulatory requirements. The policy was approved by the regular annual General Meeting of Shareholders held on 27 June 2017 and amended with decision of the General Meeting of Shareholders of 21 Sept. 2020. All regulatory requirements were considered in the preparation of the Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo.

Pursuant to the valid remuneration policy for the members of the Board of Directors of ALLTERCO JSCo, the company has no remuneration committee. The Board of Directors has not used external consultants in the process of determining the policy.

The purpose of the remuneration policy for the members of the Board of Directors of ALLTERCO JSCo is to set objective criteria for determining the remuneration of corporate management. Recruiting and keeping qualified and loyal members of the Board of Directors and their motivation to work in the interests of the company and shareholders by avoiding potential and real conflict of interests is of key importance for achieving the business objectives of ALLTERCO JSCo as a company – holding, managing and investing in subsidiaries. The method of determining the remuneration of the members of the Board of Directors contributes, on one hand, to better cost planning and, on the other hand, stimulates management members which, in its turn, contributes to the achievement of company business objectives, i.e. sustainable development, strategic planning and investment management.

During the reported financial year ALLTERCO JSCo applied the remuneration policy for the members of the Board of Directors in compliance with regulatory requirements for public companies, its objectives, long-term interests and strategy for future company development as well as its financial and economic status in the context of national and European economic environment.

**2. Information on the relative weight of the variable and permanent remuneration of the members of the management and supervisory bodies**

Pursuant to the valid Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo, together with its amendments, through the financial year the company paid the members of the Board of Directors permanent remuneration whose amount was approved by the General Meeting of Company Shareholders, considering the following:

- 1.1. obligations, degree of workload, involvement and cooperation of the members of the Board of Directors in company management as well as the contribution of each member of the Board of Directors in the operation and results of the company;
- 1.2. options for selection and keeping of qualified and loyal members of the Board of Directors;
- 1.3. compliance between the interests of the members of the Board of Directors and the long-term company interests.

Regular remuneration (salary) is not related to the achievement of certain results.

The amount of remuneration is in accordance with the main activity of ALLTERCO JSCo and revenues from company operation, taking into account that as a holding pursuant to art. 277 and art. 278 of the Companies Act the company has no production or commercial activities of its own but forms its income mainly from dividends and management fees from its subsidiaries.

In view of the financial and economic status of the company and the specific engagement of the members of the Board of Directors of ALLTERCO JSCo, until the adoption of a new decision by the general meeting of company shareholders, the amount of the monthly remuneration of the board members is as follows: gross monthly remuneration in total amount of 6 600.00 BGN (six thousand and six hundred BGN) for all members of the Board of Directors, with gross monthly remuneration for the Executive Member and the Chairperson of the Board of Directors each to the amount of 3 000.00 BGN (three thousand BGN) and the gross monthly remuneration for the other members of the Board of Directors is to the amount of 600.00 BGN (six hundred BGN) each.

In the reported financial year ALLTERCO JSCo did not pay any additional remuneration to the members of the Board of Directors.

**3. Information on the criteria for achieved results that are the grounds for receiving share options, company shares or other type of variable remuneration and explanation of the way the criteria in art. 14, par. 2 and 3 of Ordinance 48 contribute to long-term company interests.**

The Company Statute does not contain provisions on special rights or privileges of the members of the Board of Directors.

The valid Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo also contains no options for provision of shares, share options and other financial instruments or other type of variable remuneration to the members of the Board of Directors.

**4. Explanation of methods applied for the assessment of performance criteria**

The provisions of the Policy contain no such options and no such methods were used during the financial year.

Regular remuneration is not related to the achievement of certain results.

The amount of regular remuneration is in accordance with the main activity of ALLTERCO JSCo and revenues from company operation, taking into account that as a holding pursuant to art. 277 and art. 278 of the Companies Act the company has no production or commercial activities of its own but forms its revenues mainly from dividends and management fees from its subsidiaries.

Remuneration Policy does not stipulate additional remuneration based on achieved results.

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

In the reported financial year ALLTERCO JSCo did not pay any additional remuneration to the members of the Board of Directors.

**6. Basic payments and explanation of the annual scheme of payment of bonuses and/or other non-monetary additional compensations**

The amount of basic payments is fixed in the Remuneration Policy; it contains no options for payment of bonuses and/or other non-monetary additional compensations.

**7. Description of basic parameters of the additional voluntary pension insurance scheme and information on installments paid and/or due by the company in favour of the director for the relevant financial year, as applicable.**

The company has no obligation for paying additional voluntary pension insurance for the members of the Board of Directors of ALLTERCO JSCo and the company is not obliged to make installments in favour of the directors for the reported financial year.

**8. Information on periods of delay of payment of variable remuneration**

The valid Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo does not provide for payment of variable remuneration and periods of delay of the payment of such remuneration.

**9. Information on the compensation policy in case of contract termination**

In compliance with the requirement of Section II of the valid Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo, the following conditions and compensations are stipulated in case of contract termination only with the executive director of the company:

- In case of termination of the contract with a member of the Board of Directors of ALLTERCO JSCo who represents the company as registered in the Companies Register of the Registry Agency, because of expiry and failure to renew his/her mandate, the company shall owe no compensation.
- The maximum amount of compensation due by the company, except for compensations due under the law (if applicable) in case of early termination of the contract with a member of the Board of Directors of ALLTERCO JSCo representing the company pursuant to an entry in the Companies Register of the Registry Agency, may not exceed the total amount of gross monthly remunerations due for the remaining period but for no more than 12 months. Compensation amount is agreed in the contract or agreement between the parties and may not exceed the amount set in the valid policy.
- In case of failure to observe the notice period by ALLTERCO JSCo on early termination of the contract with a member of the Board of Directors representing the company the due compensation may not exceed the gross monthly remuneration due for the unexpired period of notice plus 9 gross monthly remunerations but no more than a total of 12 gross monthly remunerations. Compensation amount shall be agreed in the contract or agreement between the parties and may not exceed the amount set in the valid policy.
- The above compensations shall not be due in case the contract termination is due to unsatisfactory results and/or default of the relevant director.

**10. Information on the period when shares may not be transferred and share options may not be exercised, in case of variable remuneration based on shares**

The valid Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo and the Company Statute contain no options for provision of shares, share options and other financial instruments to the members of the Board of Directors.

In connection with the performed in 2020 increase of capital with public offering of shares Svetlin Iliev Todorov and Dimitar Stoyanov Dimitrov concluded a Share Blocking Agreement for the currently held by them a total of 11 552 240 shares from company capital for a period of 3 years, starting on the date of entry of capital increase in the Companies Register. Under certain conditions, after expiry of 6 months from the date of entry of capital increase in the Companies Register, the two shareholders shall have the right to trade with up to 7% of the shares held by them. Svetlin Iliev Todorov and Dimitar Stoyanov Dimitrov reached mutual agreement in favour of the public company. ALLTERCO JSCo agreed to use the covenants in its favour, i.e. the right to indemnity and/or compensations for damages caused by default of the agreeing parties due to the blocking of their shares.

Since the obligation was subject to the successful performance of capital increase, after its completion and entry of the increase in the Companies Register, Svetlin Iliev Todorov and Dimitar Stoyanov Dimitrov submitted requests for blocking of the above shares.

### **11. Information on the policy of keeping a certain number of shares until the end of the mandate of the members of the managing and supervisory bodies after expiry of the period in cl. 10**

Except for the agreement in cl. 10, the valid Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo stipulates no such option.

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

The chairperson of the Board of Directors and the deputy-chairperson who is also executive director perform their functions on the grounds of contracts with 2-month notice of termination. The obligations of the independent members of the Board of Directors start with their entry in the Companies Register. All members of the Board of Directors are appointed by the General Meeting of Shareholders with a 5-year mandate and without limit to further appointments. Details on compensations and/or other payments due in case of early termination are set in the Remuneration Policy of the Board of Directors.

### **13. Full amount of remuneration and other incentives for the members of the Board of Director for the relevant financial year**

The members of the Board of Directors of ALLTERCO JSCo received the following remuneration for 2020:

**Table No. 13.1**

<b>Full name</b>	<b>Position</b>	<b>Gross/BGN</b>
Dimitar Stoyanov Dimitrov	Executive Director	36 000 BGN
Svetlin Iliev Todorov	Chairman of the Board of Directors	36 000 BGN
Nikolay Angelov Martinov	Independent member	7 200 BGN

In 2020 the members of the Board of Directors of the Company did not receive other incentives.

During the reported financial year part of the members of the Board of Directors received remuneration from subsidiaries for other functions performed in these companies under employment or other employment relations, as follows:

<b>Full name</b>	<b>Gross/BGN</b>
Dimitar Stoyanov Dimitrov	374 057 BGN
Svetlin Iliev Todorov	238 241 BGN

**14. Information on the remuneration of persons who have been members of a management or supervisory body of a public company for a specified period during the reported financial year:**

**(a) the full amount of the person's remuneration paid and/or accrued for the reported financial year**

The members of the Board of Directors of ALLTERCO JSCo. received the following remuneration for 2020 paid by ALLTERCO JSCo:

**Table № 13.1**

Full name	Position	Gross/BGN
Dimitar Stoyanov Dimitrov	Executive Director	36 000 BGN
Svetlin Iliev Todorov	Chairman of the BD	36 000 BGN
Nikolay Angelov Martinov	Independent member	7 200 BGN

In 2020 the members of the Board of Directors of the company did not receive any non-cash remuneration. The Company has no contingent or deferred liabilities incurred during the year, even if the remuneration is due at a later stage. As of 31.12.2020 ALLTERCO JSCo has no any liabilities for pensions or retirement benefits.

In 2020 the members of the Board of Directors of the company received remuneration for their positions in subsidiaries.

**(b) remuneration and other cash and non-cash incentives received by the person from other companies in the group:**

During the reported financial year part of the members of the Board of Directors received from subsidiaries remuneration for other functions performed in these companies under employment contracts or other employment relations, as follows:

Full name	Gross/BGN
Dimitar Stoyanov Dimitrov	374 057 BGN
Svetlin Iliev Todorov	238 241 BGN

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

In 2020, none of the members of the Board of Directors of ALLTERCO JSCo received remuneration from the company in the form of profit distribution and/ or other bonuses.

**(d) All additional payments for services provided by the person outside his usual functions, where such payments are eligible under his contract**

The contracts with the members of the Board of Directors of ALLTERCO JSCo provide for no additional payments for services provided by them outside their usual functions.

**(e) compensation paid and/ or accrued on termination of his functions during the last financial year**

In 2020, no compensation was paid for the dismissal of members of the Board of Directors.

**(f) overall assessment of all non-cash benefits equivalent to remuneration other than those referred to in clauses (a) to (e)**

In 2020 none of the members of the Board of Directors of ALLTERCO JSCo received non-cash remuneration in addition to those specified in clauses (a) to (e).

**(g) information on all loans granted, payments for social and household expenses and guarantees from the company or its subsidiaries or other companies that are subject to consolidation in its annual financial statements, including data on the outstanding balance and interest**

In 2020, there are no loans, payments for social and household expenses and guarantees provided by the company or its subsidiaries or other companies to any of the members of the Board of Directors of ALLTERCO JSCo, that are subject to consolidation in its annual financial statements.

**15. Information regarding shares and/or share options and/or other share-based incentive schemes:**

The current Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo, as well as the Statute of the Company do not provide for the possibility to distribute shares, share options and other financial instruments to the members of the Board of Directors.

**16. Annual change in the remuneration, the results of the company and the average amount of remuneration on the basis of full-time work of company employees, who are not directors, during at least five previous financial years is as follows:**

Annual change in the remuneration, company results and the average amount of remuneration based on full-time work of company employees who are not directors, during the at least five previous financial years

	2016	Change in %	2017	Change in %	2018	Change in %	2019	Change in %	2020
<b>Change in remuneration</b>									
Number of board members	3	66.7%	5	0.0%	5	-40.0%	3	0.0%	3
Annual gross remuneration of the board members	320 049	-36.1%	204 368	-54.2%	93 600	-15.4%	79 200	0.0%	79 200
Average monthly remuneration of the board members	26 671	-36.1%	17 031	-54.2%	7 800	-15.4%	6 600	0.0%	6 600
net profit	74 574	636.3%	549 113	29.8%	712 681	529.1%	4 483 490	-48.0%	2 330 454
Number of employees	4	0.0%	4	0.0%	4	0.0%	4	0.0%	4
<u>Average monthly remuneration of the full time employees, excluding board members</u>	17 341	7.7%	18 668	2.9%	19 209	62.3%	31 175	-34.3%	20 469

In the last 2 financial years there has been no change in the remuneration of the members of the Board of Directors.

The average monthly remuneration of full-time employees (who are not members of the Board of Directors) increased in 2019 due to bonuses paid in connection with the successful completion of the sale of 5 subsidiaries. In 2020, no such bonuses were paid and as a result, the average monthly salary of employees decreased by 34.3%.

**17. Information on exercising the possibility to demand a refund of paid variable remuneration**

According to the current Remuneration Policy, there is no provision for payment of variable remuneration to the members of the Board of Directors.

**18. Information on all deviations from the procedure for the implementation of the Remuneration Policy in connection with extraordinary circumstances under Art.11, para.13, including an explanation of the nature of the extraordinary circumstances and identification of the specific components that have not been implemented.**

In 2020, there were no extraordinary circumstances where the company temporarily suspended the implementation of the Remuneration Policy.

**19. Information on the implementation of the Remuneration Policy for the members of the Board of Directors of ALLTERCO JSCo for the next financial year**

As of the date of preparation of this report, the Board of Directors of ALLTERCO JSCo has identified the need to adopt changes in the adopted and approved by the General Meeting of Company Shareholders Remuneration Policy for the members of the corporate management, which will be the subject of a specific proposal by the Board of Directors at the General Meeting of Shareholders.

For ALLTERCO JSCo:

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Dimitar Dimitrov  
/Executive Member of the Board of Directors/

