

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

I. Basic Principles

Art. 1./1/ This Policy, as well as any amendments thereto, are developed by the Board of Directors of "Gradus" AD (the "Company") and are approved by the General Meeting of Shareholders.

/2/ The policy aims to establish the principles and rules for determining and paying the remuneration of the members of the company's board of directors in the performance of their duties.

/3/ The size 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. 2. / 1 / The policy aims to establish objective criteria for determining the remuneration of the corporate management of the Company with a view to attracting and retaining qualified and loyal members of the Board of Directors and motivating them to work in the interest of the Company and the shareholders by avoiding potential and real conflict of interest.

/ 2 / The Company applies the Policy in accordance with the statutory requirements for public companies, the objectives, the long-term interests and the strategy for future development of the Company as well as its financial and economic situation.

/ 3 / This Remuneration Policy is adopted on the basis of Art. 116c, para. 1 of the Public Offering of Securities Act.

II. Disclosure of Information about the Policy

Art. 3. / 1 / The Company shall disclose the Policy and any subsequent changes thereto in a clear and accessible way without disclosing commercially sensitive information or other information constituting a legally protected secret by publishing it on the Company's website www.gradus.bg

/ 2 / The Company discloses to its shareholders how it implements the remuneration policy in a report that is a stand-alone document to the annual financial statement a report of the Company and also published on its website: www.gradus.bg

/ 3 / The report under para. 2 contains a program for the implementation of the remuneration policy for the following financial year or for a longer period, a review of how the remuneration policy has been applied during the year / period under review and emphasizes the substantial changes thereto, if such policies exist compared to the previous financial year. The report also contains the legally required information as it is listed in Article 13 of Ordinance No. 48.

III. Remunerations of the Board of directors

Art. 4. / 1 / The Company may pay to the members of the Board of Directors both fixed /permanent/ and variable remuneration. At the time of adoption of this Policy, members of the Board of Directors receive only fixed remuneration.

/ 2 / The remunerations and tantiems of the members of the Board of Directors shall be determined by decision of the General Meeting of Shareholders.

/ 3 / When determining the remuneration of the members of the Board of Directors, the following principles shall be followed:

1. Permanent remuneration is payment that is fixed once, exactly and their formation is independent of the outcome or performance evaluation of the functions.
2. Variable remuneration, if it is voted, is an element of the total remuneration in the form of bonuses, additional benefits (eg. related to retirement / tantiemes, material incentives, which are determined on the basis of performance evaluation.

/ 4 / The variable remuneration, if voted, depends on the achievement of certain objectives and is subject to the following criteria:

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

- 1.1. size and dynamics of EBITDA (profit before interest, taxes, depreciation and amortization) of the company and its subsidiaries;
- 1.2. size and dynamics of sales of subsidiaries;
- 1.3. size and dynamics of the receivables of subsidiaries.

2. non-financial indicators as follows:

- 1.1. observing the principles of the National Corporate Governance Code;
- 1.2. implementation and observance of the adopted Code of Ethical Conduct and other internal rules and policies of the company.

Art. 5. / 1 / The total amount of the variable remuneration, if any, is based on a combination of the performance appraisals of the individual member of the Board of Directors, the Board of Directors as a whole and the results of the company's activities. In this way, the Board of Directors shall determine the permanent and variable remuneration of the executive members of the Board of Directors in their capacity as such.

/ 2 / The payment of 40% of the variable remuneration determined in the decision of the General Meeting of Shareholders, if voted, is rescheduled for a period of 3 years.

/ 3 / The payment of the deferred portion of the variable remuneration, if voted, is carried out pro rata during the rescheduling period.

Art. 6/1 / The contract with a member of the Board of Directors regulates the conditions and the maximum amount of the benefits in case of its early termination, as well as payments

related to the term of the notice or provided in the clause prohibiting the conduct of a competitive activity.

/ 2 / The compensation for early termination of the contract shall be set at an amount corresponding to the unpaid paid annual leave and the unpaid remuneration under Art. 5 of the contract.

Art. 7./1/ The relations between the company and the Executive Director are governed by a contract for the assignment of the management, which is concluded under the terms of the Commercial Law.

(2) If a variable remuneration is being voted, the contract with the Executive Director must include provisions that allow the company to demand the return of a variable remuneration provided on the basis of data which subsequently proved to be untrue. The decision to return the variable remuneration is taken by the general meeting of shareholders, which determines the term and terms of the bond if they are not defined in the contract.

(3) The contract with the Executive Director shall lay down the conditions and the maximum amount of benefits in case of its early termination, as well as payments related to the term of the notice or stipulated in the clause prohibiting the conduct of a competitive activity. The compensation for early termination of the contract is set at the amount of the fixed remuneration paid for the last 4 (four) months.

Art. 8/1 / The General Meeting of Shareholders may provide variable remuneration in the form of shares, share options, share acquisition rights or other financial instruments.

/ 2 / The specific conditions and parameters of the remuneration under para. 1 shall be determined by decision of the General Meeting of Shareholders on a case-by-case basis, subject to the provisions of the law.

IV. Final provisions

1. The Board of Directors of the Company shall be responsible for the implementation of the Policy and, at least once a year, shall review it in respect of the remuneration of the members of the Board of Directors and the Executive Director of the Company.
2. The present policy was adopted by the Board of Directors of Gradus AD on 01.08.2018.
3. This Policy is to be adopted by the General Meeting of Shareholders of Gradus AD in 2019.