



REPORT

on the Implementation of the Remuneration Policy for the Members of the Board of Directors

This Report has been prepared on the grounds of Art. 12 of Ordinance No. 48 of the FSC. The report describes the way the Company implements the Remuneration Policy for the Members of the Board of Directors adopted at the regular annual General Meeting of Shareholders in 2014, supplemented by a resolution of the regular annual General Meeting of Shareholders in 2020.

The Report contains a remuneration policy implementation program for the next financial year and an overview of the implementation of the remuneration policy throughout the reported year - 2020.

I. Implementation of the Remuneration Policy in the reporting period

Pursuant to the requirements of Ordinance No. 48, the Company shall provide the following information in relation to the implementation of the Remuneration Policy for the Members of the Board of Directors in 2020:

1. Information on the decision-making process in defining 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 defining the remuneration policy

The Remuneration Policy for the Members of the Board of Directors has been developed in compliance with the requirements set out in Ordinance No. 48 of the FSC while taking into account the recommendations of the National Corporate Governance Code. The Policy was adopted at the regular annual meeting of the Company's shareholders in 2014, supplemented by a resolution of the regular annual General Meeting of Shareholders in 2020.

According to the existing Remuneration Policy for the Members of the Board of Directors, no Remuneration Committee has been established in the Company, with the remuneration policy being monitored by the independent members of the Board of Directors. No external advisors have been involved in the development of the Policy.

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

Members of the Board of Directors are entitled to remuneration where the type, amount and period of time it is payable for are to be specified by a resolution of the General Meeting of Shareholders and is payable subject to the terms and conditions of the Management Contracts concluded between these members and the Company.

Fixed remuneration comprises payments that are not calculated based on performance assessment and includes remunerations of permanent nature that have been precisely defined or can be unambiguously determined and is in compliance with the applicable legislation.

Variable remuneration is a component of the total remuneration in the form of profit-sharing bonuses, incentives, benefits – related to retirement and other material incentives and financial instruments which are awarded based on activity performance assessment criteria.

At the 2019 regular annual General Meeting of Shareholders where all of the Board members were re-elected was adopted a resolution to keep unchanged the amount of the fixed (permanent) part of their remuneration.

The members of the Board received variable remuneration for their activities in 2020 pursuant to a decision of the General Meeting of Shareholders. The proportion between the variable and fixed remuneration is 47/53. 40 % of the variable remuneration, defined by a resolution of the general meeting of shareholders, is deferred for a period of three years.

3. Information on performance criteria, based on which stock options, company shares or other variable compensation is granted together with an explanation on how the criteria under art. 14, para. 2 and 3 of Ordinance No. 48 of the FSC contribute to the long-term interests of the company

No stock options, including company shares, rights to acquire financial instruments have been granted. Performance criteria for 2020, based on which another type of variable remuneration is possible to be granted comprise the business results and other non-financial indicators set out in the company's Policy.

4. Explanation of the methods applied to assess whether the performance criteria are met

Remunerations of the members of the Board of Directors are not set out based on business performance. They are precisely defined or are unambiguously definable and in compliance with the applicable legislation

Performance criteria for 2020, used as a basis for a possible payout of another type of variable remuneration, are as follows:

1. Business performance:

(a) Level and dynamics of EBITDA (the earnings of the company and its subsidiaries before interest, tax, depreciation and amortization): 2020 – BGN 36223 thousand, 2019 – BGN 34514 thousand, 2018 – BGN 37017 thousand.

The 2020 net profit of the company amounts to BGN 5075 thousand compared to BGN 6427 thousand for 2019 which is a 21% decrease. The profit decline is mainly due to the effect of the global economic crisis related to the governments' measures in relation to Covid-19.

(b) Level and dynamics of subsidiaries' sales:

At the end of 2020 – BGN 200 338 thousand; at the end of 2019 – BGN 224 409 thousand at the end of 2018 – BGN 242 742 thousand. The change in the net sales revenues in 2020 is a 10,7 % downturn compared to 2019 and 17,5 % compared to 2018. The lower sales level in 2020 is due to the serious downturn in industrial manufacturing of the Eurozone where all of our major markets are located. This decline is due to the effect of the restrictive measures taken by governments in relation to Covid-19.

(c) Level and dynamics of subsidiaries' receivables:

At the end of 2020 – BGN 37 750 thousand, at the end of 2019 – BGN 43 967 thousand, at the end of 2018 – BGN 47 129 thousand. The dynamics of receivables follow the dynamics of sales. While in 2018 these accounted for 19.4 % of the production sold, in 2019 they had a share of 19.6 % and in 2020 their share is 19,8% or around 1/5 of the production sold.

2. Non-financial indicators as follows:

(a) Compliance with the principles of the National Corporate Governance Code;

(b) Enforcement and compliance with the adopted Code of Ethical Conduct, Information Provision and Disclosure Policy and other internal rules and policies of the company.

Non-financial indicators: as evident from the annual report, based on the report on the accomplishment of the particularly set initiatives, an assessment has been made of the overall implementation of the National Corporate Governance Code on the part of the corporate board of Stara Planina Hold Plc. In 2020 the activity of the Board of Directors has complied with the principles laid down in the National Corporate Governance Code. The Ethical Code of Conduct,

Information Provision and Disclosure Policy and the other internal rules and policies of the company have been applied and adhered to.

The results under item 1 are very good and with reference to the non-financial indicators performance under item 2, we propose to the General Meeting of Shareholders to distribute part of the company's 2020 profit as an additional remuneration for each member of the Board of Directors in the form of profit-sharing bonuses.

On the grounds of Art. 4 of the Remuneration Policy, the payout of 40 % of the variable remuneration defined in the resolution of the General Meeting of Shareholders shall be deferred for a period of 3 years.

5. Clarification on the relations between remuneration and performance (results achieved)

There are performance criteria in place based on which a payout of another type of variable remuneration is possible, however, no such has been applied.

6. Main payments and justification of the annual bonus payment scheme and/or any other non-monetary additional compensations

At the 2019 regular annual General Meeting of Shareholders a resolution was adopted for a permanent/fixed monthly remuneration to be paid to each member of the Board of Directors. The period for which the resolution on the fixed remuneration amount shall apply is equal to the mandate of the members of the Board of Directors. In 2020, the members of the Board of Directors were paid a fixed monthly remuneration in accordance with the resolution adopted at the regular annual General Meeting of the Shareholders held in 2019.

7. Description of the main characteristics of the supplementary voluntary pension insurance scheme together with information on the paid and / or payable contributions by the company in favor of the respective Board member for the respective financial year, if applicable

No provision has been made for additional voluntary pension insurance of the Board members.

8. Information for periods of delayed payment of variable remuneration

Payment of 40 % of the variable remuneration defined in the resolution of the General Meeting of Shareholders is deferred for a period of 3 years as payout of the deferred part of the variable remuneration is to be made proportionately over the deferred period.

9. Information on the severance payment policy

Early contract termination compensation is set out in the Remuneration Policy for the Members of the Board of Directors adopted by the General Meeting of Shareholders and it is dependent on the amount of the fixed remunerations paid over the last 24 months.

No compensation is due where the dismissal is due to poor performance or culpable conduct on the part of the Board member.

Management contracts concluded with members of the Board of Directors and the Executive Director on behalf of the Company mandatorily include a clause providing the Company with an option to demand a payback of the variable remuneration paid out based on data which have subsequently been found to be false. Resolution to demand payback shall be taken by the General Meeting of Shareholders of the Company.

10. Information on the period during which shares cannot be transferred and stock options cannot be exercised, in case of variable remuneration based on shares

No provision has been made for remunerations comprising shares, including company shares and rights to acquire financial instruments.

11. Information on the policy to retain a number of shares until the end of the mandate under item 10 of the members of the supervisory and managing boards

The Company does not have such a policy.

12. Information on the contracts of the members of the managing and supervisory boards, including the terms of the individual contracts, termination notice periods and details on any compensation and/or other redundancy payouts

The contract with each member of the Board of Directors is concluded for a period until the end of the mandate for which he was elected by the General Meeting of Shareholders. During the reporting financial year, the company has not terminated contract with a member of the Board of Directors.

13. Full amount of the remunerations and other financial incentives for the members of the managing and supervisory bodies for the respective financial year

The full amount of the remunerations of the Board members for the financial 2020 stands at a total of BGN 1091825.44.

The remunerations received by the members of the Board of Directors, including from subsidiaries, are as follows:

- Evgeniy Vasilev Uzunov – BGN 326516.36.
- Vasil Georgiev Velevev – BGN 422845.36.
- Finance Invest Ltd. – BGN 241456.36.
- Stefan Atanasov Nikolov – BGN 241456.36.

The deferred part of the total amount of the remunerations stands at a total of BGN 205665.12, as follows:

- Evgeniy Vasilev Uzunov – BGN 51416.28.
- Vasil Georgiev Velevev – BGN 51416.28.
- Finance Invest Ltd. – BGN 51416.28.
- Stefan Atanasov Nikolov – BGN 51416.28.

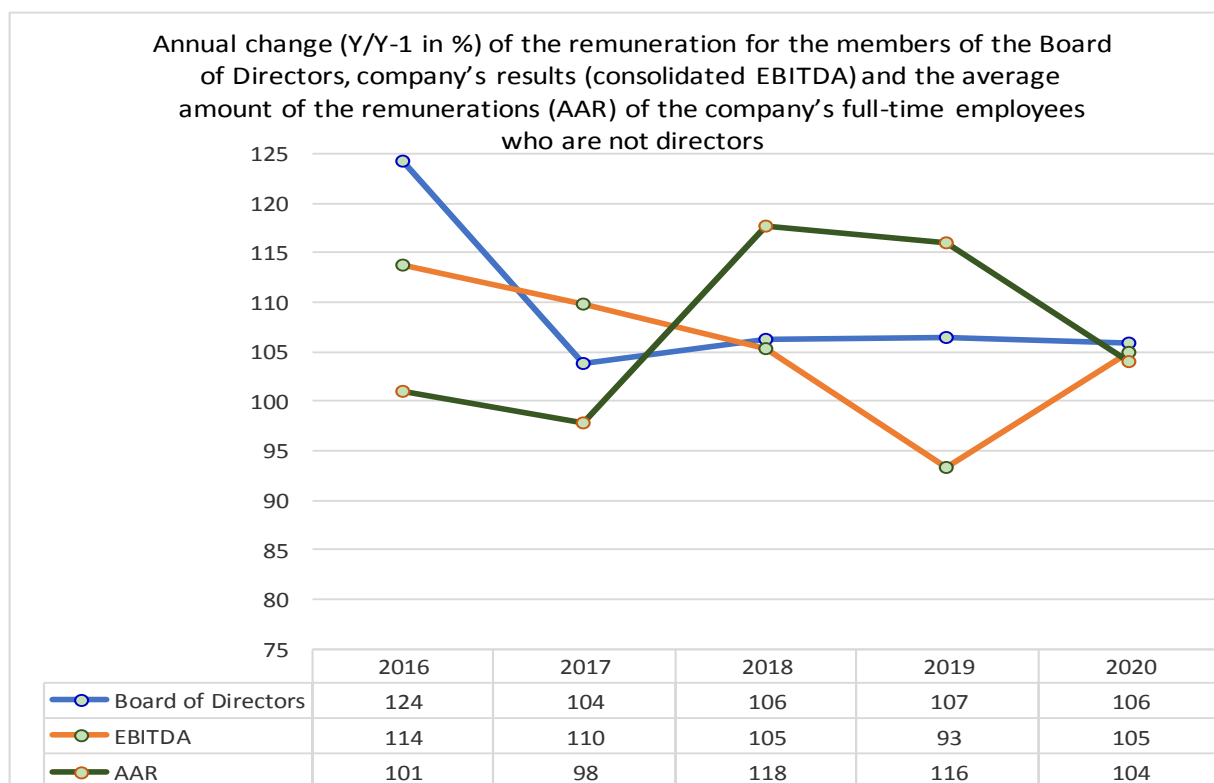
14. Information on the remuneration of each person who had been a member of a managing or supervisory body of a public company for a certain period in the respective financial year

Not applicable for the reporting financial year.

15. Information in respect of shares and/or stock options and / or other incentive schemes based on shares

The Remuneration Policy for the Members of the Board of Directors adopted by the General Meeting of Shareholders provides for an option for variable remunerations in the form of shares, stock options, rights to acquire shares or other financial instruments to be provided. No such options have been provided so far.

16. *annual change in the remuneration, the company's results and the average amount of the remunerations of the company's full-time employees who are not directors, during the previous at least five financial years, presented together in a way that allows comparison*



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

During the reporting financial year, there were no grounds for exercising the possibility to demand a refund of the variable remuneration from a member of the board of directors, therefore such an opportunity was not exercised.

18. *information on all deviations from the remuneration policy implementation procedure in connection with extraordinary circumstances under Art. 11, para. 13 of Ordinance 48 of the FSC, including an explanation of the extraordinary circumstance's nature and an indication of the specific components that have not been applied*

The Remuneration Policy does not specify extraordinary circumstances under which the company may temporarily not apply part of the policy and during the reporting financial year no deviations from the procedure for its implementation have been made.

II. Remuneration Policy Implementation Program for the next financial year

At the regular annual general meeting of shareholders in 2020, a review of the Remuneration Policy for the Members of the Board of Directors was made and changes were adopted in accordance with the draft amendment to Ordinance № 48 of the FSC.

Driven by the quest for better compliance of the Policy with current regulation, which promotes long-term commitment of shareholders, the Board of Directors will propose to the General Meeting an entirely new version of the Remuneration Policy to be based on the principles, ensuring its alignment with the size, the internal organization of the company, as well as the nature, scope and complexity of its activities.

The Remuneration Policy aims to support the long-term business goals of the company and encourage behavior which facilitates value creation for the shareholders while ensuring competitive

level of the remunerations, sufficient to attract and retain directors possessing qualities required for the successful management and development of the company.

The Policy has been developed to be implemented over a long period of time and is subject to review every four years, except when significant amendments or supplements are necessary. Amendments to the Policy approved by the General Meeting of Shareholders shall be adopted as per the rules for its elaboration and approval.

The Board of Directors considers that the Policy principles for setting up the remunerations are at this point effective considering the financial results achieved in the reporting period. Their implementation will continue to be a priority of the Board of Directors.

The Board of Directors is responsible for the prompt announcement of the Remuneration Policy adopted by the General Meeting of Shareholders and any subsequent amendments thereto.

At its meeting, the Board of Directors reviewed the Policy in terms of the remuneration of the executive directors. The Board of Directors has given its recommendations in setting up the employees' remunerations occupying other management positions in the administration of the company. It monitors the level and structure of the employees' remunerations occupying other management positions in the administration based on information provided by the executive director of the company and ensures that the remuneration of each executive member of the board of directors is fairly defined compared to the remuneration of other board members and the senior managers in the administration.

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This report was approved at a meeting of the Board of Directors held on 15.03.2021.