

**REPORT  
OF THE SUPERVISORY BOARD OF KORADO - BULGARIA AD  
ON ITS OPERATIONS IN LIEU OF REMUNERATION COMMITTEE FOR THE YEAR  
2019**

**1. Legal Grounds of the Report**

In Korado - Bulgaria AD (hereinafter referred to as the “**Company**”) has not been set up, nor has at any time during 2019 operated, a Remuneration Committee (hereinafter referred to as the “**RC**”), being an internal corporate body with specific competence, pursuant to Art. 20, Par. 1 - 3 of Ordinance No. 48 of 20 March 2013 on Requirements to Remuneration, issued by the Financial Supervision Commission (hereinafter referred to as “**Ordinance No. 48**”).

In performance of the requirement of Art. 21, Par. 3 and Art. 22, Par. 5 of Ordinance No. 48, given the absence of a RC, the Supervisory Board of the Company (hereinafter referred to as the “**SB**”) is required to:

- implement the provisions of Art. 21, Par. 1 and 2 and Art. 22 of Ordinance No 48 in lieu of RC; and
- present to the attention of the General Meeting of the Shareholders of the Company (hereinafter referred to as the “**General Meeting**”) a report on the execution of its functions acting in lieu of RC (including the ones in relation to the implementation of the Policy on Remuneration of the Members of the Boards of the Company adopted by a resolution of the General Meeting, hereinafter referred to as the “**Policy**”).

**2. Subject-Matter and Scope of the Report**

On the grounds of Art. 22, Par. 5 of Ordinance No. 48, by this present report, the SB performs its obligation for reporting to the General Meeting on its functions in lieu of RC in the period 1 January 2019 - 31 December 2019 (hereinafter referred to as the “**Reported Period**”).

**3. Specific Action Points of the SB in lieu of RC during the Reported Period**

The SB organized the elaboration of the Policy and monitors for its periodical alignment in full compliance with the applicable legislation and the charter documents of the Company.

In performance of the requirement of Art. 12, Par. 1 of Ordinance No. 48, the Management Board of the Company (hereinafter referred to as the “**MB**”) prepared and presented to the SB a Report on the Implementation of the Policy in the Reported Period (hereinafter referred to as the “**Report on the Implementation of the Policy in the Reported Period**”). After the members of the SB got acquainted with the Report on the Implementation of the Policy in the Reported Period, by a resolution taken at its meeting on 18 March 2020, the SB approved that report.

In performance of the requirement of Art. 21, Par. 1, item 3 of Ordinance No. 48, the MB presented to the SB information regarding the level and structure of remunerations of the employees occupying managerial positions in the administration of the Company. The members of the SB got acquainted with that information.

In performance of the requirement of Art. 22, Par. 1 of Ordinance No. 48, at the end of the first quarter of the year 2020, the SB performed a review of the Policy with regard to the remuneration of the members of the MB.

**4. Conclusions of the SB in lieu of RC**

The individual remunerations of the members of the MB were determined in compliance with the Policy. The level and structure of the remunerations of the employees occupying managerial positions

in the administration of the Company also comply with the Policy and the applicable statutory requirements.

During the Reported Period, and up to the current moment, there were no amendments or supplementations to the effective legislation and the charter documents of the Company, which would require suggestions by the SB on any kind of amendments or supplementations to the Policy. Until any such amendments or supplementations would arise, the SB intends to maintain the Policy in its present form and substance.

The SB concludes that during the Reported Period the Policy was implemented strictly and consistently.

The SB informs the shareholders of the Company that any and all necessary measures were undertaken in order to ensure that the remuneration of each member of the MB is determined fairly vis-à-vis the remuneration of any other member of the MB and of the employees occupying other key positions in the administration of the Company.

## **5. Adoption of the Report**

The Report of the SB in lieu of RC was adopted by a resolution of the SB taken at its meeting on 18 March 2020, and is presented to the attention of the shareholders of the Company for acknowledgement by the General Meeting.

Chairman of the SB:..........

Tomas Kollert