

**REPORT**  
**ON THE IMPLEMENTATION OF THE POLICY ON THE REMUNERATION OF THE**  
**MEMBERS OF THE SUPERVISORY BOARD, THE MANAGEMENT BOARD AND THE AUDIT**  
**COMMITTEE**  
**OF KORADO - BULGARIA AD FOR THE YEAR 2017**

**1. INTRODUCTION**

**1.1. Legal Grounds of the Report**

During the period 1 January 2017 – 31 December 2017 (hereinafter referred to as the **“Reported Period”**), Korado - Bulgaria AD (hereinafter referred to as the **“Company”**) applied the Policy on the Remuneration of the Members of the Supervisory Board, the Management Board and the Audit Committee of the Company, approved in its current wording by the General Meeting of the Company (referred to hereinafter as the **“General Meeting”**) held on 13 May 2015, as announced publicly on the Internet at the following address: [www.korado.bg](http://www.korado.bg) (hereinafter referred to as the **“Policy”**).

This present report was prepared by the Management Board of the Company (hereinafter referred to as the **“MB”**) in execution of the requirement of Art. 12, Par. 1 of Ordinance No. 48 of 20 March 2013 on the Requirements to Remuneration issued by the Financial Supervision Commission (hereinafter referred to as **“Ordinance No. 48”**). The Report constitutes a separate document appended to the Annual Financial Statements of the Company for the year 2017. The Report is presented to the attention of the shareholders of the Company and could be discussed on with the members of the MB at the regular annual session of the General Meeting of the Shareholders of the Company.

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

In accordance with Art. 12, Par. 2 of Ordinance 48, the Report consists of:

- (a). review of the manner of implementation of the Policy during the Reported Period; and
- (b). programme on the implementation of the Policy during the period 1 January 2018 – 31 December 2018.

Furthermore, the Report also contains all of the mandatory requisites pursuant to Art. 13 of Ordinance No. 48.

Considering the absence of any amendments or supplementations to the Policy during the Reported Period, the Report does not contain any information of this character.

**2. INFORMATION ABOUT THE IMPLEMENTATION OF THE POLICY DURING THE REPORTED PERIOD**

**2.1. Information about the process of adopting resolutions upon the determination of the Policy**

In accordance with Art. 116b, Par. 1 of the LPOS, the Articles of Association of the Company and the Policy, the determination of the amount of the remuneration of the members of the MB, the members of the Supervisory Board of the Company (hereinafter referred to as the **“SB”**) and of the members of the Audit Committee of the Company (referred to hereinafter as the **“AC”**), their right to receive a portion of the profit, as well as their right to acquire shares or debt instruments of the Company, are within the competence of the General Meeting.

Acting in execution of that competence, the General Meeting did:

- determine the amount of the remuneration of the members of the MB, SB and AC on the grounds of principles and rules approved by the Korado Group; and



- determine the amount of the remuneration of the members of the MB, SB and AC by the resolution under item 14 of the agenda of the regular annual session of the General Meeting held on 23 May 2017.

Pursuant to the Policy, the remuneration of the members of the MB, SB and AC is determined by a resolution of the General Meeting. The Policy does not envisage the creation of a permanent Remuneration Committee of the Company as an optional body.

## **2.2. Information about the relative weight of the variable and the fixed remuneration of the members of the MB and the SB**

Pursuant to item 6.2 of the Policy, the remuneration of the members of the MB, SB and AC consists of a fixed component only (i.e. no variable component was determined for any of those members).

Pursuant to item 6.3 of the Policy, remuneration as members of the respective body may receive only members of the MB, SB and AC, who are not working under an employment agreement in the Korado Group.

Pursuant to item 6.8. of the Policy (unless resolved otherwise by the General Meeting), the remuneration of each of the members of the SB is equal to the one of any other member of the SB and the remuneration of each of the members of the MB is equal to the one of any other member of the MB.

During the Reported Period:

- to each of the entitled members of the MB, SB and AC was paid permanent remuneration containing only a fixed component, which represented 100% (one hundred percent) of the remuneration accordingly accrued by the Company for their activity as such members during the Reported Period; and
- none of the bodies of the Company resolved on the payment of additional remuneration, tantiemes, tangible incentives, in-kind remuneration or payments or fringe benefits to the members of MB, SB and AC.

## **2.3. Information about the assessment criteria, on the basis of which variable remuneration could be accrued; substantiation of how these criteria benefit to the long-term interests of the Company; explanation of the methods adopted for the assessment of the achieved results and of the relevance between the remuneration and the achieved results, as well as regarding the periods of deferral of the payment of variable remuneration**

During the Reported Period, no variable remuneration was accrued or paid to any of the members of the MB, SB and AC. Respectively, no assessment criteria of the achieved results, on the basis of which such remuneration could be paid, were elaborated. Neither were applied methods of assessment of meeting such criteria and relevance between the achieved results and such remuneration.

During the Reported Period, none of the payments of remuneration of the members of the MB, SB and AC whether in whole or in any portion, was deferred. These remunerations were paid, as permanent remunerations *per se*, in their full amounts and by the deadline provided for in the individual agreements between the respective member of the MB, SB or AC and the Company.

## **2.4. Information about the main payments and substantiation of the annual bonus payment schedule and/or of all additional in-kind remuneration**

During the Reported Period, the total amount of the basic remuneration accrued and paid by the Company is:

- to each member of the SB entitled to receive remuneration under the Policy – EUR 1,000 (one thousand euro) per month;
- to the members of the MB no remuneration was accrued and paid;
- to each of the members of the AC entitled to receive remuneration under the Policy – EUR 500 (five hundred euro) per month.

Upon each accrual or payment of remuneration to the members of the SB and the AC, the Company withheld and remitted to the respective budgets each and all public payables due (including, but not limited to: taxes, contributions to state social insurance, additional mandatory social insurance and health insurance) by their respective deadlines, in the way these payables are provided for by law.

For the Reported Period:

- no other tangible incentives were accrued or due by the Company to any of the members of the MB, SB and AC; and
- the Company did not adopt or implement any annual scheme for the payment of bonuses and/or other in-kind remuneration to members of the MB, SB and AC.

**2.5. Description of the main characteristics of any adopted additional voluntary pension insurance scheme and information about the paid and/or due by the Company contributions on behalf of the members of the MB, SB and AC**

For the Reported Period, the Company did not adopt or realize any additional voluntary pension insurance scheme on behalf of the members of the MB, SB and AC and no contributions in relation to such scheme were either paid or due by the Company.

**2.6. Information about the policy on compensations for premature termination of contracts**

The rules, which govern the compensations to the members of the MB, SB and AC in the event of premature termination of their contracts, are set forth in item 10 of the Policy. The Company brings the individual contracts of each of the members of the MB, SB and the AC into full alignment with these rules.

In the Reported Period there has been no termination of the Management Services Contract with any member of the MB of the Company.

In the Reported Period there has been no termination of the Contract for Supervisory Services with any member of the SB of the Company.

No compensations for premature termination were accrued or paid.

In the Reported Period occurred the termination of the contract with the following member of the AC of the Company (at her request): Lucie Kolářová.

**2.7. Information about the non-transferability period of shares or of the vesting period of options whenever shares are provided as variable remuneration and information about the period of retaining of a definite number of shares up to the end of the mandate of the MB, SB and AC members**

For the Reported Period was not due or paid any variable remuneration based on shares or options on shares. Respectively, in the Company were not adopted any terms and conditions for the restriction of the transfer of such shares or options on shares or for the retention of a specific number of shares up until the expiry of the mandate of the members of the MB, SB and AC.



## 2.8. Information about the contracts of the MB, SB and AC members of the Company

During the Reported Period, members of the MB were:

- Jiří Řezníček (during the whole Reported Period);
- Sylvia Drumeva Stefanova (during the whole Reported Period); and
- Jana Hřebíčková (during the whole Reported Period, where her family name was changed to Havlová, such change being recorded at the Commercial Registry on 14 September 2017).

The mandate of all members of the MB is 5 years. It was determined by a resolution of the SB taken *in absentio* starting from 15 August 2017 and expiring on 15 August 2022.

The duration of the contracts of the members of the MB in the Reported Period and the advance notice period in the event of premature termination of the contracts by the Company are, as follows:

<b>Member of the MB</b>	<b>Duration of the Contract</b>	<b>Advance Notice Period in the Event of Premature Termination by the Company</b>
Jiří Řezníček	until the expiry of the 5-year mandate	as per the requirements of the law
Sylvia Drumeva Stefanova	until the expiry of the 5-year mandate	as per the requirements of the law
Jana Havlová	until the expiry of the 5-year mandate	as per the requirements of the law

During the Reported Period, members of the SB were:

- Tomas Kollert (during the whole Reported Period);
- František Hamáček (during the whole Reported Period);
- Josef Láska (during the whole Reported Period);
- Eva Voborová (during the whole Reported Period);
- Ivan Lyaskov (during the whole Reported Period); and
- Evelina Miltenova Velikova (elected for a member of the SB re a resolution of the General Meeting held on 23 May 2017 and being registered with the Commercial Registry on 1 June 2017).

The mandate of all members of the SB is 5 years. It was determined by a resolution of the General Meeting held on 13 June 2013 (except for Evelina Miltenova) and expires on 13 June 2018.

The duration of the contracts of the members of the SB in the Reported Period and the advance notice period in the event of premature termination of the contracts by the Company are, as follows:

<b>Members of the SB</b>	<b>Duration of the Contract</b>	<b>Advance Notice Period in the Event of Premature Termination by the Company</b>
Tomas Kollert	until the expiry of the 5-year mandate	as per the requirements of the law
František Hamáček	until the expiry of the 5-year mandate	as per the requirements of the law
Josef Láska	until the expiry of the 5-year mandate	as per the requirements of the law
Eva Voborová	until the expiry of the 5-year mandate	as per the requirements of the law
Ivan Lyaskov	until the expiry of the 5-year mandate	as per the requirements of the law
Evelina Miltenova Velikova	until the expiry of the 5-year mandate	as per the requirements of the law

In the Reported Period members of the AC were:

- František Hamáček (during the whole Reported Period);
- Lucie Kolářová (dismissed as a member of the AC by a resolution of the regular annual General Meeting held on 23 May 2017);
- Milena Toneva Raykova (appointed as a member of the AC by a resolution of the regular annual General Meeting held on 23 May 2017); and
- Snezhana Kaloyanova (during the whole Reported Period).

The mandate of all members of the AC is 3 years. It was determined by a resolution of the General Meeting held on 13 May 2015 (except for Milena Raykova) and expires on 13 May 2018.

Pursuant to item 10, Par. 1 of the Policy, compensation for a premature termination of the contracts for management or supervisory services in the Company shall not be due.

Pursuant to item 10, Par. 2 of the Policy the total of all compensations in the event of premature termination, including compensation for non-compete following such termination of the respective contract (inasmuch as such would become due) does not exceed the total of the respective fixed remuneration for the last 2 years ending on the date of termination.

## **2.9. Information about the remuneration of each person, who has been a member of the MB, SB and AC of the Company for a specific period within the respective financial year**

### *2.9.1. Remunerations from the Company*

The total amount of the remuneration accrued and/or paid by the Company to the persons, who were members of the MB, SB and AC in the Reported Period is indicated in item 2.4 of the Report.

### *2.9.2. Other payments by the Company for services provided by the members of the MB, SB and AC beyond the scope of their usual functions*



In the Reported Period, the Company accrued and made payments for services beyond the scope of the ordinary functions of those members only to the member of the SB Ivan Lyaskov. That is namely remuneration for services provided by him as a lawyer under a separate agreement for legal services. The remuneration is determined on market terms and is not at the expense of the Company or relating to the functions of Mr. Lyaskov as a member of the SB.

*2.9.3. Remunerations and other payments to the members of the MB, SB and AC by other persons / legal entities belonging to the same group as the Company*

In the Reported Period, to the members of the MB, SB and AC were not made payments by other persons / legal entities belonging to the same group as the Company, except for the following:

- (a). remuneration paid by Korado, a.s. to the member of the SB František Hamáček under a Management Agreement in the capacity of Mr. Hamáček as a member of the Board of Directors of Korado, a.s.; and
- (b). remuneration paid by Korado, a.s. to the member of the SB Evelina Miltenova under a consultancy agreement.

The remunerations are determined on market terms and are not at the expense of the Company or relating to the functions of Mr. Hamáček and Ms. Miltenova as members of the SB.

*2.9.4. Paid and/or accrued compensations in the event of termination of the functions of members of the MB, SB and AC*

In the Reported Period, no compensation in the event of termination of functions was either accrued or paid to any of the members of the MB, SB and AC.

*2.9.5. Overall estimation of all in-kind benefits, equal to remuneration, granted to the members of the MB, SB and AC*

In the Reported Period, no in-kind benefit, equal to remuneration, was either accrued, paid or granted in any way whatsoever to any of the members of the MB, SB and AC.

*2.9.6. Information about all the loans and the social benefits granted and the warranties made by the Company or by subsidiary companies which were a subject to consolidation into its annual financial statements, including data of the yet unpaid instalments and the interests due thereto*

For the Reported Period, the members of the MB, SB and AC did not receive any loans, payments as social benefits or grant of warranty by the Company, a subsidiary of the Company or any other company, which is subject to consolidation into the Annual Financial Statements of the Company.

*2.9.7. Shares and/or options on shares and/or other incentive schemes based on shares to the members of the MB, SB and AC*

In the Reported Period was not accrued, paid or granted any remuneration or payment based on shares or options on shares to any of the members of the MB, SB and AC. Neither did incentive schemes based on shares, regarding the members of the MB, SB and AC, function in the Company.

**3. PROGRAMME ON THE IMPLEMENTATION OF THE POLICY THROUGH THE FINANCIAL YEAR 1 JANUARY 2018 – 31 DECEMBER 2018**

For the period 1 January 2018 – 31 December 2018, the Company intends to adhere to the adopted Policy, as remuneration of the members of the MB, SB and AC would be paid only to those members, who are not working under an employment agreement within the Korado Group. These remunerations would be determined as fixed, unless the General Meeting adopts a resolution on the introduction of a variable

component of such remuneration, in compliance with the relevant requirements to the introduction of assessment criteria for the achieved results and the deferral of the payment of a specific portion of such variable remuneration.

In the event that in the period 1 January 2018 – 31 December 2018 the General Meeting adopts a resolution on granting to the MB, SB or AC members any remuneration based on shares or on any other way of granting tangible or in-tangible incentives, the accrual and the payment of such remuneration will be performed only following the adoption of scheme on granting of remuneration based on shares, as proposed to and approved by the General Meeting and/or in accordance with adopted rules on determination of a bonus scheme.

In the event that in the period 1 January 2018 – 31 December 2018 any amendments or supplementations to the legislation occur, which require any respective amendment or supplementation to the contracts on the assignment of management or supervisory services, as already concluded, such amendments will be accomplished and realised on the basis of negotiations with the respective members of the MB, SB and AC in accordance with the adopted Policy, the Articles of Association of the Company and the applicable legislation.

The present Report on the Implementation of the Policy on the Remuneration of the Members of the Supervisory and Management Boards of Korado-Bulgaria AD for the year 2017 was approved on a meeting of the Management Board of the company held on 12 March 2018.



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**Jiří Rezníček**

**Members of the Management Board of Korado-Bulgaria AD:**



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**Sylvia Stefanova**



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**Jana Havlová**