

Chimimport AD  
31 December 2017



## **REPORT**

On the application of the remuneration policy for members of the Supervisory Board and the Managing Board of Chimimport AD, developed in accordance with Ordinance 48 of the Financial Supervision Commission (FSC) dated 20 March 2013, and adopted at a regular annual General Meeting of Shareholders of the company, held on 1 July 2013.

### **1. Information on the decision-making process in determining the remuneration policy, including, if applicable, information on the term of office and composition of the remuneration committee, the names of the hired consultants, whose services have been used in determining the remuneration policy**

The regular General Meeting of Shareholders of CHIMIMPORT AD, held on 1 July 2013, approved the remuneration policy for members of the Managing Board of CHIMIMPORT AD, as adopted by the Supervisory Board on 29 April 2013. The adopted policy is consistent with the legally established requirements. All the changes, amendments and supplements shall be developed by the Supervisory Board and the active participation of the independent member of the Supervisory Board, the functionally independent and competent experts of the Company in order to make an independent assessment of expediency, and shall be approved by the General Meeting.

The approved policy establishes objective criteria for determining the remuneration of the Company's corporate management in order to attract and retain qualified and loyal members of the Board and motivate them to work in the interest of the company and shareholders by avoiding any potential and real conflict of interests.

In the reporting year CHIMIMPORT AD applied the Remuneration Policy for Members of the Managing Board in accordance with the applicable regulatory requirements for public companies, the objectives, the long-term interests and the strategy for the future development of the Company, as well as the Company's financial and economic position in the context of the national and European economic situation.

CHIMIMPORT AD discloses its remuneration policy and any subsequent amendments thereto in a clear and accessible manner, without disclosing any sensitive commercial information or any other information that is protected by law, through its publication of the website of the Company. This report will also be made available to the public through its publication on the website of the Company.

### **2. Information on the relative weighting of the variable and constant remuneration of the members of the management and supervisory bodies**

The remuneration structure is based on two main components: - permanent salary and variable remuneration – annual bonuses and other incentive. Each of them has approximately the same weighting in the determination of the remuneration size.

- a. The permanent salary is a fixed remuneration equal to an annual amount distributed in twelve monthly instalments.
- b. The variable remuneration aims to bind the short-term and the long-term performance of the managing bodies and is fully consistent with the requirements adopted in the Remuneration Policy of Chimimport AD.
  - The annual bonuses are directly tied to the performance results and, in particular, to the operating profit and net profit.
  - The other incentives are tied to specific expenses incurred by the members of the boards assisting the achievement of the tasks assigned.

### **3. Information on the criteria for the results achieved, based on which stock options and shares of the Company are granted and an explanation how the criteria referred to in Article 14 (2) and (3) of Ordinance 48 contribute to the long-term interests of the Company**

The current Remuneration Policy for the members of the Supervisory Board and the Managing Board of CHIMIMPORT AD provide any possibility for the provision of stock options and shares of the Company; therefore there are no criteria on the results achieved to be used as a basis for the provision of such remuneration. Since the adoption of that policy

to the present moment, there is no compensation of corporate governance through shares or stock options.

The provisions of clause 6 and 7 of §II of the Policy stipulate the following principal options which were not implemented in the accounting year:

Cl. 6 After revaluation of the financial and economic situation of the Company and the establishment of objective and measurable criteria of the results achieved, pre-defined in amendments and supplements to this Remuneration Policy, CHIMIMPORT AD can provide extra remuneration to the members of the Supervisory Board and the Managing Board in the form of shares, stock options.

Cl. 7 The criteria for the results achieved from the operations referred to in the previous clause shall promote the stability of the Company in the long term and include non-financial indicators, which are of importance to the long-term operation of the Company, such as compliance with the applicable rules and procedures.

#### **4. Explanation of the methods applied to assess the implementation of the criteria for the results achieved**

According to the current Remuneration Policy for the members of the control bodies of Chimimport AD, the Company applies the following criteria for all admissible forms of remuneration to the management bodies, namely:

- Implementation of technological innovation and development in the field of the services offered;
- Increase of the productivity and the quality of work in the Company;
- Profit and development of the Company;
- Improving the business environment;
- Implementation of high standards of corporate governance;
- Integration of the corporate social responsibility in the daily management practice of the Company;
- Stable and sustainable development of the Company in economic, social and environmental aspect;
- Increase in the benefit of the shareholders;
- Adequacy of the administrative, organizational and accounting structures on the Company and ensuring the maximum efficiency of the Company's operation;
- Compliance with the applicable rules and procedures;
- Promoting co-operation with the persons concerned;
- Observance of the obligations – work in the interest of the Company and loyalty; implementation of due care of the good trader.

Through the built-in internal control systems, the empowered persons are able at any time to get information on the implementation of the criteria specified and mandatory meetings are organized in the month following the end month of each quarter. This established practice guarantees the objective performance of the principles set.

#### **5. Clarification on the relationship between the remuneration and the results achieved**

The current Remuneration Policy for the members of the Supervisory Board and the Managing Board of CHIMIMPORT AD establishes a relation between the remuneration received by the members of corporate management and the results achieved. It is based on the following basic principles:

- Relating the remuneration with the implementation of the business objectives and the development strategy of the Company, the protection of the interests and the validation of the values of Chimimport AD.
- Providing remuneration which shall allow for attracting, retaining and motivating the members of the boards possessing the qualities required for the successful management and development of the Company.
- Avoiding discrimination, conflict of interest, and unequal treatment of the members of the Supervisory Board and the Managing Board of the Company in determining and negotiation of remuneration.
- Taking into account the obligations and the contribution of each member of the Managing Board in the operation and the results of the Company.

#### **6. Basic payments and the justification of the annual scheme for the payment of bonuses and/or all the other non-monetary additional remuneration**

The basic principles and criteria for the payment of variable remuneration are presented in the preceding paragraphs.

#### **7. Description of the main characteristics of the scheme for the additional voluntary pension insurance and information on the contributions paid and/or due by the Company for the benefit of the director for the respective financial year, where applicable**

There is no information on additional voluntary pension scheme with respect to the members of the Supervisory Board and the Managing Board of Chimimport AD.

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

In order to achieve stable financial results, the payment of 40% of the variable remuneration shall be deferred for a period of 3 years, and the rescheduled part of the variable remuneration shall be paid in proportion or by gradually increasing each year during the period of rescheduling. The variable remuneration may not be paid, when the criteria for the results achieved are not fulfilled, as and when there is a significant deterioration of the financial situation of the Company.

#### **9. Information on the policy of the benefits upon termination of employment contracts**

In accordance with the requirement of Article 16 (2) of Ordinance 48, Section III of the current Remuneration Policy for the members of the Supervisory Board and the Managing Board of CHIMIMPORT AD provides for the following conditions and benefits upon termination of employment contracts:

The conditions and the maximum amount of benefits upon termination of employment contract with a member of the Company's Managing Board, respectively with the executive directors, in connection with an early termination of the contract, as well as payments associated with the period of notice or provided for in the clause prohibiting the competitive activity, shall be governed by the Remuneration Policy of Chimimport AD. Currently Chimimport AD does not provide for the payment of benefits of early termination of the contract with a member of the Company's Managing Board, respectively with the executive directors of the Company, as well as payments associated with the period of notice or payments in connection with clauses prohibiting any competitive activity.

The total amount of benefits under Article 10 (1) of the Policy shall not exceed the amount of the annual fixed remuneration paid to the person over a period of 2 years.

The benefits under Article 10 (1) of the Policy shall not be due in the event that the termination of the contract results from unsatisfactory results and/or wrongful behaviour of members of the Company's Managing Board, respectively of the executive directors.

No contracts were terminated with any executive members of the Company's Supervisory Board or Managing Board during the accounting year.

#### **10. Information on the period in which the shares may not be transferred and the stock options may not be exercised for variable remuneration based on shares**

The current Remuneration Policy for the members of the Supervisory Board and the Managing Board of CHIMIMPORT AD provide for granting remuneration to the members of the corporate management in the form of stock options. Since the adoption of that policy to the present moment, there is no compensation of corporate governance through shares or stock options.

#### **11. Information on the policy for the preservation of a certain number of shares until the end of the term of office of the members of the management and control bodies after the expiry of the period referred to in clause 10**

The current Remuneration Policy for the members of the Supervisory Board and the Managing Board of CHIMIMPORT AD provide for granting remuneration to the members of the corporate management in the form of stock options. Since the adoption of that policy to the present moment, there is no compensation of corporate governance through shares or stock options.

#### **12. Information on the contracts of the members of the management and control bodies, including the duration of each contract, the period of notice of termination and details on benefits and/or other payments due in the event of early termination**

Details on the contracts of the members of the control bodies and the benefits and/or other payments due in the event of early termination are presented in clause 9 of this Report.

#### **13. The full amount of the remuneration and other incentives to the members of the management and control bodies in the respective financial year**

	2017 BGN '000	2016 BGN '000
Short-term remunerations		
Salaries, including bonuses	(1 201)	(956)
Social security expenses	(20)	(19)
Company's vehicles	-	-
<b>Total remuneration</b>	<b>(1 221)</b>	<b>(975)</b>

#### **14. Information on the remuneration of each person who has been a member of a management or supervisory body in a public company for a certain period during the respective financial year:**

a) Full amount of the remuneration paid and/or accrued to the person for the relevant financial year

For 2017 the members of the Company's Supervisory Board and Managing Board received fixed remuneration to the total amount of BGN 168 thousand, or BGN 24 thousand each of them.

**b) Remuneration and other monetary and non-monetary incentives received by the person form companies belonging to the same group**

Chimimport AD is a part of an economic group with more than 61 direct and indirect subsidiaries operating in different business fields. The members of the management and control bodies, involved in various projects in the individual segments of the Group of Chimimport AD, have received additional remuneration from specific subsidiaries.

**c) Remuneration received by the person in the form of distribution of the profit and/or bonuses and the reasons for their provision**

In 2017 none of the members of the Supervisory Board and the Managing Board of Chimimport AD has received any remuneration from the Company in the form of distribution of the profit. Except the distributed dividend voted by the General Assembly.

**d) All additional payments for services provided by the members outside of their normal functions, where such payments are eligible under the particular contracts concluded**

Disclosures in item 14b are remuneration related to control and management contracts concluded between the members of the controlling bodies and the subsidiaries of the issuer.

**e) Remuneration paid and/or accrued for the termination of their functions during the last financial year**

In 2017 none of the contracts with the current members of the Managing Board of Chimimport AD was terminated.

**f) General assessment of all non-monetary benefits, aligned to the remuneration not included in paragraphs "a" to "e"**

In 2017 none of the e members of the Managing Board of Chimimport AD received non-monetary benefits, aligned to the remuneration not included in paragraphs "a" to "e"

**g) Information on all available loans, payments of social and household expenses and guarantees of the Company or its subsidiaries or other companies, which are subject to consolidation in its annual financial statements, including data on the outstanding part and interest**

In 2017 none of the members of the Managing Board of Chimimport AD is associated with granted loans, payments of social and household expenses and guarantees of the Company or its subsidiaries or other companies, which are subject to consolidation in its annual financial statements.

**15. Information in respect of the shares and/or stock options and/or other promotion schemes based on shares:**

a) Number of the proposed stock options or provided shares of the Company during the relevant financial year and the conditions under which they are proposed or provided accordingly;



- b) Number of the stock shares exercised on shares during the financial year and for each of them, number of shares and the price of the exercise of the option or the value of the interest in the promotion scheme based on shares at the end of the financial year;
- c) Number of stock options not exercised at the end of the financial year, including data on their price and date of exercise and essential conditions for the exercise of the relevant rights;
- d) Any changes to the terms and conditions of the existing stock options, adopted during the financial year.

The current Remuneration Policy for the members of the Supervisory Board and the Managing Board of CHIMIMPORT AD provide any possibility for the provision of stock options, shares of the Company, or other promotions schemes based on shares of the members of the corporate management. Since the adoption of that policy to the present moment, there is no compensation of corporate governance through shares or stock options.

#### **16. Information on the application of the Remuneration Policy for the members of the Supervisory Board and the Managing Board of Chimimport AD for the next financial year**

At the date of preparation of this Report, the Supervisory Board of Chimimport AD has not ascertained any need for adopting amendments in the Remuneration Policy for members of the corporate management adopted and approved by the General Meeting of Shareholders and applicable for 2018 as well.

***This Report was drawn up by the Supervisory Board of CHIMIMPORT AD in accordance with the provision of Article 12 (1) of Ordinance 48 of FSC dated 20 March 2013 concerning the requirements to remunerations and is a separate document to the annual financial statements of the Company as of 31 December 2017.  
The Report contains a review of the procedure for the application of the Remuneration Policy during the year and it also contains enclosed information on the application of the Remuneration Policy for the next financial year.***

**30 March 2018  
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