

**REMUNERATION POLICY
OF INVESTMENT INTERMEDIARY "BENCHMARK FINANCE" JSC**

1. GENERAL CONDITIONS

Article 1. The remuneration policy of the investment intermediary “BenchMark Finance” JSC (thereunder also called solely “the company” or “the investment intermediary” validates the remuneration system of its employees.

Aims

Article 2. With the present policy, the company aims to establish clear and objective principles at forming the remunerations of its employees.

Basic Principles

Article 3. The current policy is prepared and at its application the following principles are applied:

- 1.** Assurance of hopeful and effective management of the risk;
- 2.** Discouraging of risk-taking for risks that exceed the accepted levels for the company;
- 3.** Assurance of the conformity between the policy and the strategies, aims, values and long-term interests of the company;
- 4.** Measure implementation for avoiding conflict of interests, stemming from the way of forming the remunerations.

Personnel Categories

Article 4.(1). The present policy is applied to the remuneration of the following personnel categories, thereunder shortly called only “personnel”, and each of its members separately called “employees”:

- 1.** Senior Management Personnel
- 2.** Employees, whose activity is related to risk-taking
- 3.** Employees performing control functions
- 4.** Every employee, whose remunerations are equal to the remunerations of the employees from point 1 and 2 and whose activity influences significantly the risk profile of the investment intermediary.

(2). The Senior Management Personnel consists of individuals with executive functions who represent the investment intermediary and who are responsible and give an account to the governing and supervisory bodies of the investment intermediary of its daily management.

(3). Employees, whose activity is related to risk-taking on the behalf of employees, who:

- 1.** Make deals independently or jointly with another individual at the expense of the investment intermediary (brokers and dealers);
- 2.** Do portfolio management (investment advisors);

3. Conclude agreements on the behalf of and at the expense of the company (employees, serving clients);

4. On whose job description this was expressly stated.

(4). Those who are independent from the functions they exercise control over and have suitable authority are considered employees performing control in the company. To this personnel, the company includes the director and the employees in the following work units: Risk management, Internal Audit, Internal Control (Normative compliance).

2. REMUNERATION

General terms

Article 5. The company defines the payment standard to the employees which allows it to employ qualified and experienced personnel.

Article 6. The remuneration of the company personnel includes all methods of payment or incentives, made directly or indirectly (made by the shareholders or other persons related to the company) by the company for the achieved activities by the personnel.

Article 7. (1). The structure of the remunerations is built so that it does not create conflict of interests.

(2). Remunerations are formed in such a way that they do not impair the independence of the employees. This is done by not placing them in situations where the approval of a deal, taking decisions or giving advice on matters regarding the risk and the financial control are closely related to the increase of the remuneration.

(3) Remunerations are formed in such a way that they do not cause a direct connection between the remuneration of the individuals performing mainly one activity and the remuneration of the individuals performing mainly another activity for the investment intermediary or the profit made by them.

Article 8. The remunerations are divided into two: constant and variable ones. Both types may include cash incentives (e. Financial assets, equities and other financial instruments, pension contributions and etc.) and non-cash incentives (e. Health insurance, benefits and etc.).

Article 9. (1). The company defines suitable correlations between the constant and variable remunerations of the individuals who work for the investment intermediary bearing in mind that the variable elements do not exceed the direct elements with 100%. The size of the particular correlation is subject to announcement by the company.

(2). The company may accept a decision to define a different level of correlation between the constant and variable elements in the remunerations from the one in Paragraph 1 solely after a decision taken by the vice-president of the Financial Supervision Commission administrating the *Investment Supervision Unit*.

Article 10. The execution of decisions related to remunerations taken by the General Meeting of Shareholders or their Board of directors may be suspended by a quaestor in case provided by the law.

Constant Remuneration

Article 11. (1). For the aims of the current rules with **constant remuneration** it will be referred to:

- 1.** According to employment contracts – the basic salary along with the annual leave remuneration and the additional labour remunerations with constant nature.
- 2.** According to management contracts and other non-labour contracts – payment, settled in the individual contract that is not directly dependant on the activity performance evaluation.

(2) Basic salary is the remuneration for execution of the tasks, duties and responsibilities assigned in the job description of the relevant employee in accordance with the duration of the completed task.

(3) The additional labour remuneration with constant nature, in accordance with the Labour code include: **a)** remunerations for educational or scientific degree; **b)** length of service and work experience; **c)** additional remunerations depending on the billable time – night work, shift work and etc.

Criteria for defining the constant remuneration

Article 12. The criteria for defining the constant remuneration are:

- 1.** The complexity and burden of the assigned duties;
- 2.** Functional responsibilities of the duty;
- 3.** Parameters of the working environment;
- 4.** Educational degree of the employee;
- 5.** Level of the corporate structure they occupy;
- 6.** Work experience;
- 7.** Imposed restrictions (including a prohibition to perform a certain activity or activities, incompatibility for occupying a position on supplementary agreement and etc.)

Amount of the constant remuneration

Article 13. (1). The amount of the constant remuneration is defined in the individual contract in accordance with the applicable labour law and/or Social security act.

(2). The constant remuneration represents a sufficiently high proportion of the total remuneration.

Article 14. The minimum amount of the basic salary is equal to the legally established minimum social security income for the relevant profession.

Amendment of the constant remuneration

Article 15. (1). The company may unilaterally increase the constant remuneration of the employee.

(2). Reduction of the constant remuneration is allowable by making a supplementary agreement in addition to the individual contract of the employee.

Calculating the constant remuneration

Article 16. The constant remuneration is calculated in accordance with the applied systems of payment and the agreement in the individual contract.

Article 17. The calculation of the constant remuneration is done on a monthly basis.

Constant remuneration payment

Article 18. The constant remuneration is paid of money.

Article 19. (1). The constant remuneration is paid into a bank account indicated by the employee, one they need to be the holder of.

(2). Upon a request by the employee, the remuneration may be paid to their relatives.

Article 20. (1). The basic salary is paid once per month.

(2). The additional remunerations with constant nature are paid along with the final payment of the basic salary.

Article 21. The constant remuneration is paid not later than the 3rd day of every month, following the month it is paid for.

Article 22. The provisions, concerning the employment contracts, will also be applied to the management contracts and other non-labour contracts.

Variable remuneration

Article 23. A variable remuneration is such remuneration whose amount and repayment depend on the results from the activity of the company.

Article 24. The employees are not guaranteed a variable remuneration except for the previsional cases in the present policy. It is possible that a variable remuneration is not paid to everyone or to some of the employees.

Article 25. The investment intermediary cannot pay the variable remuneration with instruments or methods which facilitate the circumvention of the Regulation (EU) No: 575/2013, Law on the Financial Instruments Market requirements as well as the acts related to their application.

Criteria for determination of the variable remuneration

Article 26. The criteria defining the variable remuneration are:

- 1.** Constant results from the activity and depending on the risks taken;
- 2.** An activity exceeding the expectations, stated in the job description.

Amount of the variable remuneration

Article 27. The company determines the variable remuneration from top to bottom, beginning with formation of its total amount on a investment intermediary level, and thereafter on a department/unit level and to a separate employee.

Article 28. (1). The total amount of the variable remuneration is based on a combination of **activity evaluation**; (1) of each employee; (2) of the department/unit in which the employee works; (3) of the overall results of the company as well as the **financial condition** of the company.

(2). The total amount of the variable remuneration for the intermediary is determined on their activity evaluation and their financial condition basis. The variable remuneration is determined so that its total amount does not limit the capability of the investment intermediary to maintain and improve their capital base.

(3). The total amount of the variable remuneration meant for the whole intermediary is distributed between the departments/units after evaluating their result and the process continues until its distribution to the separate employees on the ground of their work evaluation.

Article 29. The activity evaluation spans at least two years and it is based on the long-term execution of the activity.

Article 30. (1). The activity evaluation of the company includes the overall results and it is based on quantitative and qualitative criteria.

(2). The quantitative criteria that the company uses at evaluating the results from the activity are:

- 1.** Risk-Adjusted Return on Capital (RAROC);
- 2.** Return on Risk-Adjusted Capital (RORAC);
- 3.** Economic profitability;
- 4.** Internal economic risk capital;
- 5.** Economic Net Income;
- 6.** Risk-adjusted Financing Cost or accounting adjustments

(3). The qualitative criteria that the company uses at evaluating the results from the activity are:

- 1.** Achievement of strategic goals;
- 2.** Customer satisfaction;
- 3.** Adherence to the risk management policy;
- 4.** Following internal and external rules;
- 5.** Leadership and management skills;
- 6.** Team work;
- 7.** Creativity;
- 8.** Motivation;
- 9.** Cooperation with other structural units.

Article 31. The result evaluation of the investment intermediary's activities used to calculate the variable elements of remuneration and their distribution includes the

correction of all types of current and future risks and accounts for the cost of capital as well as the necessary liquidity.

Article 32. At completing the employee activity evaluation, financial and non-financial criteria are taken into account.

Article 33. Not less than 50% of the variable remuneration may be provided in the form of instruments and the aim of this is to put the employees in a position similar to the one of the owners and stimulate the personnel to increase the economic cost of the company.

Article 34. (1). The instruments forming the variable remuneration may be:

- 1.** Shares, other instruments related to shares as well as equivalent non-cash instruments issued by the investment intermediary in case those instruments are not traded on a regulated market.
- 2.** Whenever it is possible, other instruments within the meaning of Article 52 or 63 from Regulation (EU) No: 575/2013 or other instruments that can be completely converted into instruments from the basic own funds from first line or can be cancelled, reflect adequately the credit quality of the investment intermediary as an active enterprise and are suitable to be used for the aims of the variable remuneration.

(2). A transfer limiting policy is applied to the instruments from Paragraph 1. By this the company aims to achieve conformity between the incentives for the employees and its own long-term interests. The particular limitations depend on the type of instruments and will be provisioned in documents accompanying their emission.

(3). The requirements from Paragraph 1 and 2 are applied not only to the part of the variable remuneration rescheduled in accordance with the Payment rescheduling policy, but also to the part which is not rescheduled.

(4). At the distribution of the variable elements of the remuneration within the investment intermediary, all types of current and future risks are taken into account, too.

Article 35. (1). The effect of the risk reporting mechanisms enshrined in the remunerations of the employees cannot be reduced by using personal hedging or insurance strategies related to the remunerations or responsibilities of the employees.

(2). If the company has accomplished negative or lower than the expected financial result, the total amount of the variable remuneration is being limited through deducting not only the current remunerations but also the payments for the rescheduled remunerations or through reinstating of already paid or obtained remunerations.

Article 36. (1). The company may apply a discount rate to maximum 25% of the total amount of the variable remuneration on condition that it is paid in instruments, rescheduled for a period of at least 5 years.

(2). The applicable discount percentage is one that is determined within the guidelines of European Banking Authority accepted by the Financial Supervision Commission for application.

Article 37. The company accepts to repay the particular variable remuneration with a decision stating the terms and conditions by which it will be paid.

Guaranteed Variable Remuneration

Article 38. As an exception the investment intermediary can provide guaranteed variable remuneration to the newly appointed employees under Article 4, Paragraph 1, Lines 1-4 from the present Policy for the *first year of their employment* provided that the own capital of the investment intermediary meets the standard legal requirements.

Variable remuneration payment

Article 39. The variable remuneration including its rescheduled part are paid or determined only if the payment:

- 1.** Does not threaten the stability of the investment intermediary, taking into account their overall financial position;
- 2.** Is based on the results, achieved by the investment intermediary, the business unit and the relevant person.

Article 40. (1). The payment of the variable remuneration is distributed within a period of time, reading off the economic cycle and the risks taken by the company.

(2). A variable remuneration can be paid after the financial reports for the relevant trimester is accepted by Board of Directors and respectively the General Meeting of Shareholders has accepted the annual financial report of the company.

Article 41. The variable remuneration is paid via legally permitted instruments and/or methods and by strictly fulfilling the requirements from Regulation (EU) No: 575/2013, the Law on the Financial Instrument Market and the acts for their application.

Article 42. Regardless of the decisions accepted by the relevant competent authorities of the company, the amount of the variable remuneration may be limited or not paid at all under a decision taken by the Financial Supervision Commission in case this is inconsistent with the upkeep of sufficient own capital of the company.

Recovery of a paid variable remuneration

Article 43. Paid variable remuneration is subject to recovery in case that the employee has received the relevant remuneration:

- 1.** Has had or has been responsible for a behaviour that has resulted in significant losses for the investment intermediary;
- 2.** Has not managed to follow the relevant aptitude and good behaviour standards.

Article 44. The investment intermediary may deduct or ask for recovery of payments in the size of up to 100% from the total variable remuneration.

Article 45. The recovery can be completed via a direct payment to the account of the company or via deductions of the constant remuneration.

3. REMUNERATIONS OF THE SENIOR MANAGEMENT PERSONNEL

Article 46. (1). The remunerations of the executive members of the Board of Directors are determined by the Board of Directors.

(2). The decision of the Board of Directors is accepted with a majority of the presented members unless the Articles of association of the company provides anything else.

Individuals, whose remunerations are equivalent to the remunerations of the Senior Management Personnel

Article 47. (1). The constant remuneration of the non-executive members of Board of Directors including their right to receive additional remuneration as a part of the company's earnings and to obtain shares and obligations of the company, are determined by the General Meeting of the Shareholders.

(2). The decision of the General Meeting is accepted with a majority of the presented shares unless the Articles of association of the company provides anything else.

Article 48. Except for the cases from the previous paragraph, the remunerations of the employees whose remunerations are equal to those of the Senior Management Staff are determined by Board of Directors.

4. REMUNERATIONS OF EMPLOYEES PERFORMING CONTROL FUNCTIONS

Article 49. (1). The amount of the remuneration of the employees performing control functions, conforms with the goal achievement levels related to their functions.

(2). The remuneration of those employees depends on the results achieved by the structural units monitored by them.

5. COMPENSATIONS

Compensations at early termination of the agreement at the discretion of the company

Article 50. The company may pay compensations to an employee at an early termination of an agreement. The amount of these compensations takes into account the achieved results of the employee and is determined so that it does not result in rewarding a failure or indecent behaviour towards the company, its shareholders or clients.

Compensations, related to previous employment contracts

Article 51. The company may also pay compensations related to previous employment occupancy. The amount of these compensations takes into account the long-term interests of the investment intermediary as these compensations are related to its *Employee Attraction and Retention Policy*, to the rescheduling the payments for the variable elements of the remuneration, to the results of the activity and the possibility of recovery of repaid amounts.

6. PAYMENT RESCHEDULING POLICY

Article 52. The payment rescheduling policy is determined by the following elements:

1. Rescheduling term;
2. Respective share of the rescheduled variable remuneration;
3. Process of obtaining the rescheduled remuneration;
4. The term from the moment of attestation to the repayment of the full rescheduled amount;
5. Form of rescheduled variable remuneration;

Article 53. (1). The rescheduling term begins from the moment when the non-scheduled part of the variable remuneration is repaid and terminates when the final part of the variable remuneration is obtained.

(2). The rescheduling period may be prolonged in case of hesitations in the economic activity of the company.

Article 54. The distribution of a substantial part of the variable remuneration which is not less than 40% is rescheduled for a period with minimum continuance from three to five years depending on the nature of the activity of the investment intermediary and the risks stemming from it and on the position of the relevant employee. For the individuals receiving variable remuneration in a significantly large amount, the rescheduled part is minimum 60%.

Article 55.(1). The unpaid part of the rescheduled remuneration is being repaid proportionally every year from the term of rescheduling.

(2). Payments are made once annually after a risk assessment and correction of the remuneration in case it is needed.

7. ADDITIONAL STATE AID

Article 56. (1). In case that the company makes use of the additional state aid, the following rules are applied:

1. The variable remuneration is strictly limited as a percentage from the net incomes when it is inconsistent with the maintenance of a reasonable capital base and the on-time suspension of the Government support;
2. The remunerations are restructured in a way that conforms with the reasonable risk management and long-term growth including the establishment of remuneration limit for the individuals who effectively manage the business of the investment intermediary, whenever appropriate.
3. A variable remuneration is not paid to the individuals who effectively manage the activity of the investment intermediary unless this is substantiated.

(2). The rules of this article are applied until a decision related to its financial result is accepted by the General Assembly of the company where it is reported that the company is financially stable.

8. PUBLICITY OF THE INFORMATION

Article 57. The investment intermediary commits itself to promulgate information annually in accordance with the set disclosure requirements in Article 32, Paragraph 1; Article 68, Paragraph 1; Article 75 from Regulation No: 50 related to the

capital adequacy, liquidity of the investment intermediaries and the accomplishment of supervision for following these rules.

9. ADDITIONAL PROVISIONS

Article 58. Board of Directors of the company:

1. Prepares the Remuneration Policy;
2. Performs periodical inspection of the basic principles and the policy;
3. Performs an obligatory annual actualization of the policy until 31st of December as well as a current one in case of necessity and at their own discretion.
4. Presents the actualized policy along with their activity report to the General Meeting.

Article 59. The General Meeting of the Shareholders approves the Remuneration Policy.

Article 60. The Internal Audit Unit completes a periodical independent internal inspection of the policy.

10.FINAL PROVISIONS

§ 1. The present policy is accepted under Article 24, Paragraph 1, Point 14 from the Law on the Financial Instruments Market and in connection with Article 7 from Regulation No: 50 for the capital adequacy, liquidity of the investment intermediaries and the accomplishment of supervision for following these rules.

§ 2. By accepting the current policy the following regulatory actions are taken into account:

1. DIRECTIVE 2013/36/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL from 26th of June, 2013 in regard to the access to the accomplishment of the activities of credit institutions and to the prudential supervision on the credit institutions of the investment intermediaries, to the amendment of Directive 2002/87/EO and to the repeal of directives 2006/48/EO and 2006/49/EO;
2. REGULATION (EU) No: 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL from 26th of June, 2013 in regard to the prudential supervision on the credit institutions and the investment intermediaries and to the amendment of Regulation (EU) No: 648/2012;
3. Law on the Financial Instruments Market, amb. amended and supplemented, SG, Issue 62 from 14.08.2015;
4. Law on Measures Against Market Abuse with Financial Instruments, amb. amended and supplemented, Issue 21 from 13.03.2012;
5. Commercial Law, amb. amended and supplemented, SG, Issue 22 from 24.03.2015;
6. Regulation No: 38 from 25.07.2007 for the activity requirements of the investment intermediaries, amb. amended and supplemented, SG, Issue 52 from 10.07.2015.

7. Regulation No: 50 from 19.06.2015 for the capital adequacy, liquidity of the investment intermediaries and accomplishment of supervision on following these rules, SG, Issue 52 from 10.07.2015;
8. Regulation on wage bargaining, amb. amended and supplemented, SG, Issue 40 from 11.05.1993
9. Regulation on the structure and organization of the wages, amb. amended and supplemented, SG, Issue 49/2012
10. Regulation on the remuneration elements and the incomes towards which contributions are paid; amb. amended and supplemented, SG, Issue 40/2015

§ 3. The current policy is accepted by the Board of Directors of the company on 24.11.2015 and is approved by the General Assembly of the Shareholders on 24.11.2015.