

**POLICY**  
**for formation of the remuneration**  
**of the members of the Board of Directors of**  
**“SOPHARMA” AD**

**Sofia**  
**2024**

## **CHAPTER I. GENERAL PROVISIONS.**

1. The present Remuneration Policy of “Sopharma” AD (hereinafter for brevity referred to as Policy) was developed to establish clear and objective principles in forming the remuneration of the members of the management body of the Company - the Board of Directors.

2. (1) The Board of Directors of the Company develops the Policies and is responsible for its implementation after adoption of the policy by the General Meeting of Shareholders of the Company.

(2) Proposals for amendments or additions to the current policy, its revision or adoption of a new policy are prepared by the Board of Directors, included as a separate item on the agenda of the General Meeting and adopted by the General Meeting of Shareholders of the company.

(3) The Policy is subject to review at least once every four years, as well as when significant changes and/or additions to it are needed or this is necessary to achieve the objectives under art. 5.

(4) The Board of Directors is responsible for the timely disclosure of the accepted by the General Meeting of Shareholders Remuneration Policy and subsequent amendments thereto.

3. The Policy outlines the principles to be applied in forming the remuneration of the members of the Board of Directors.

4. With this policy, the company's activities on determining the remuneration of the members of the Board of Directors are adopted according to the guiding principles of a Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards the promotion of long-term shareholder engagement and Recommendation 2005/162/EC with regard to the remuneration of directors of listed companies whose securities are admitted to trading on a regulated market, introduced by Regulation № 48 from March 20, 2013 by the Financial Supervision Commission /updated, SN, no. 32 of April 2, 2013, amended and supplemented, no. 41 of May 21, 2019, amended, no. 66 of August 20, 2019, amended and supplemented, no. 61 of July 7, 2020, amended, no. 60 of July 20, 2021, amended and supplemented, no. 64 of August 3, 2021/.

## **CHAPTER II. BASIC PRINCIPLES.**

5. In forming the remuneration of the members of the Board of Directors of the Company the following basic principles shall be applied:

5.1. Stimulation of the long-term sustainability of the Company and guaranteeing that the remuneration of the members of the managing body are formed on the basis of the operating results;

5.2. Correspondence to the business strategy, goals, values and long-term interests of the Company;

5.3. Exclusion of discrimination, conflict of interests and unequal treatment of persons in determining the remuneration;

5.4. Transparency with regard to the formation of the remuneration of the members of the Board of Directors and their individual components, accountability and supervision of remuneration by shareholders;

5.6. Provision and guaranteeing of independent and conscientious execution of the functions of the Remuneration Committee, including when these functions are executed by the Board of Directors as a body which develops the Policy.

6. The Company pays remuneration to the members of the Board of Directors only in accordance with the Policy adopted by the General Meeting. When the General Meeting does not accept the proposed amendments and/or additions to the current policy, respectively the proposed new policy, the Company continues to pay remuneration to the members of the Board of Directors in accordance with the current policy adopted by the General Meeting. In these cases, the Board of Directors is obliged to present revised amendments and/or additions, respectively revised new policy at the next General Meeting for adoption.

7. In preparing the Policy and the individual contracts of the members, the Board of Directors takes into account the remuneration and working conditions of the employees of the Company. The Board of Directors considers that an appropriate balance has been achieved between the amounts of remuneration of the employees and the members of the Board of Directors, taking into account both the market levels of remuneration in comparable (public) companies and the difference in obligations and responsibilities of the members of the Board of Directors. with the other employees of the Company.

8.(1) The Policy and its implementation are subject to regular (at least an annual) review of the remuneration of the members of the Board of Directors and the Executive Director with special attention to avoiding the creating of incentives for excessive risk taking, conflict of interests or other behavior, leading to adverse effects.

(2) The Company annually discloses to its shareholders the manner in which it implements the Policy by preparing a report on the implementation of the remuneration policy, which is a separate document to the Annual financial statements of the Company. The report should have the minimum content specified in art. 13 of Regulation №48 of the FSC. Any shareholder or his representative participating in the regular general meeting at which the report is considered may make recommendations on it. In case recommendations are made, the Company indicates in the next report on the implementation of the remuneration policy how the recommendations of the previous report have been taken into account.

(3) The report on implementation of the remuneration policy is published on the website of the company after the General meeting, at which the Annual financial report is approved and is available free of charge for a period of 10 years.

### **CHAPTER III.**

#### **PRINCIPLES FOR DETERMINING THE REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE DIRECTOR.**

9. The following principles shall be leading in determining the remuneration of members of the Board of Directors and the Executive Director:

9.1. The salaries and bonuses of the members of the Board of Directors and the Executive Director of the Company shall be determined by the Annual General Meeting of Shareholders.

9.2. Fixed remuneration

(1) The members of the Board of Directors and the Executive Director receive fixed remuneration, which is not formed on the basis of achieved results.

(2) The fixed remuneration is determined in a way that allows the application of a flexible policy by “Sopharma” AD regarding the variable remuneration (when the current policy provides for the receipt of such remuneration), including the possibility that the variable remuneration will not be paid if the results are not achieved, as well as when there is a significant deterioration of the financial condition of the company.

(3) The amount of the fixed remuneration is determined by a decision of the general meeting of the shareholders, in accordance with the requirement of art. 116c, para. 1 of LPOS.

(4) The members of the Board of Directors may be employed by the company under an employment or other type of contract, when the performance of a specific job requires the engagement of professional resources other than those necessary for the performance of their duties as members of the Board of Directors. In these cases, in their capacity as employees / employees of the company, the latter have all the rights under the respective type of contract, incl. the right to receive the social benefits provided for the employees, respectively for the persons employed under the respective type of contract, according to the social program of the company, as well as the standard for the level of the specific position held by them in the management structure of the company. telephone, etc. under./

(5) In cases different than those described in para 4, the members of the Board of Directors may be provided with social benefits such as those available to the employees of the company, namely food vouchers, social supplements /bonuses/, supplementary health insurance, work insurance, use of company car, business phone and the like, according to the terms of their management contracts. These benefits are within the standard for the employees of the company at the management level and their total relative share may not exceed 1/10 of the fixed remuneration of the respective member of the Board of Directors.

### 9.3. Variable remuneration

(1) The variable remuneration represents the payments to a member of the Board of Directors, which are formed on the basis of achieved results.

(2) In connection with the payment of the variable remuneration financial and non-financial criteria for achieved results shall be used.

A) The financial criteria for the achieved results are:

1. The realization of revenues from the ordinary activity of “Sopharma” AD;
2. The realization of a positive gross financial result.

The specific parameters of the financial criteria under item 1 and for each subsequent calendar year shall be determined at the end of the current year by decision of the Board of Directors, on the basis of an analysis of the results achieved by the financial criteria laid down for the preceding year, as well as the approved budget and strategy for the following calendar year. The assessment of the fulfilment of the financial performance criteria shall be carried out annually on the basis of the company's annual financial statements certified by an auditor.

B) The non-financial criteria for achieved results are determined annually by the Board of Directors of “Sopharma” AD, according to the short-term and medium-term development plans of the company. Such criteria could be the implementation of a specific project set out in the company's development plans, improving the working conditions of employees, expanding the production capacity or labor productivity in the company, compliance with applicable rules and procedures and more.

The assessment of the fulfillment of the non-financial criteria for achieved results is performed annually, based on an analysis of the achieved results according to the non-financial criteria set for the previous year.

(3) According to the Articles of Association of the Company, in case of a positive financial result / profit / and by decision of the General Meeting, the Executive Director has the right to receive a one-time remuneration in the amount of one percent of the net profit of the company.

(4) The payment of at least 40% of the remuneration under para 3 shall be rescheduled for a period of three years. The payment of the deferred part of the variable remuneration is made proportionally, in equal monthly installments.

(5) The principles under para 4 will be applied respectively to the members of the Board of Directors in case of a subsequent change in the Articles of Association of the Company, giving them the right to receive variable remuneration linked to the financial result, as well as in all cases in which the General Meeting has adopted a decision for payment of variable remuneration.

#### 9.4. Management guarantee

(1) The Members of the Board of Directors shall provide within 7 (seven) days of their election a guarantee for their management, which shall be determined by the General Meeting of Shareholders and may not be less than their 3 (three) months gross fixed salary. When at the election of the member of the Board of Directors the General Meeting has determined the amount of his remuneration, but has not determined the amount of the guarantee, the guarantee shall be paid in the amount of 3 (three) months gross fixed remuneration of the respective member of the Board of Directors. The guarantee shall be blocked in a bank account in favor of the Company, opened in a bank chosen by the Company and on the territory the country.

(2) In the event the guarantee is not provided within the prescribed period, the respective person shall not receive remuneration as a member of the Board of Directors until the full amount of the guarantee is provided.

(3) The guarantee shall be repaid:

a) in favor of the person who provided it – after the date of the decision of the General Meeting of Shareholders for discharging of liability of the person and after their dismissal from the position;

b) in favor of the Company – after a decision by the General Meeting of Shareholders in the event of determining of caused damages to the Company.

(4) The General Meeting of Shareholders may discharge from liability a member of the Board of Directors in the existence of an Audited Annual Financial Statements for the previous year, approved by the Annual General Meeting of Shareholders and interim financial statements for the period from the beginning of the current year until the last day of the month preceding the month in which the invitation to the General Meeting is published.

9.5. The members of the Board of Directors shall not be remunerated through shares, options on shares or other rights to acquire shares. The remuneration of the Board members shall not be based on changes in the share price of the Company.

10. The principles of item 8 are also applicable to the procurator of the Company.

11. The adoption of the Policy and the amendments thereto shall be included as a separate item on the agenda of the General Meeting of the Company announced in the invitation as per art.115, par.2 of LPOS and adopted by the General Meeting of Shareholders.

## CHAPTER IV. REQUIREMENTS TO THE MANAGEMENT CONTRACTS

**12.** The management contracts concluded on behalf of the Company with members of the Board of Directors shall include a clause allowing the Company to reclaim the variable remuneration paid, based on the principles in art. 9.3. Subject to reclaiming is remuneration paid on the basis of data which subsequently proved to be false. The decision to reclaim shall be taken by the General Meeting of Shareholders.

**13.** Upon early termination of the management contract of a member of the Board of Directors or of the Executive Director, the total amount of compensation payable in respect of the early termination, as well as payments related to the notification period or provisioned in the clause prohibiting working for or as a competitor, shall not exceed the sum of the annual salary paid to the person for two years. Compensations of that type shall not be paid if the contract is terminated due to unsatisfactory performance and / or faulty behavior of a member of the Board of Directors or the Executive Director.

## **CHAPTER V. DISCLOSURE.**

**14.** The disclosure of the Policy and the remuneration practices shall be conducted in accordance to the requirements of Regulation № 48 from March 20, 2013 for the requirements to remuneration, issued by the Financial Supervision Commission. /updated, SN, no. 32 of April 2, 2013, amended and supplemented, no. 41 of May 21, 2019, amended, no. 66 of August 20, 2019, amended and supplemented, no. 61 of July 10, 2020/.

**15.** The Company is required to disclose the Policy and any subsequent amendments of it in a clear and accessible way, without revealing sensitive information or other information that is legally protected.

## **ADDITIONAL REGULATIONS**

**§1.** The present Policy has been developed by the Board of Directors of the public company “Sopharma” AD in accordance with Regulation № 48 from March 20, 2013 of the Financial Supervision Commission /updated, SN, no. 32 of April 04, 2013, amended and supplemented, no. 41 of May 21, 2019, amended, no. 66 of August 20, 2019, amended and supplemented no. 61 of July 10, 2020/ and Article “c” of the Law on Public Offering of securities.

**§2.** This policy was adopted by a decision of the General Meeting of Shareholders of the Company, held on June 28, 2024 by a majority....% of the shares presented at the General Meeting and is effective from the date of its adoption, repealing the Policy for formation of the remuneration of the members of the Board of Directors of “Sopharma” AD, adopted at the General Meeting of Shareholders of the Company, held on September 25, 2020.