



PORTFOLIO MANAGEMENT AND INVESTMENTS

For official use

**INTERNAL RULES
ON SALARY ORGANIZATION
AND STAFF INDUCEMENTS**

2016

CHAPTER ONE GENERAL CONDITIONS

Art.1. Internal Rules on Salary Organization and Staff Inducements /IRSO/ are developed in accordance with:

1. The Labor Code;
2. Ordinance on the structure and organization of the salary of the Council of Ministers from 17.01.2007;
3. Other normative acts on payment, labor and social security relations.

Art.2./1/ With the rules /IRSO/ the MC aims to achieve:

1. Linking wage staff with final performance results of the Management Company "UBB Asset Management" AD/(MC) as a whole.
2. Fair and actual reporting of the volume, complexity and quality of work and personal and collective contribution of staff performance.
3. Increasing staff motivation to achieve high and sustainable results, conscientiously work performance, improving the quality and culture of customer service, devotion and commitment to the mission and goals of MC.

/2/ The achievement of the objectives of the preceding paragraph is through economic means and approaches, regulated as an option in current legislation in the country and the internal rules /IRSO/ of the MC.

Art.3. With these rules are regulated the procedure and manner for:

1. Determination, distribution and control of the wage bill.
2. The structure of staff wages.
3. Determining the starting amounts of basic salaries by position.
4. Determining the amount of additional remuneration for acquired length of service and experience.
5. Determination of work salaries under employment contract.
6. Encouraging staff and sanctions.
7. Determination of other wages.
8. Determining and paying the due individual salaries.

Art.4. Department "Accounting" is responsible for implementing these IRSO and for monitoring its compliance.

Art.4a. /New, Order № 14.3 from 14. 03.2014/ Bonuses shall be distributed to employees only if the MC has a positive financial result for the current year.

Art.4b. /New, Order № 58 of 28. 04.2016/ **/1/** The sum of all bonuses cannot exceed one third of the annual gross salary of the employee.

/2/ In the sum under par. 1 does not include the target awards (pursuant to Art. 14, para. 3 pt. 3), social benefits and remuneration for overtime, night work and duty.

CHAPTER TWO DEFINITION, ALLOCATION AND CONTROL OF FUNDS FOR WORK SALARIES

Art.5./1/ The wage funds (WF) in the MC are part of personnel costs and are determined and

approved by the Board of Directors in the annual budget of MC for the year.

/2/ WF are planned by department "Accounting" taking into consideration the planned number of staff positions and levels, the amount of negotiated wages in jobs and levels, major business and financial goals of UBB AM, the opportunity for payment of additional Christmas salary, the level and trends of remuneration in financial sector, the key economic indicators for the country, based on macroeconomic forecasts and more.

/3/ Within the validated WF under para.1 the Executive Director and the Procurator of the MC approve their diversification by structural units with the budget for the year.

Art.6. On suggestion of the Executive Director and the Procurator and within the approved by the Board of Directors staff costs and due to MC ability, funds for additional financial incentives through bonuses and target awards are determined.

Art.7. With established under Article 5 and Article 6 funds, by planning is ensured the implementation during the year of the planned business and financial objectives and results for the MC in total and its individual departments, to monitor and report real contribution to their achievement.

Art.8. Report on WF (incl. funds for additional incentives through bonuses and target prizes) are the sum of the actual costs for salaries of personnel during the period (month).

Art.9. WF (without the funds for bonuses and rewards) of the MC during a given month of the year cannot exceed their assigned budget for salaries in the same month.

Art.10. In addition planned during the year activities and objectives, changes in the size and structure of the staff or virtually any important changes in economic conditions, objectives or performance of structural units of the MC, identified in the budget of WF, can be adapted to new conditions by decision of the Executive Director and the Procurator and upon proposal of department "Accounting".

Art.11. Department "Accounting" monthly determines ongoing control on wage costs in total for MC and in structural units, by monitoring not to avoid:

1. Changes in staff remuneration determined by the employment contract, except in cases where the established order is received consent from the Executive Director and the Procurator.
2. Concluding additional contracts with employees to perform roles and activities that are part of their job descriptions or assigned by order of the employer in order to effectively increase the working time.
3. Overtime, night work and duty officers in a row, frequency and duration inconsistent with the provisions of the Labor Code, other legal regulation and internal rules /IRSO/ of the MC.

Art.12. The Executive Director and Procurator are liable for improperly exceedment of the approved with the WF budget of the managed by them structure.

Art.13. Determined under this section WF for the MC in total and for structural units are allocated in the following priority order:

1. Salaries under labour contract (including: basic wages under labor contracts, additional payments for acquired length of service and professional experience and additional remuneration for educational and science degree „doctor” or „doctor of science”).

2. Other additional remunerations under LC, appointed by order of the Executive Director and the Procurator or agreed with individual labour contract.
3. Additional material stimulation for reached milestones through bonuses and target awards.
4. Remuneration of the members of the Board of Directors of UBB AM.
5. One-time Christmas wage.

CHAPTER THREE STRUCTURE OF STAFF REMUNERATIONS

Art.14./1/ In UBB AM are determined and paid two types of remunerations:

1. Remunerations with permanent nature and
2. Remunerations with variable, temporary or one-time nature.

/2/ The remunerations with permanent nature are subject to the labour contracts between the employer and the employees and in them are included:

1. Basic salary under an employment contract
2. Additional remuneration for work experience and professional experience
3. Additional remuneration for the educational and scientific degree "doctor" or "doctor of science" related to the work performed by the employee

/3/ Remunerations with variable, temporary or occasional nature are associated with the achieved individual and collective results, the performance of the business and financial objectives of the MC, the market conditions and others, are determined in accordance with the present rules and are applied to them:

1. Short term bonuses – for performance of employees, measured on a monthly/quarterly basis.
2. Year bonuses - for results and performance of employees, measured on an annual basis.
3. Target awards - for outstanding achievements and contributions of employees in the development and implementation of important MC projects, successfully addressing issues in critical situations and deficiency of time and other major MC achievements that require additional efforts, that are not included in the duties and expectations of the employees.
4. Additional fees under LC - for overtime, night work and duty.
5. Other additional remunerations and benefits set by order of the Executive Director and the Procurator or agreed with an individual employment contract.

CHAPTER FOUR DETERMINATION OF THE INITIAL DIMENSIONS OF THE MAIN PAYMENTS BY PURPOSES

Art.15./1/ The starting basic salary for positions in the MC are determined due to a scale, according to the level, which the position has under the National classificatory of the professions and positions in the Republic of Bulgaria.

/2/ The starting basic salary set for the lowest level positions is the minimum insurable wage in basic economic activity and qualifying group of professions.

/3/ The starting amount of basic salaries in positions are reflected in the establishment schedule of the structural units of department of "Accounting" of the MC.

/4/ The particular size of the main salary under labour contract of employee can be changed by the employer over initial amount on the base of an assessment of the individual qualities of the employee, meeting the requirements for the position, shown competence and knowledge, quality

and efficiency of his work and his contribution to the results of the structural unit and the MC.

CHAPTER FIVE DETERMINATION OF THE ADDITIONAL EMPLOYMENT REMUNERATIONS FOR ACQUIRED LABOUR SERVICE AND PROFESSIONAL EXPERIENCE

Art.16./1/ To the employees of the MC is paid an additional monthly salary of acquired length of service and professional experience in percentage of the basic salary, determined by the individual employment contract. In the employment contract or in the additional agreement is written the total remuneration, including basic salary and additional remuneration for acquired length of service and experience.

/2/ Additional remuneration for acquired length of service and experience of employees of MC is determined as a percentage of basic salary as length of service is respected only length of service acquired in a management company, bank or other financial institution and length of service acquired by occupation the same or similar position in another organization or entity in the following scale:

- from 3 to 6 years of service	- 3 percent;
- from 6 to 9 years of service	- 4.8 percent;
- from 9 to 12 years of service	- 6.6 percent;
- from 12 to 15 years of service	- 8.4 percent;
- from 15 to 18 years of service	- 10.2 percent;
- from 18 to 21 years of service	- 12.0 percent;
- from 21 to 24 years of service	- 13.8 percent;
- from 24 to 27 years of service	- 15.6 percent;
- from 27 to 30 years of service	- 17.4 percent;
- from 30 to 33 years of service	- 19.2 percent;
- from 33 to 36 years of service	- 21.0 percent;
- from 36 to 39 years of service	- 22.8 percent;
- from 39 to 42 years of service	- 24.6 percent;
- from 42 to 45 years of service	- 26.4 percent;
- over 45 years of service	- 27.0 percent plus 0.6 percent

for each year of years of service over 45 years.

/3/ The time, recognized for gained length of service and experience in paragraph 2 shall be determined by department "Accounting", based on submitted by the employee original documents for service /occupational license or other official document certifying that/.

/4/ Department "Accounting" keep records of acquired length of service and experience of employees, monitors its amendment and makes changes in the amount of this additional compensation under the scale in paragraph 2.

/5/ The additional remuneration for work experience gained and expertise is paid for actual time worked within their monthly working time only under the main employment relationship.

CHAPTER SIX DETERMINATION FOR SALARIES UNDER LABOUR CONTRACT

Determination of the individual salary under an employment contract

Art.17./1/ Salaries under labor contract are formed from: basic salary on labor contract, additional remuneration for gained years of service and professional experience and additional

remuneration for educational degree „doctor” or „doctor of science”, which is related to the job executed.

/2/ The actual size of the labor salary shall be determined in the contract of employment of the employee under paragraph 1 by the employer.

/3/ The Executive Director and the Procurator can determine personal wages under an employment contract of managers and employees of the MC

Art.18./1/ Additional monthly salary for educational and scientific degree "Doctor" or "Doctor of Science" related to work performed by the employee shall be determined in the following sizes:

1. Fifteen leva - for "Doctor"
2. Fifty leva - for "Doctor of Science"

/2/ In existence of more than one of the grounds under para. 1 the person is entitled to receive extra remuneration with a more favorable rate.

/3/ The additional remuneration under par. 1 shall be paid for the actual working time within the respective monthly working time only under the basic employment relationship.

Review and change of the individual wage under a labor contract

Art.19. The individual salary under an employee's labor contract may be changed:

1. After completing the regular annual review and evaluate the performance of individual goals and tasks of the employees.
2. With a switch to another position.
3. After the expiry of probation.
4. Unilaterally by the employer when making changes in the basic salaries by position levels.
5. Extraordinary at risk of losing key talent or employee of the MC.

Art.20./1/ The annual review is the process of determining the individual amount of the agreed salary at the beginning of the calendar year.

/2/ Individual increase in salary depends on:

1. The amount of individual salary of the employee to the minimum level position they occupy;
2. The increasing budget for salary total for MC and across departments.

/3/ Certain individual salaries remain unchanged until the next annual review, except in cases provided for in Art. 19.

/4/ An annual increase of salaries is not carried out:

1. Employees on probation;
2. Employees in the period of notice for termination of employment;
3. Employees with disciplinary sanctions imposed by the Labor Code.

/5/ Executive Director and Procurator seen to bear responsibility for compliance with the budget and the principles for setting individual salaries.

/6/ Department "Accounting" supervise the process of compliance with the budget and the principles for setting individual salaries.

Art.21. Salary under labour contract can be changed upon promotion in position - reappointment from one job to another that is from a higher hierarchical level. The new salary cannot be lower than the minimum level, provided for the new position.

Art.22. Salary under labour contract can be changed after the expiry of probation. Once the employee successfully completes the probationary period, his salary can vary based on the results shown in compliance with the requirements of Art. 20.

Art.23. Changing the agreed salary can be performed exceptionally by the Executive Director and the Procurator and in cases where a risk is identified by the "loss" of talent or key employee of the MC.

Art.24. In case of unsatisfactory performance or systematic failure by commissioning tasks can be performed redeployment of staff from one position to another lower-level hierarchy. If you reached salary the employee is above the minimum new level, it remains unchanged.

Art.25. When resulting to carry out organizational and structural changes in the ABM carry out the redeployment of staff from one post to another lower-level hierarchy, individual salary under an employment contract remains unchanged in size.

Art.26. In need of extraordinary changes in payment, proposals for changes to be made by department "Accounting", which offers them for approval by the Executive Director and the Procurator.

CHAPTER SEVEN STATISTICS OF PERSONNEL AND PENALTIES

Art.27./1/ In performing business and financial results set out in the budget of the MC, the staff of structural units contributed to the fullest extent of the result achieved is stimulated once by bonuses.

/2/ The amount of the employee bonuses for reached targets are determined with order from the Executive Director and the Procurator.

/3/ /Am., Order № 58 from 28.04.2016/ By decision of the Executive Director and Procurator and bonuses are deprived:

1. Employees with disciplinary sanctions, and officials violated labor discipline or the rules of the Code of Ethics;
2. Employees who work in the implementation of actions committed as a result of which conflicts with customers or clients have filed legitimate complaints regarding the quality of the received / service was not received;
3. Persons who have terminated his employment relationship with MC, as well as employees who have started a procedure for leaving the MC on his own.
4. Employees in probation.

Art.28./1/ To stimulate individual and collective contributions in fulfillment of important MC tasks by order of the Executive Director and the Procurator and able to identify target awards for successfully:

1. Conclusion of projects with large effect for the activity of the MC;
2. Execution of pre-assigned tasks by written order of the Executive Director and the Procurator;

3. Implementation of emergency and non-traditional tasks with importance for the MC;
4. Participation in solving major joint projects and tasks with other organizations outside jobs to contractors.

/2/ The amount of assigned awards in the preceding paragraph shall be determined by the Executive Director and the Procurator, which is coordinated in advance with department "Accounting".

Art.29./1/ In establishing the violation of the volume, timing and/or quality of execution of assigned tasks and failure to set goals or not taking timely action to prevent damage and loss for the MC, the employer is entitled to reduce personal salary of an employee, committed the alleged infringements and damage to MC.

/2/ The decrease in paragraph 1 shall be limited to the prescribed minimum amount , which falls grade of the employee.

Art.30./1/ The bonus system has the following objectives:

1. encouraging increase in sales ;
2. performance indicators set out in the budget of the MC ;
3. promotion of the best achievements.

/2/ The principles of the bonus system are:

1. creating equal opportunities for employees receiving bonuses in accordance with their functions and tasks and their role in business development;
2. a clear link between dependence and implement active sales and receive a bonus;
3. objective and accurate assessment of the results and employee performance;
4. transparency and publicity of achievements and contribution to the overall result.

/3/ Bonuses for direct sales are obtained from employees of the MC if the individual employee has attracted funds to collective investment scheme, managed by the MC or structuring of individual investment portfolio.

/4/ Bonus for sales for each employee is calculated on a daily basis and paid at rate of 100% , at the end of each month , as part of the labor it salary of the employee. The scheme is described in Appendix №1 to these rules/IRSO/.

/5/ For the purpose of stimulating information and reporting data from front office and back office systems of MC is used.

/6/ /New, Order № 14.3 from 14.03.2014/ Bonuses under par. 3 are obtained from the Regional managers just in case the fulfillment of the objectives they have, amounts to at least 90% of its target regions entrusted to the respective Regional Manager.

Art.30A. /New, Order № 14.3 from 14.03.2014/ Regional Manager of the MC are bonused according to Appendix № 2 of these rules/IRSO/.

CHAPTER EIGHT DETERMINATION OF OTHER EMPLOYEE REMUNERATION

Art.31. /New, Order No 58 of 28.4.2016 / Employer provides funds for additional voluntary insurance, additional health insurance and life insurance and accident insurance for employees.

Art.31A. /New, Order No 58 of 28.4.2016 / With the permission of the employer, the employee is entitled to leave for the execution of civil, social and other obligations under Article 157 of the Labor Code, and other types of leave under the Labor Code.

Art.31B./1/ When an employee performs duties of an absent employee, he gets rights and responsibilities of the post, including remuneration, if it is more favorable for him. If the employee during that time performs their job or position, is entitled to additional remuneration, which shall be agreed upon between him/her and the employer.

/2/ The rights under paragraph 1 cannot be used employee who in rank and functions deputy absent.

Art.32./1/ For each working night hours or part thereof between 22:00 am. and 6:00 pm. to employees are paid additional remuneration for night work amounting to 0.25 lev.

/2/ Upon summed time during night hours is converted into daily by a factor of 1.143 /equal to the ratio between the normal duration of daytime and nighttime hours (8h.: 7h.) established for the daily recording of the working time for the workplace/.

/3/ The conversion of the night hours in day of para. 2 relates only to change with 4 and more night hours.

Art.33./1/ Overtime labor is paid with an increase, as follows:

1. 50 percent - work in business days
2. 75 percent - for work during holidays
3. 100 percent for work during the days of public holidays
4. 50 percent - work in summarized calculation of working time

/2/ The increase in paragraph 1 shall be calculated based on earning a salary agreement, determined in accordance with Art. 17 para. 1.

/3/ Overtime is allowed and have only exception to the order of the employer with the knowledge and without objections by the employee outside his normal working hours.

Art.34. For the time, during which the employee is on employer's disposal and are outside the premises of the MC in place, agreed upon between them, shall be paid additional remuneration for each hour or part thereof in amount of 0.10 lev.

Art.35. Additional remuneration in respect of an night work, overtime, public holidays and time on duty is calculated on the basis of data from the primary accountability of MC for time worked by employees /orders, records, schedules, attendance forms and more/.

Art.36./1/ In implementing the business goals and objectives of the MC for the current year by order of the Executive Director and the Procurator to employees shall be paid a one-time sum Christmas salary up to a salary under an employment contract for December month of the year.

/2/ The right to receive a one-time Christmas salary in the amount, determined under paragraph 1, have employees who by 31st of December the current year are in labor relations with UBB AM and have spent over three months in the MC .

/3/ The employees, appointed during September, 24 – December, 31 of the current year, who by December, 31 of the current year are in labor relations with the MC are entitled to a Christmas salary up to a quarter of their salary under an employment contract.

/4/ By decision of the Executive Director and the Procurator and may be deprived of a single Christmas wage employees in paragraphs 2 and 3, which have imposed disciplinary sanctions on LC or started procedure for leaving the MC on his own.

Art.37. For social events within the meaning of Art. 294 of the Labor Code, employer provided funds:

1. To support their employees one-time:

- a/ in marriage - 500 lev;
 - b/ childbirth - 500 lev;
 - c/ death of their husband/wife or child - 1500 lev;
 - d/ under long illness over 30 days /operations and hospitalization and home hospital under control of MCC or TEMP or the relevant health facility/ - 500 lev;
 - e/ retirement during the calendar year employees of MC paid off support for Christmas up to 500 lev, regulations by order of the Executive Director and the Procurator. These one-off benefits are obtained on condition that other employees are paid Christmas salaries;
 - f/ to treat serious illness of a child of an employee shall be paid to the amount of 10 minimum wage for the country, on presentation of invoices and other accounting documents and medical case history.
2. Upon the death of an employee, the employer agrees to pay a lump sum of 1,500 lev to the heirs of the deceased.

CHAPTER NINE

DETERMINATION AND PAYMENT OF INDIVIDUAL LABOUR REMUNERATIONS

Art.38./1/ The individual salaries of employees are determined monthly due to the funds for salaries and include all accrued for the period wages with constant, variable, temporary and one-off nature.

/2/ In determining the individual remuneration for the month is reported the actual hours worked by employees in the period and the time spent in different types of paid or unpaid leave.

Art.39./1/ The labour remunerations of employees are charged centralized and paid monthly at once on the last working day of the month.

/2/ The remuneration for paid annual leave shall be determined in accordance with Art. 177 of the Labor Code and art. 17 and art. 18 of the Ordinance on the structure and organization of wages.

Art.40. Department " Accounting " is responsible for the proper and timely accrual and payment of salaries to the staff of the MC.

FINAL PROVISIONS

§1. All questions related to the determination and payment of salaries of employees of the MC, outstanding current rules shall be decided in accordance with the provisions of the Labor Code and Ordinance on the structure and organization of the salary of Ministers.

§2. Department "Accounting" provides guidance on the application of these IRSO.

§3. These rules are adopted by order of the Executive Director and the Procurator, as amended by Ordinance № 14.3 from 14.03.2014, and entered into force on 01.03.2014 and are effective from 01.03.2014, amended with Order № 58 from 28.04.2016 and are effective from 03.05.2016, amended with Order № 77 from 07.06.2016 and are effective from 08.06.2016 and are amended this way.

Katina Peycheva
Executive Director

Ivan Koutlov
Procurator

SCHEME FOR CALCULATION OF BONUS DIRECT SALES

1. For direct sales are considered privatization of money from customers who are not employees of the Management Company UBB Asset Management or UBB provided management in CIS or individual investment portfolio.

2./Am., Decree No 14.3 of 14.3.2014/ The bonus for direct sales is calculated daily on the net borrowings amounted to 25 % (twenty five percent) of the remuneration for the management of the collective investment scheme, which MC receives and pay at the end of each month (Table 1).

3./Am., Decree No 14.3 from 14.3.2014/ Net borrowings are determined daily based on the net number of units (the number issued to offset the number of repurchased units) and multiplied by the current price of the day.

4. /Am., Decree No 14.3 from 14.3.2014/ For individual portfolios bonus is determined at the end of each month, based on the value of the portfolio (minus logged out funds) and accordingly calculated remuneration MC, described in a contract for trust management of personal investment portfolio. The bonus amounts to 25 % (twenty five percent) of the remuneration for the management of MC.

Table 1

Date	<u>Net number of units</u>	<u>NAV / 1 unit</u>	value	<u>% Of remuneration for ABM day</u>	<u>25 % BONUS employee</u>

SCHEME FOR CALCULATION OF BONUS REGIONAL MANAGERS

1. /Am., Decree № 77 from 07.06.2016/ Subject of the bonus program

- the implementation of each of the regions in the branch network;
- implementation of the regions for which the relevant Regional Manager;
- the performance of the branch network as a whole.
- the revenue performance of the current budget set MC.

2. /Am., Decree No 77 from 07.06.2016 Forming a bonus program

For calculating the final bonus is used on average - weighted evaluation listed in m. 1 results. For each of the parameters in the embodiment has a separate weights (in Tables 1-3), the result obtained must be at least 100% after weighting the results. Upon reaching 100%, regional managers receive the minimum determined bonus upon p.3. When over-performance of the weighted results regional managers receive extra bonus (Table 5). The bonuses will be formed based on weighted results at the end of each calendar quarter.

Once the above conditions are met in the calculation of bonuses into account current and revenue performance of the projected budget of MC. Failing revenue side of the budget the amount of formed above the bonus is reduced by % equal to non-execution of the budget.

Table 1

Weights in the implementation of targets - Regional Manager regions Sofia East, North and South.

Target	Weight in overall performance
Execution of the plan in region North	11%
Execution of the plan in region Sofia East	28%
Execution of the plan in region Northwest	11%
Execution of the plan in region North, Sofia East, Northwest	25%
Execution of the general plan for Branch Network	25%
TOTAL	100%

Table 2

Weights in the implementation of targets - Regional Manager Region South-Central, South and Southeast.

Target	Weight in overall performance
Execution of the plan in region South Central	14%

Execution of the plan in region Southeast	18%
Execution of the plan in region South	18%
Execution of the plan in region: South Central, Southeast, South	25%
Execution of the general plan for Branch Network	25%
TOTAL	100%

Table 3

Weights in the implementation of targets - Regional Manager Region North-Central and North.

Target	Weight in overall performance
Execution of the plan in region Northeast	27%
Execution of the plan in region North Central	23%
Execution of the plan in region: Northeast, North Central	25%
Execution of the general plan for Branch Network	25%
TOTAL	100%

Table 4

Weights in the implementation of targets - Regional Manager regions Sofia west and northwest.

Target	Weight in overall performance
Execution of the plan in region Sofia West	27%
Execution of the plan in region Northwest	23%
Execution of the plan in region: Northwest, Sofia West	25%
Execution of the general plan for Branch Network	25%
TOTAL	100%

Additional performance bonus

Table 5

Over performance	Additional bonus
Over 110%	15%+1.0% for each percent over performance in the interval 110%-120%
Over 120%	25%+1.5% for each percent over performance in the interval 120%-140%
Over 140%	55%+2.0% for each percent over performance over 140%

3. Minimal size of the bonuses (MSB) :

The minimal size of the bonuses for the regional managers amounts to 20% of their annual gross salary, divided in quarters.

4. Payment of the bonuses

The bonuses of the Regional managers are paid with the month remunerations, following the month of the reporting (the quarter).

Katina Psycheva
Executive Director

Ivan Koutlov
Procurator