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**PENSION ASSURANCE COMPANY
DOVERIE AD**

**RULES OF THE OPERATION
OF
FUND FOR DEFERRED PAYMENTS
DOVERIE**

SOFIA, 2022

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I. Definitions of terms and concepts

In the meaning of these Rules:

1. "Insured person" shall mean an individual in the name and in the individual account of whom insurance contributions have been or are being made to the Universal Pension Fund Dobreie for a supplementary life-long old-age pension under the conditions and following the method specified in the Social Insurance Code, the Rules on the Organisation and Operation of the Universal Pension Fund Dobreie and the social insurance contract. Insured persons are also persons for whom insurance contributions have been paid and who receive a one-off or deferred payment from the Universal Pension Fund Dobreie or the Fund for Deferred Payments Dobreie.

2. "Custodian Bank" means a commercial bank with which the Pension Assurance Company Dobreie AD has concluded a contract for custody services and in which, in accordance with the requirements of the Social Insurance Code, are held all assets of the Fund for Deferred Payments Dobreie.

3. "Durable medium" means an instrument which enables the person concerned to store the information addressed to him personally in a manner which is accessible for future reference and for a period of time appropriate to the purposes of the information and which allows accurate reproduction of the stored information.

II. Abbreviations used

SIC - Social Insurance Code

FSC - Financial Supervision Commission

Rules of the UPF Doverie – the Rules on the Organisation and Operation of the Universal Pension Fund Doverie

Regulation No 9 of the FSC dated 19.11.2003 - REGULATION No 9 dated 19.11.2003 on the method and procedure for the valuation of the assets and liabilities of the pension insurance company and of the funds managed thereof, on the value of the net assets of the funds, on the calculation and announcement of the value of a pension unit, on the calculation and comparison of investment properties and on the requirements for the maintenance of individual accounts and analytical accounts in a fund for deferred payments.

Regulation No 52 of the FSC dated 21.10.2016 - REGULATION No 52 dated 21.10.2016 on the method and procedure of charging the fees under article 201, paragraph 1, items 2 and 3 and article 256, paragraph 1, item 3 of the Social Insurance Code, levied by pension insurance companies.

Regulation No 61 of the FSC dated 27.09.2018 - REGULATION No 61 dated 27.09.2018 on the requirements to the advertising and written information materials and web pages of pension insurance companies.

Regulation No 69 of the FSC dated 15.06.2021 - REGULATION No 69 dated 15.06.2021 on the technical interest rates under article 169, paragraph 1, item 3 and paragraph 8, item 3 of the Social Insurance Code and the formulas for calculating supplementary life-long old-age pensions.

Regulation No 70 of the FSC dated 29.06.2021 - REGULATION No 70 dated 29.06.2021 on the requirements for funds to make payments.

III. General provisions

Subject matter

Article 1. These Rules shall govern the business of the Pension Assurance Company Doverie AD (PAC Doverie AD / the Company) in the deferred payment of life-long pensions from the Fund for Deferred Payments Doverie, hereinafter referred to as the Fund for Deferred Payments or the Fund.

Name of the fund for deferred payment

Article 2. The name of the Fund for Deferred Payments shall be Fund for Deferred Payments Doverie, and may be written in Cyrillic and Latin characters.

Establishment and registration

Article 3. (1) The Fund for Deferred Payments is established by a resolution of the Managing board of PAC Doverie AD of 02.09.2021.

(2) The Fund for Deferred Payments is entered with the register referred to in article 30, paragraph 1, item 13 of the Financial Supervision Commission Act by Decision No 667 - FRP of 09.09.2021 of the Financial Supervision Commission and is deemed to have been established upon the issuance of the said decision.

(3) The Fund is registered in the BULSTAT register under company identification code 177521928.

(4) The Fund for Deferred Payments shall be established for a perpetual term.

Management and representation

Article 4. The Fund shall represent a separate property, which shall be managed and represented before third parties by PAC Doverie AD only.

Registered office and principal place of business

Article 5. The registered office of PAC Doverie AD and of the Fund for Deferred Payments shall be in the city of Sofia, Izgrev borough, and the principal place of business shall be in the city of Sofia 1113, 13B, Tintiava Street, entrance A, 7th floor.

IV. Entitlement to deferred payment, conditions for payment and method of determination thereof

Conditions for entitlement to a supplementary life-long old-age pension

Article 6.(1) A person insured with the UPF Doverie shall become entitled to a supplementary life-long old-age pension upon reaching the age referred to in article 68, paragraph 1 of the SIC.

(2) The amount of the supplementary life-long old-age pension may not be less than 15 per cent of the minimum amount of the retirement pension referred to in article 68, paragraph 1 of the SIC at the date of its determination.

Right to deferred payment, conditions for payment and method of determination thereof

Article 7.(1) Where the resources in the individual account of an insured person who has acquired the right to a supplementary life-long old-age pension under article 6, paragraph 1, including after replenishment in accordance with article 40, paragraphs 2 - 4 of the Rules of the UPF Doverie, are not sufficient to allow granting a supplementary life-long old-age pension in the amount referred to in article 6, paragraph 2, but exceed three times the amount of the minimum retirement pension referred to in article 68, paragraph 1 of the SIC as at the date of determination of the value of the funds in the account, the insured person shall be entitled to receive them in instalments.

(2) The deferred payment under paragraph 1 shall be determined on the basis of the funds in the individual account of the insured person in the UPF Doverie, respectively the replenished amount of these funds in the cases under article 1 and in accordance with the procedure laid down in article 40, paragraphs 2 - 4 of the Rules of the UPF Doverie, taking into account the funds transferred under article 172 of the SIC.

(3) The period of deferred payment under paragraph 1 may be one, two, three, four or six months, and where the period chosen is greater than one month, the maximum and minimum amounts referred to in paragraph 4 shall be increased twofold, threefold, fourfold or sixfold, respectively.

(4) The monthly amount of the deferred payment under paragraph 1, at the date of conclusion of the deferred payment agreement, may not exceed the minimum amount of the retirement pension under article 1 of the SIC on the same date and may not be less than 15 per cent of its amount.

(5) The guaranteed amount of the deferred payment under paragraph 1 shall be equal to that calculated on the basis of the gross amount of the insurance contributions paid in accordance with article 40, paragraphs 2 - 4 of the Rules of the UPF Doverie. At the time of the last payment, the sum of this and all previous payments may not be less than the amount guaranteed under the first sentence.

(6) The Company shall make the deferred payments under paragraph 1 upon transfer to the Fund for Deferred Payments of the accumulated funds in the individual account held with the UPF Doverie or of the replenished amount of funds in the cases under article 1 of the Rules of the UPF Doverie.

(7) The funds referred to in paragraph 6 shall be transferred:

1. on the day of conclusion of the deferred payment agreement and their amount shall be determined by multiplying the number of units available in the individual account held with the UPF Doverie, respectively the supplemented number under article 40, paragraph 4 of the Rules of the UPF Doverie, on the day of conclusion of the deferred payment agreement, by the value per unit applicable for the business day preceding the day of transfer, or

2. on the business day following the date of conclusion of the deferred payment agreement at the latest, in which case the funds in the insured person's individual account with the UPF Doverie, respectively the replenished amount of funds in the cases under article 1 of the Rules of the UPF Doverie as at the date of the agreement shall accrue as a liability of the UPF Doverie to the Fund for Deferred Payments on the day of conclusion of the agreement. The amount of the funds shall be determined by multiplying the number of units available in the individual account, respectively the supplemented number under article 40, paragraph 4 of the Rules of the UPF Doverie on the day of conclusion of the deferred payment agreement, by the value per unit applicable for the business day preceding the day of conclusion of the agreement.

(8) The deferred payments granted under paragraph 1, respectively the updated and recalculated deferred payments, may not be changed, except in the case of an update under article 13 and a recalculation under article 14.

II. Procedure, method and terms of the deferred payment

Procedure for disbursement of the deferred payment

Article 8.(1) The insured person shall, in order to be granted the deferred payment, submit an application in accordance with the Company's template, in which he shall indicate the term and period of payment he has chosen, based on the information received from the PAC Doverie about the different options of deferred payment.

(2) The application under paragraph 1 shall be submitted at the Company's office, by the insured person himself.

(3) Upon submission of the application under paragraph 1, the insured person shall identify himself by producing an identity card or other official identification document.

(4) The application signed by the insured person under paragraph 1 shall be accepted by an employee of the Company, who shall assign it a reference number and date and register it in the Company's information system.

(5) The Company shall, following the registration under paragraph 4 and on the same date, issue an order granting the deferred payment, which must contain:

1. names according to the identity document, personal number or similar data and date of birth of a foreign national;

2. date and reference number of the application under paragraph 1;

3. the amount of the funds, the number of units in the individual account of the insured person in the UPF Doverie, respectively the supplemented amount of the funds in the cases under article 40, paragraph 1 of the Rules of the UPF Doverie and the supplemented number of units under article 40, paragraph 4 of the Rules of the UPF Doverie, and the value of one unit at the date of conclusion of the deferred payment agreement;

4. the amount, term and period of the deferred payment;

5. the starting date of the deferred payment.

(6) The order shall be made available to the insured person who, having read its contents and if in agreement with the amount, term, period and all other parameters of the deferred payment specified in the order, shall sign and date the receipt thereof.

(7) The order shall be signed in two identical copies, one for the insured person and one for the Company.

Deferred payment agreement

Article 9.(1) The deferred payment shall be a contractual payment of the amount transferred to the Fund for Deferred Payments, accumulated in the individual account of the insured person held with the UPF Doverie, made in several instalments of equal amount and in equal periods.

(2) The deferred payment agreement shall be concluded between the Company and an insured person who has acquired the right to a supplementary life-long old-age pension, who has submitted an application under article 8, paragraph 1 and has signed the order under article 8, paragraph 5.

(3) The deferred payment agreement shall be executed in writing and shall contain:

1. the name and company identification code of the deferred payment fund;

2. the number, date of conclusion and entry into effect, and duration of the agreement;

3. the name, registered office, principal place of business, business registration details, number and date of the pension licence and the company identification code of PAC Doverie AD;

4. the name of the person referred to in paragraph 2 as per his identity document, the personal number or similar data and the date of birth of a foreign national, the number, date and place of issue of the identity card or identity document of the foreign national (type, series, number, date and place of issue, validity period), permanent and current address;

5. payment plan;

6. the order and method of disbursement of the periodic payments;

7. the rights of the heirs of the person receiving the payment;

8. the procedure and method for provision of information to the parties to the agreement;
9. deferred payment costs;
10. the terms, conditions, procedure and method of amendment and termination of the agreement;
11. the guaranteed payment amount referred to in article 7, paragraph 5.

Amendment, supplement and termination of the deferred payment agreement

Article 10.(1) Amendments and supplements to the deferred payment agreement shall be made by an additional written agreement signed by the parties thereto.

(2) Amendments and supplements to the terms and conditions of the Rules under article 144a, paragraph 2, items 1, 2, 7, 8, 9, 10, 14, 15 and 16 of the SIC and changes resulting otherwise in a reduction of the fee levied or an increase in deferred payments shall apply to the insured person and his/her heirs without need to enter into an additional agreement with him/her.

(3) Amendments to regulations which have entered into effect after the conclusion of the deferred payment agreement and which create mandatory provisions concerning its content shall become part of the agreement content without need to enter into additional agreement thereto.

(4) The Deferred payment agreement shall be terminated upon:

1. death of the payee;
2. expiry of the term of the periodic payment.

(5) The specific date from which the contract shall be terminated under paragraph 4 shall be, as follows:

1. in the cases referred to in paragraph 4, item 1 - from the date of death;
2. in the cases referred to in paragraph 4, item 2 - from the first day of the month following the month in which the periodic payment expired.

Disbursement and repayment periods

Article 11.(1) The deferred payment shall be granted from the first day of the month following the month in which the deferred payment agreement has been concluded.

(2) The deferred payment shall be paid from the 10th to the 15th day of the month to which it relates:

1. to a personal payment account, designated by an International Bank Account Number (IBAN), maintained by a payment service provider licensed by the Bulgarian National Bank or by a branch of a payment service provider operating on the territory of the country, or,
2. by postal order.

(3) Where the disbursement of the deferred payment is made abroad, the personal payment account referred to in paragraph 2, item 1 shall be held by a licensed provider in accordance with the legislation of the foreign country.

(4) Where the period of a deferred payment is greater than one month, it shall be paid from the 10th to the 15th day of the last month of the period.

(5) The method of payment under paragraph 2, items 1 or 2 chosen by the person receiving the deferred payment shall be specified in the deferred payment agreement.

Cost of disbursement of the deferred payments

Article 12.(1) The costs of disbursement of the deferred payment in accordance with article 11, paragraph 2, in the amount of the actually paid costs, but not more than one lev per transaction, shall be borne by the Fund for Deferred Payments.

(2) In the event that the costs actually incurred for the disbursement of a deferred payment exceed the amount referred to in paragraph 1, the Company shall reimburse the Fund for Deferred Payments for the excess of costs incurred in accordance with article 11, paragraph 2.

(3) The costs of disbursement of a deferred payment under article 3 shall be borne by the person receiving the deferred payment.

III. Terms and conditions and procedure for deferred payments updating and recalculation

Update

Article 13.(1) The deferred payments granted shall be updated annually, from the first day of April, and the guaranteed amount under article 7, paragraph 5, shall not change.

(2) The deferred payments shall be updated on an annual basis according to the return of the Fund for Deferred Payments realised on the investment during the period to which the update relates.

(3) The deferred payments update shall be made by not less than 50 percent of the realised return on the investment of the Fund for Deferred Payments' resources during the period to which it applies.

(4) The specific percentage, within the limit of paragraph 3, by which the update shall be made in the relevant year, shall be determined by a resolution of the Company's Managing board.

(5) (new - 11.08.2022) Each deferred payment shall be updated by a percentage calculated on the basis of the decision referred to in paragraph 4 and depending on the time, in number of days, during which the funds of the insured person concerned were managed by the Fund for Deferred Payments during the period of the update.

(6) (new - 11.08.2022) In order to reduce to an equal basis and to account for the time under paragraph 5 during which the funds of the insured person concerned are managed by the Fund for Deferred Payments, the interest convention "Real number of days under paragraph 5/Real number of days in the update period" shall apply.

(7) (former paragraph 5 - 11.08.2022) The amount of deferred payments may be reduced as a result of an update only after full payment of the funds in the analytical account under article 63, paragraph 3, item 2 of the Rules of the UPF Doverie and may not be lower than the guaranteed amount under article 7, paragraph 5.

Recalculation

Article 14.(1) A deferred payment granted to a person who engages or continues to engage in an employment activity for which he or she is subject to insurance in a universal pension fund may be recalculated not more than once within a calendar year, on the basis of the accumulated amounts of the insurance contributions, or part thereof, credited to the individual account of the person held with the UPF Doverie after:

1. conclusion of the deferred payment agreement;
2. previous recalculation of the deferred payment;
3. one-off or deferred payment under article 48, paragraph 1, item 1 of the Rules of the UPF Doverie.

(2) The recalculation under paragraph 1 shall be carried out on the basis of an application submitted by the person as per the Company's template.

(3) The application shall be submitted and accepted as provided for and according to the procedure laid down in article 8, paragraphs 1 to 4, and where the person wishes to get the received deferred payment recalculated on the basis of part of the funds referred to in paragraph 1, the application shall specify the specific amount of those funds.

(4) The recalculation shall take place from the first day of the month following the month in

which the application is submitted.

(5) The funds on the basis of which is carried out the recalculation shall be transferred from the individual account of the person held with the UPF Dovereie to the Fund for Deferred Payments on the date referred to in paragraph 4, and where it is a day off - on the first business day following that date.

(6) The amount of the funds referred to in paragraph 5 shall be determined by multiplying the number of units in the individual account of the person held with the UPF Dovereie available on the date referred to in paragraph 5 or part thereof, where the recalculation only concerns part of the funds in the account, by the value per unit applicable for the day preceding the day of the transfer of the funds to the Fund for Deferred Payments.

(7) On the day the funds are transferred, the Company shall issue a deferred payment recalculation order, which must contain:

1. the name as per the identity document, the personal number or similar data and the date of birth of a foreign national;
2. the date and reference number of the application referred to in paragraph 2;
3. amount of the funds, based on which is made the recalculation, the number of units and the value per unit;
4. the recalculated amount of the deferred payment;
5. the starting date of the recalculation.

(8) Within seven days from the date of the order under paragraph 7, an additional agreement to the deferred payment agreement shall be signed with the person named therein for the recalculation made.

(9) The order and the supplemental agreement shall be handed in to the person who, after reading their contents and if in agreement with the revised amount and all other parameters set forth in the order and the additional agreement, shall sign them and date the order upon receipt thereof.

(10) The order and the additional agreement shall be signed in duplicate, one for the person and one for the Company.

IV. Suspension, resuming and termination of the deferred payment disbursement

Suspension and resuming the deferred payment disbursement

Article 15.(1) The Company shall suspend the disbursement of the deferred payment when:

1. it was granted as a result of a manifest error of fact;
2. it was granted as a result of a clerical error in calculating the amount thereof;
3. an error was made in the payment.

(2) The Company shall correct a manifest factual and technical error under paragraph 1 within 15 days of discovery thereof, after which it shall resume the disbursement of the deferred payment.

(3) In the cases of paragraph 1, where the deferred payment has been underpaid, the difference shall be paid in arrears within a period not exceeding 1 year from the date of disbursement of the deferred payment.

(4) In the cases of paragraph 1, where the deferred payment has been overpaid, the difference shall be refunded by the person, as follows:

1. By means of a single payment within 30 days from the date of the written notification, or
2. By deduction from the deferred payment, in an amount not to exceed 20.0 percent of the corresponding monthly payment, until the full amount is recovered.

(5) In the cases of paragraph 1, where a one-off sum has been paid in a lesser amount to the heirs of a person, receiving a deferred payment, the difference shall be paid within a period not exceeding 1 year from the date on which the error was discovered.

(6) In the cases of paragraph 1, where a one-off sum has been paid in a larger amount to the heirs of a person, receiving a deferred payment, the difference shall be repaid by the person who received the one-off payment within 30 days of the date of written notification. After the expiration of the 30-day period, the Company shall seek reimbursement of amounts due through the courts.

(7) The Company shall suspend and resume the disbursement of the deferred payments by means of an order.

(8) The person may lodge an objection with the Company against the order within 15 days from the date of receipt thereof. PAC Doverie AD shall take a decision within 15 days from the date of receipt of the objection, by revoking or confirming the order.

Termination of the deferred payment

Article 16. The deferred payment shall terminate on the 1st day of the month following that in which:

1. the person receiving the deferred payment is deceased;
2. the deferred payment period has expired.

V. Objectives, requirements and restrictions in the investment policy of the Fund for Deferred Payments

Measures to prevent conflicts of interest in the investment of the Fund for Deferred Payments' resources

Article 17. In order to prevent conflicts of interest when investing the Fund for deferred payments' resources, PAC Doverie AD shall adopt rules for detection and prevention of conflicts of interest pursuant to article 123e, paragraph 4, item 6, letter "g" of the SIC, as well as rules on the personal transactions with financial instruments, pursuant to article 123f, paragraph 4, item 6, letter "f", of the SIC.

Profitability targets

Article 18. The main objective of the investment policy of the Fund for Deferred Payments shall be to preserve and increase, in nominal terms, the deferred payments to insured persons and their heirs, in the short and medium term, by achieving investment returns in excess of the Fund's expenses, with a specified low to moderate degree of risk.

Risk objectives

Article 19. The Fund for Deferred Payments shall achieve its investment objectives by maintaining a conservative investment portfolio with a low to moderate degree of risk.

Restrictions related to the investment horizon

Article 20. Since the payables of the Fund for Deferred Payments are short and medium term, the time horizon of the portfolio is relatively short - up to 5 years.

Restrictions related to liquidity needs

Article 21. (1) The short-term nature of the accumulated resources in the Fund for Deferred Payments results in significant expected cash outflows and a high current level of liquidity needs.

(2) Current liquidity needs shall be determined on a monthly basis, based on the upcoming cash outflows and inflows related to the investment activities of the Fund for Deferred Payments, potential regulatory changes, and upcoming payments to deferred payments recipients and their heirs.

Tax benefits

Article 22. The yield achieved by the Fund for Deferred Payments shall not be subject to corporate income tax.

Specific requirements to the characteristics of individual classes of assets

Article 23. The specific characteristics of the different classes of asset in which the Fund for Deferred Payments invests are described in Annex No 1 to these Rules.

List of eligible investment instruments and quantitative limits for individual classes and types of assets

Article 24. The list of the investment instruments defined by the law and the quantitative limits for the individual classes and types of assets in which the Fund for deferred payments' resources may be invested is given in Annex No 2 to these Rules.

Quantitative distribution of investments by geographical region and market

Article 25. The allocation of investments, by geographic region and market, is part of the Fund for Deferred Payments' portfolio diversification policy aimed at achieving an optimal balance between return and risk. It is implemented in compliance with the regulatory limits set out in Regulation No 29 on the minimum level of credit ratings of banks and on the identification of countries, international financial organisations, markets and indices of these markets pursuant to article 176(2) of the SIC. Depending on market conditions and development prospects, investments may be made in any of the permitted geographical regions and markets.

Target strategic asset allocation of the deferred fund and minimum and maximum variance limits

Article 26.(1) The target strategic asset allocation of the Fund for Deferred Payments shall consider the return and volatility expectations of the individual asset classes in order to meet the investment objectives of the fund.

(2) The allocation of investments across asset classes is applied to achieve diversification and an optimal risk/return ratio.

(3) The choice of a particular financial instrument is determined by the general market conditions, the unique characteristics of the financial instrument and the expected contribution of the instrument to the structure, return and risk of the investment portfolio.

(4) Deviations from the target strategic allocation, at any point in time, may result from active management of the portfolio in light of the market environment and the attractiveness of different classes of financial instruments, from significant price deviations of financial instruments in the investment portfolio and/or from a change in the amount of the Fund for Deferred Payments' cash as a result of significant cash inflows or outflows related to its activities.

(5) The target strategic asset allocation of the Fund for Deferred Payments and the minimum and maximum deviation limits are set out in Annex 3 to these Rules.

Portfolio diversification by different investment classes

Article 27. The instruments in which the Fund for Deferred Payments' resources are invested shall be selected so as to ensure that the investment portfolio is as diversified as possible and protected from adverse price movements in the financial markets and from material exposure to an individual market sector, geographic region, economic sector, company or issue.

Specific investment strategies or styles

Article 28. The investment portfolio of the Fund for Deferred Payments shall be actively managed, with the portfolio structure changing depending on market conditions and the attractiveness of different classes of financial instruments. Due to the dynamic nature of the market environment, there is no need to apply style restrictions.

Maximum amount of the Fund for Deferred Payments' liquid assets, defined as a percentage of its overall assets

Article 29.(1) The PAC Doverie AD shall analyse the liquidity needs of the Fund for Deferred Payments based on historical cash inflows and outflows, actuarial estimates of future cash inflows and outflows relating to deferred payment recipients and their heirs, and the monthly cash flow forecast relating to its activities.

(2) On the basis of the analysis under paragraph 1, PAC Doverie AD shall determine a minimum and maximum threshold of cash and cash equivalents in the Fund for deferred payments' portfolio.

(3) Fluctuations between the minimum and maximum cash thresholds within the limits specified in Annex 3 to these Rules are permissible at any time and may result from active portfolio management, taking into account the market environment and the attractiveness of different classes of financial instruments at a given time.

Identification of investment risks

Article 30. PAC Doverie AD shall identify, measure and monitor all types of investment risks related to the Company's activities and the individual types of securities in the portfolio of the Fund for Deferred Payments managed thereof.

Portfolio risk profile and risk tolerance

Article 31. PAC Doverie AD shall maintain a low, up to moderate, risk level of the Fund for Deferred Payments' portfolio, consistent with its investment risk and return objectives, and a conservative risk profile.

Rules and procedures for monitoring, assessing and controlling the investment risk

Article 32. (1) The Risk Management Unit shall identify, measure, monitor and participate in the management of the Fund for Deferred Payments' exposure to investment risks, individually and at portfolio level, and shall reconcile and report such exposure against the limits of the SIC, these Rules, the Internal Rules on the Procedures for Monitoring, Measuring and Managing the Risk Related to the Investments of PAC Doverie AD and the funds managed thereof, and the market conditions.

(2) The Risk Management Unit shall prepare analyses and risk assessment reports, proposals for internal limits, restrictions, limit values for different types of risk management risks and shall propose measures to mitigate them.

(3) The Risk Management Unit shall provide written recommendations to prevent or mitigate the occurrence of risks and to address the consequences of adverse events and shall analyse the effectiveness of the risk management actions taken and monitor the implementation of the recommendations.

(4) The organization of the activities and the levels of responsibility for the management of the risk related to the investments of the Fund for Deferred Payments are regulated in the Internal Rules for the Procedures for Monitoring, Measuring and Managing the Risk Related to the Investments of PAC Doverie AD and the funds Managed thereof, as well as in the Rules for the Organization of the Activities of the Investment Committee of PAC Doverie AD, which are intended to ensure the daily monitoring, assessment and management of the risk factors that have an adverse effect on the value of the assets available in the portfolio of the Fund For Deferred Payments.

Methods and periodicity of valuation of the Fund for Deferred Payments' assets

Article 33 (1) The Fund for Deferred Payments shall be kept in levs. The valuation of its assets and liabilities shall be carried out by PAC Doverie AD, as of the end of each calendar month, in accordance with the requirements of article 181 of the SIC and of the Regulation No 9 of the FSC dated 19.11.2003, and with the terms and conditions set out in the Rules for valuation of the assets and liabilities of the payment funds managed by the PAC Doverie AD, adopted by the Managing board of the Company.

(2) The Rules for the valuation of assets and liabilities under paragraph 1 shall be made available to the insured person if he so requests.

VI. Terms and conditions for the maintenance of the analytical accounts held with the Fund for Deferred Payments

Opening and closing the analytical account

Article 34.(1) The analytical account of a person receiving payments from the Fund for Deferred Payments shall be opened on the day of the transfer of the funds referred to in article 7, paragraph 7 to the Fund for Deferred Payments.

(2) The analytical account referred to in paragraph 1 shall be closed upon:

1. termination of the deferred payment agreement in the cases referred to in article 10, paragraph 4, item 2;

2. one-off payment to the heirs of a person who has received a deferred payment under article 43, paragraph 1.

Contents of the analytical account

Article 35. The analytical account referred to in Article 34, paragraph 1, shall contain information on:

1. the name, personal number or similar data and date of birth of the foreign national and the permanent address of the insured person;

2. number and date of the deferred payment agreement;

3. the date and amount of the payments received;

4. date and amount of the payments made;

5. a guaranteed deferred payment amount;
6. deferred payment update data;
7. other information.

Maintenance of the analytical accounts

Article 36.(1) The analytical account referred to in article 34, paragraph 1, shall be kept in lev and the funds transferred and the amounts paid to each person shall be recorded thereon.

(2) The analytical records under article 34, paragraph 1 shall be made by employees designated by written order of the officials representing the Company.

Extract from the analytical account

Article 37.(1) By 31 May of each calendar year, PAC Doverie AD shall provide free of charge to a person receiving payments from a Fund for Deferred Payments an annual statement from his analytical account, detailing the data up to 31 December of the previous year, in a form approved by Regulation No 61 of 27.09.2018 of the FSC.

(2) Except in the case under paragraph 1, a statement of the analytical account shall be provided free of charge upon request of the insured person - within 30 days from the date of receipt of the written request by the Company.

(3) The extract from the analytical account under:

1. paragraph 1 shall:

(a) be sent on paper to the insured person's permanent address;

b) be provided electronically, including by e-mail, on a durable medium or through the website of PAC Doverie AD.

2. the statement under paragraph 2, item 1 shall be provided in the manner indicated by the insured person in the request submitted by him.

(4) The insured person shall choose the method of receiving his statement under paragraph 3, item 1 and shall specify in the deferred payment agreement the e-mail address to which it is to be sent.

(5) Where the insured person has not made a choice in accordance with paragraph 4, the statement shall be sent to him on paper to his permanent address.

(6) The insured person may change the manner of receipt of his statement referred to in paragraph 5 or the choice made under paragraph 4 by a document in a form approved by the Company, which shall be submitted on paper or via Company's website.

X. Terms and conditions to address shortfalls in the Fund for Deferred Payments

Article 38.(1) The actuary in charge of the Company shall:

1. calculate the payables owed to deferred payment recipients and their heirs and the amount of funds required to meet them as at 31 December each year;

2. certify the calculations under point 1 in the Fund for Deferred Payments' annual actuarial report.

(2) The Company shall at all times maintain sufficient funds in the Fund for Deferred Payments, consistent with its overall business, to ensure coverage of the risks assumed.

(3) In the event that the calculation under paragraph 1, item 1 evidences that the amount of the resources available in the Fund for Deferred Payments is lower than the amount of the payables to the persons receiving deferred payments and their heirs, the Company shall replenish the difference with funds from the reserve for guaranteeing the gross amount of the contributions to UPF Doverie, and in the event of a shortage of funds therein - with its own funds.

(4) The replenishment under paragraph 3 shall be made by 31 March of the year following that for which the shortfall is calculated.

(5) The requirements to the formation and maintenance of the Fund for Deferred Payments, the calculation of the required amount of the funds therein and the excess under article 192b, paragraph 6 of the SIC, the replenishment of the fund and the release of funds therefrom shall be determined in compliance with the provisions of Regulation No 70 of 29 June 2021 of the FSC.

XI. Amount of the fee charged by the Company

Amount of the fee and method of calculation thereof

Article 39.(1) The Company shall, for the performance of the business of supplementary compulsory pension insurance and for the management of the Fund for Deferred Payments, collect a fee calculated on the value of the net assets of the Fund for Deferred Payments, depending on the period during which the fund has been managed by it, in the amount of 0.5 per cent per annum.

(2) The fee referred to in paragraph 1 shall be calculated and charged in favour of the Company in accordance with the terms and conditions set out in Regulation No 52 of 21.10.2016 of the FSC.

XII. Rights and obligations of the pension insurance company, persons receiving deferred payment and their heirs

Rights and obligations of the Company

Article 40.(1) In the course of its business PAC Doverie AD shall discharge the obligations and exercise the rights provided for in the SIC, its implementing regulations, its Articles of association, the Rules of the UPF Doverie and these Rules.

(2) In addition to the rights and obligations set out above in these Rules, the Company shall:

1. select and enter into contracts with investment firms, investment advisers and a custodian bank;

2. process the personal data of the insured persons and their heirs, as a data controller, in compliance with the requirements of the General Data Protection Regulation (Regulation (EU) 2016/679), the Personal Data Protection Act and other applicable national and European laws;

3. may not disclose to third parties the information in its possession about insured persons and their heirs, except as provided by law;

4. examine the notifications and complaints received and reply in writing to the persons who have submitted them within 30 days upon receipt thereof.

(3) The original paper and electronic documents, such as applications for funds, deferred payment agreements, orders and other acts of the Company determining the amount of one-off and periodic payments, as well as other documents, data and information relevant to the exercise of the rights of the insured persons or their heirs, shall be kept by the Company for a period of not less than 50 years from the termination of the relevant legal relationship.

Rights and obligations of persons receiving deferred payments

Article 41.(1) Persons receiving deferred payments shall have the respective rights and obligations provided for in the SIC, its implementing regulations, the Rules of the UPF Doverie and these Rules.

(2) In addition to the rights and obligations set forth above in these Rules, persons receiving deferred payments and their heirs:

1. Shall be entitled to:

(a) receive, in accordance with the requirements of the documents referred to in paragraph 1, information that meets the requirements of article 44, paragraph 1;

(b) choose the method of obtaining the information referred to in letter "a" - electronically, including by e-mail, on a durable medium or through the website of the pension insurance company, or on paper. Where the person concerned has not made a choice as to how the information is to be provided, it shall be provided on paper;

(c) receive, upon request, information on the actual returns achieved on their analytical accounts;

(d) be issued, upon request, with a unique identifier that provides them with electronic access to their analytical account data and allows them to make enquiries and track their insurance history;

(e) receive, upon request, within 7 days, a copy of an electronic document in their electronic file, on paper or electronically;

f) submit notifications and complaints regarding errors, omissions and violations in the course of work of the Company's employees, as well as against the refusal to issue them a copy of a document under letter "e";

g) report to the Board of Trustees and the FSC any violations in the Company's business.

2. shall notify PAC Doverie AD of any change in their personal data processed thereof in connection with the disbursement of the deferred payments, submitting also the relevant documents, as well as of any change of other circumstances that are relevant for the fulfilment of its obligations.

Rights of the persons receiving deferred payment in case of reorganisation and winding-up of PAC Doverie AD

Article 42. In the event of reorganisation or winding-up of the PAC Doverie AD the company managing the respective fund with which the Fund for Deferred Payments Doverie has merged or by which it has been acquired shall notify the persons receiving deferred payments of the transfer within one month from the date thereof.

Rights and obligations of the heirs of a person receiving deferred payments

Article 43.(1) Upon the death of a person receiving deferred payments, the balance of the payments due to him shall be paid one-off to his heirs at law, subject to the application of article 3, article 4, paragraph 1 and articles 5 to 10a of the Inheritance Act. The funds due to the descendants of the person receiving a deferred payment who have died after him shall be paid equally to their descendants, the nearest descendants having priority to the others.

(2) After the death of a person receiving a deferred payment, the outstanding amount shall be updated in accordance with the update procedure until the payment due to the respective heir is made.

(3) The renunciation of the inheritance of the deceased shall not divest the heirs of their rights under paragraph 1.

(4) The receipt of funds under paragraph 1 - 2 shall not be considered as acceptance of inheritance.

(5) Where the person has no heirs under paragraph 1, the funds due shall be transferred to the Fund for life-long pension payments Doverie and, where no such fund has been established, to the Guaranteed reserve of the Company in charge of the life-long pension payments.

(6) The one-off payment shall be made following the method and according to the provisions of article 48 of the Rules of the UPF Doverie.

(2) In addition to those referred to in paragraph 1 - 4, the heirs of a person receiving a deferred payment shall have the rights and obligations referred to in article 41, paragraph 2, item 1, letters "a",

"b", "e", "f" and "g", and the obligations under article 41, paragraph 2, item 2.

XII. Procedure and method for provision of information to persons receiving deferred payments and their heirs, as well as for announcements and notices related to the Fund's business

Provision of information to persons receiving deferred payments and their heirs

Article 44.(1) PAC Doverie AD shall provide, in accordance with the requirements of the SIC, its implementing regulations, the Rules of the UPF Doverie and these Rules, to the persons receiving deferred payment and their heirs, information that must:

1. be accurate;
2. be updated regularly;
3. be written in clear, unambiguous, precise and understandable language, avoiding the use of professional jargon and professional terminology if they can be replaced by commonly understood terms;
4. not be misleading and is distinguished by coherence in expression and content;
5. be presented in a way that is easy to read;
6. be provided in Bulgarian;
7. be provided free of charge.

(2) PAC Doverie AD shall:

1. provide the information referred to in paragraph 1 by electronic means, including e-mail, on a durable medium or through its website, or on paper, depending on the choice of the persons. Where the person concerned has not made a choice as to how the information is provided, it shall be provided on paper;
2. provide deferred payment recipients, upon request, with information on the actual yield achieved on their analytical accounts;
3. issue, upon request, to each person, receiving a deferred payment, a unique identifier that provides the person with electronic access to the data in his or her analytical account where are held his or her transferred funds and that allows the person to make inquiries and track his or her social insurance history;
4. provide, upon request, within 7 days, to a person receiving a deferred payment, or his or her heirs, a copy of an electronic document in his or her electronic file, on paper or electronically;
5. send to persons receiving deferred payment, free of charge, by 31 May each year, a statement of the analytical accounts in which their transferred funds are held for the preceding calendar year and shall provide them with information on their analytical accounts on request.

Procedure for announcements and notices relating to the business of the Fund for deferred payments

Article 45.(1) The Company shall publish these Rules and their amendments and supplements on its website at www.poc-doverie.bg on the day of their adoption.

(2) Any other information related to the business of the Fund for Deferred Payments shall be disclosed in an appropriate manner and in accordance with the requirements of Regulation No 61 of the FSC dated 27.09.2018.

XIV. Conditions and procedure for amendments and supplements to the Rules

Amendments and supplements to the Rules

Article 46.(1) Amendments and supplements to these Rules shall be made by a resolution of the Managing board of PAC Doverie AD.

(2) The company shall submit to the FSC the resolution of its Managing board under paragraph 1, as well as the amended Rules, within three working days of resolution adoption.

Preservation of the rights of deferred payment recipients and their heirs before the adoption of the relevant amendment of the Rules and the obligations assumed towards them

Article 47.(1) In case of amendments and supplements to these Rules, the rights of the persons receiving deferred payments and their heirs and the obligations assumed by PAC Doverie AD towards them shall be preserved, unless otherwise agreed with the person concerned.

(2) Amendments and supplements to the provisions referred to in article 144a, paragraph 2, items 1, 2, 7, 8, 9, 10, 14, 15 and 16 of the SIC and changes otherwise leading to a reduction in the fee levied or an increase in payments to persons receiving deferred payment and their heirs shall apply to them without need to enter into an additional agreement.

XV. Transitional and final provisions

§ 1. These Rules were adopted pursuant to article 1 of the SIC, by Resolution under Minutes No 420 of 02.09.2021 of the Managing board of PAC Doverie AD and were amended and supplemented by Resolution under Minutes No 433 of 11.08.2022 of the Managing board of PAC Doverie AD.

§ 2. (1) Upon its establishment pursuant to article 792b, paragraphs 1 and 5 considered together with article 192a, paragraphs 2 - 5 of the SIC, the Fund for Deferred Payments shall be formed by the funds of the persons insured with the UPF Doverie, with whom deferred payment agreements have been concluded, by the end of the third business day after the respective entry of the fund in the BULSTAT register.

(2) The funds in the individual accounts of the persons referred to in paragraph 1, after replenishment, if necessary, in accordance with article 40, paragraphs 2 - 4 of the Rules of the UPF Doverie, shall be charged as a liability of the UPF Doverie to the Fund for Deferred Payments, on the day of conclusion of the deferred payment agreement with the respective person, at the value per unit applicable for the business day preceding the conclusion of the agreement.

(3) The funds accrued under paragraph 2 shall be transferred to the Fund for Deferred Payments, to the analytical accounts of the persons concerned, within three business days after the entry of the fund in the BULSTAT register.

§ 3. Subject to compliance with the principles of article 175 of the SIC, PAC Doverie AD may not apply the restrictions under Annex 2 and Annex 3 within 12 months from the establishment of the Fund for Deferred Payments.

Specific characteristics of individual classes of assets

1. Government securities - Debt securities issued or guaranteed by a government.
2. Corporate Bonds - Debt securities issued and guaranteed by a legal entity.
3. Municipal Bonds - Debt securities issued and guaranteed by a municipality.
4. Shares - securities that carry the right of ownership of the capital of a company limited by shares.
5. Share rights - securities which entitle the holder to subscribe for shares in a public company in the event of a resolution to increase the capital of that company.
6. Stock warrants - securities that give the holder the right to buy a proportionate amount of stock at a specified price, within a specified time period.
7. Collective Investment Schemes - A collective investment scheme is an undertaking organised as an investment firm, a common contractual fund or a unit trust which invests, in securities and money market instruments and other liquid financial assets, cash raised by offering units or shares.
8. REIT - A company limited by shares with a special investment purpose for securitising real estate or receivables.
9. Deposits - money provided for safekeeping in credit institutions and repayable to the depositor on pre-agreed terms.

Eligible investment instruments

Instruments	Restrictions	Comment
1. Debt securities, issued or guaranteed by:		
1.1. Member State, the liabilities of which constitute public debt, or by its central bank	Without restrictions	Up to 20% of the amount of a bond issue
1.2. the European Central bank or the European Investment Bank	Without restrictions	Up to 20% of the amount of a bond issue
1.3. a third country designated by order of the Commission, the liabilities of which constitute sovereign debt, or by its central bank, which are admitted to trading on a regulated market in a Member State or on an official market of a stock exchange or on another organized market in a third country operating regularly, recognised and publicly available	Without restrictions	(a) Unrestricted for investment-grade securities of a single issuer (b) Up to 5% in non-investment grade securities issued by a single issuer (c) Up to 20% of the amount of a bond issue
1.4. a third country outside those referred to in item 1.3, the liabilities of which constitute sovereign debt, or by its central bank, which are admitted to trading on a regulated market in a Member State	Up to 10%	(a) Up to 5% in securities of a single issuer (b) Up to 20% of the amount of a bond issue
1.5. international financial organisations, in which case the securities must have Investment credit rating	Up to 10%	(a) Up to 5% in securities of a single issue (b) Up to 20% of the amount of a bond issue

2. Securities traded on regulated markets and CIS		
2.1. Corporate bonds	Up to 15%	(a) Up to 5% in securities (bonds and shares) issued by a single issuer (b) Up to 20% of the amount of a bond issue
2.2. Shares, preference shares, rights and warrants, collective investment schemes	Up to 20%	(a) Up to 5% in securities (bonds and shares) issued by a single issuer (b) May not acquire more than 7% of the shares of an issuer (c) Up to 5% in CIS managed by the same management company (d) Up to 15% of the shares of a CIF
3. Municipal bonds	Up to 15%	(a) Up to 5% in securities issued by a single issuer (b) No more than 5% of assets may be in bonds not traded on a regulated market (c) up to 20% of the amount of a bond issue
4. Bank deposits	Without restrictions	(a) in banks with a minimum credit rating; (b) up to 5% in one bank
5. Infrastructure bonds	Up to 20%	(a) Up to 5% in securities of a single issuer; (b) Up to 20% of the amount of a bond issue
6. Shares and rights of REITs	Up to 5%	(a) up to 5% in securities (bonds and shares) issued by one issuer (b) may not acquire more than 7% of the shares of an issuer (c) up to 1% in companies with special investment purpose, securitisation claims

7. Assets denominated in currencies other than lev and euro	Up to 20%	With the exception of assets for which there is currency risk mitigation through contracted hedging transactions
8. The total value of the Fund for deferred payments' investments in financial instruments issued by companies of the same group and the persons with which those companies are in close relation	Up to 10%	

Target strategic asset allocation and minimum and maximum deviation limits

Fund for Deferred Payments Doverie			
Instruments	Minimum	Target distribution	Maximum
Cash and cash equivalents	5.00%	12.00%	100.00%
Under items 1.1, 1.2 and 1.3 of Annex 2	0.00%	70.00%	100.00%
Under item 1.4 of Annex 2	0.00%	0.00%	10.00%
Under item 1.5 of Annex 2	0.00%	0.00%	10.00%
Under item 2.1 of Annex 2	0.00%	8.00%	15.00%
Under item 2.2 of Annex 2	0.00%	10.00%	20.00%
Under item 3 of Annex 2	0.00%	0.00%	15.00%
Under item 4 of Annex 2	0.00%	0.00%	25.00%
Under item 5 of Annex 2	0.00%	0.00%	20.00%
Under item 6 of Annex 2	0.00%	2.00%	5.00%