

Company: **Bulgarian Stock Exchange AD**

Control system: **One-tier**

Code under NACE.BG: **6611**

Type of company: **Company with transferable securities traded on regulated markets in the EU**

Code of Good Corporate Conduct approved by the Financial Supervision Commission

The company partially complies with the National Corporate Governance Code.

The Chairman of the Board of Directors is not an independent member, insofar as he is a member of the management body of a person who is in contractual relations with the exchange (exchange member). Nevertheless, the structure of the Board of Directors is in accordance with the requirements of art. 116a¹, para. 2 of the Public Offering of Securities Act (POSA).

The remuneration of the executive management specified in the management contract has no variable component. Depending on the financial results achieved, the Board of Directors may set additional incentives for executive members.

The structure of the BoD is in accordance with art. 116a¹, para. 2 of the Public Offering of Securities Act, but due to the fact that it does not distinguish independent from executive members, the remuneration of the former cannot be determined on the basis of control functions and participation in meetings.

The adopted company Policy for determining the remuneration of the members of the Board of Directors of the BSE does not provide for the possibility of allocating additional incentives to the executive members of the BoD of the company.

The company strictly adheres to best practices regarding disclosure of information, without being formulated in the form of a written policy. Any changes in the disclosure process are authorized by the corporate management.

The Board of Directors has adopted rules for its activities that do not include ethical aspects of it. In 2023, no ethical issues arose between management members, including enforcing compliance with certain written procedures.

The Audit Committee of the Stock Exchange, in accordance with the requirements of the Independent Financial Audit Act, consists of three members: Sirma Ilieva Atanasova, Mariana Stefanova Simova and Radoslav Atanasov Zhelyazov (Decision under item 13 of the agenda of the Annual General Meeting of Shareholders held on 24.06.2021), two of whom are independent. They were elected at the Annual General Meeting of Shareholders (GMS) of the Bulgarian Stock Exchange held on 24.06.2021. The General Meeting held on 07.04.2017 approved the status of the Audit Committee of the company and adopted its Rules of Procedure (Decision under item 10 of the agenda of the Annual General Meeting of Shareholders held on 07.04.2017), and on 24.06.2021 adopted amendments and supplements to the above Statute (Decision under item 14 of the agenda of the Annual General Meeting of Shareholders held on 24.06.2021).

The corporate management follows strict and consistent rules for the organization and conduct of each general meeting (regular or extraordinary). The invitation for a GMS shall be prepared with the maximum degree of detail and in accordance with the regulatory requirements, indicating in detail the proposed draft resolutions and allowing each shareholder to get acquainted in advance with the agenda of the meeting from the moment of its announcement. Written procedures for conducting a GMS have not been prepared because the legal framework has explicitly regulated the basic principles of organization and

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conduct of the General Assembly of a public company, and the specific draft decisions are set out in detail in the invitation.

Any material periodic and incidental information shall be disclosed promptly. The company's activities are carried out entirely in accordance with the current regulations, including the applicable European legislation with direct application in the local legislation. Notwithstanding the above, BSE has developed rules as part of the Quality and Information Security Management and Personal Data Protection Policy, according to which the materiality of any information related to the company is assessed, respectively the need for its disclosure.

The annual and interim accounts are prepared under the supervision of the Executive Director and the Audit Committee, without this being regulated in the form of internal rules.

So far, the company has published only information regarding the work with employees, suppliers and customers, as well as information about the social responsibility of the company. The exchange will focus on disclosure and non-financial information in other aspects of its activities.

BSE has not developed its own rules for taking into account the interests of stakeholders (exchange members, issuers), but when making decisions that directly or indirectly affect these stakeholders, the relevant coordination procedures are carried out.

Any changes in the rules of operation of the Exchange are discussed in advance with professional organizations and participants in the capital market through the relevant consultation procedures.

Compliance with a Code of Good Corporate Conduct other than that approved by the Financial Supervision Commission

The Company does not comply with a Code of Good Corporate Conduct, different from that approved by the Financial Supervision Commission.

Internal control system

The Bulgarian Stock Exchange has established an internal control system that ensures the effective functioning of the reporting and disclosure systems. The internal control system is established and operated in order to identify the risks accompanying the Company's activities and support their effective management.

BSE applies rules and procedures regulating the effective functioning of the reporting and disclosure systems by the company. The rules describe in detail the different types of information created and disclosed by the company, the processes of internal document flow, the different levels of access to the types of information of the responsible persons and the deadlines for processing and management of information flows. The established risk management system ensures the effective implementation of internal control in the creation and management of all company documents, including financial statements and other regulated information that the Company is obliged to disclose in accordance with the legal provisions.

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The main types of risks relevant to the company's activities and their management policy are regulated in Part VI – "Risk Management Rules" of the Rules of Procedure of the Bulgarian Stock Exchange AD.

The risk management policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal acts of BSE. The risk management rules of the Exchange document the measures and procedures for identifying, managing and assessing risks, related to the activity of the Exchange, by the order of art. 168, para. 1 of the Markets in Financial Instruments Act.

A detailed description of the risks inherent in the BSE activity is presented in item 4 "Risk factors" of the registration document (pages 12 – 24), representing Part I of the approved by the Financial Supervision Commission Prospectus by Decision № 816 – PC / 15.12.2010 for admission of BSE shares to trading on a regulated market. The prospectus can be found on the BSE website. (<https://www.bse-sofia.bg/bg/shareholders-rights>)

Governing bodies

Board of Directors – functions and duties:

The Board of Directors of the Bulgarian Stock Exchange manages independently and responsibly the Company in accordance with the established vision, objectives, strategies of the company and the interests of the shareholders.

The members of the Board of Directors shall guarantee their management in an amount determined by the General Meeting of Shareholders at the equivalent of their quarterly gross remuneration.

The Board of Directors of the Bulgarian Stock Exchange AD establishes and controls the strategic directions for the development of the Company.

The Board of Directors of the Bulgarian Stock Exchange has established and follows the company's risk policy. Under the control of the Board, the risk management and internal audit system of the Bulgarian Stock Exchange AD has been established and operates.

The Board of Directors of the Bulgarian Stock Exchange AD complies with the legal and contractual obligations of the Exchange in accordance with the adopted Statute of the Company and the adopted Rules of Procedure of the Board of Directors.

Under the control of the Board of Directors of the Bulgarian Stock Exchange AD, the financial and information system of the Company was established and operated.

The main obligation of the Board of Directors of the Bulgarian Stock Exchange AD is to provide guidance, approve and control the implementation of: the business plan of the Company, transactions of a substantial nature, as well as other activities established in its founding acts.

The Board of Directors of the Bulgarian Stock Exchange has defined and monitors compliance with the Company's policy regarding disclosure of information and investor relations. Provides the shareholders with the information required by the law and the statutes of the Company.

During their term of office, the members of the Board of Directors shall be guided in their activities by the

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generally accepted principles of integrity and managerial and professional competence.

The Board of Directors of the Bulgarian Stock Exchange AD prepares an annual report on its activities and reports to the General Meeting of Shareholders.

Election and dismissal of members of the Board of Directors:

The General Meeting of Shareholders elects and dismisses the members of the Board of Directors of the Bulgarian Stock Exchange AD.

BSE is a regulated market of financial instruments and a market operator within the meaning of art. 152 of the Markets in Financial Instruments Act (MFIA). For the organization and professional performance of activity as a regulated market, a license from the Financial Supervision Commission (FSC) is required. At the same time, BSE is a public company within the meaning of art. 110 of the Public Offering of Securities Act (POSA).

As a regulated market, market operator and public company, BSE is a supervised entity of the FSC and operates in compliance with the requirements of the current national and European legislation, as well as in accordance with good practices and principles of modern corporate governance (National Corporate Governance Code).

With regard to the activity carried out by BSE as a regulated market, special requirements apply to the selection, nomination, election and approval of the members of the management and supervisory bodies of the market operator through a Selection Committee for candidates, which are introduced by Directive 2014/65/EU – Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

The management assignment contracts concluded with the members of the Board of Directors shall specify their duties and tasks, the criteria for the amount of their remuneration, their obligations of loyalty to the Company and the grounds for dismissal.

Structure and competence of the Board of Directors:

The number of members and the structure of the Board of Directors are defined in the Statute of the Bulgarian Stock Exchange AD.

The composition of the Board of Directors elected by the General Assembly guarantees the independence and impartiality of the assessments and actions of its members with regard to the functioning of the Company. The number and qualities of independent directors guarantee the interests of shareholders.

The Board of Directors shall ensure due division of tasks and duties among its members. The executive management of the Bulgarian Stock Exchange AD is composed of independent directors within the meaning of Art. 116a1, para. 2 of the Public Offering of Securities Act, which participate effectively in the work of the Company in accordance with the interests and rights of the shareholders.

The Chairman of the Board of Directors is not an independent member insofar as he is a member of the management body of a person who is in contractual relations with the exchange (exchange member). Nevertheless, the structure of the Board of Directors is in accordance with the requirements of art. 116a1, para. 2 of the POSA. The competences, rights and obligations of the members of the Board of Directors

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follow the requirements of the law, the statutes, the rules of procedure of the Bulgarian Stock Exchange AD and the standards of good professional and management practice.

The members of the Board of Directors of the Bulgarian Stock Exchange AD have the appropriate knowledge and experience that their position requires. After their election, the new members of the Board of Directors are introduced to the main legal and financial issues related to the Company's activities.

The members of the Board of Directors shall have the necessary time to carry out their tasks and duties. The number of companies in the management of which the members of the Board of Directors may participate shall be determined in accordance with art. 158, para. 3 and 4, in connection with art. 14 of the MFIA and art. 20, para. 1, item 12 of the Public Enterprises Act.

The election of the members of the Board of Directors of the Bulgarian Stock Exchange AD shall be carried out through a transparent procedure under the Markets in Financial Instruments Act and in compliance with the Public Offering of Securities Act and the relevant application of the Public Enterprises Act. The procedure shall provide sufficient information on the personal and professional qualities of the candidates for membership. The number of consecutive mandates of the members of the Board of Directors ensures the effective work of the Company and compliance with the legal requirements. According to the Statute of the Bulgarian Stock Exchange AD, the members of the Board of Directors may be re-elected without restriction.

Remuneration of the members of the Board of Directors:

The amount and structure of the remuneration of the members of the Board of Directors shall be determined in accordance with the adopted by the General Meeting "Policy for determining the remuneration of the members of the Board of Directors of the Bulgarian Stock Exchange AD" and the Statute.

In accordance with the legal requirements and the good practice of corporate governance, the amount and structure of the remuneration of the members of the Board of Directors of the Bulgarian Stock Exchange AD shall take into account:

The obligations and contribution of each member of the Board to the activities and results of the Company; The possibility of selecting and retaining qualified and loyal members of the Board of Directors;

The need to align the interests of the members of the Board of Directors and the long-term interests of the Company. The remuneration of the executive management specified in the management contract has no variable component.

In accordance with the adopted Remuneration Policy of the Board of Directors, the company does not provide as additional remuneration to members of the Board of Directors shares, stock options and other appropriate financial instruments.

The statutes do not regulate the procedure for providing and using additional incentives by the members of the Board of Directors. Non-executive members of the Council do not benefit from additional incentives.

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The remuneration of independent directors shall be permanent and shall reflect participation in meetings, the performance of their tasks to supervise the actions of the executive management and to participate effectively in the work of the Company.

The disclosure of information about the remuneration of the members of the Board of Directors of the Bulgarian Stock Exchange AD is presented in the annual report of the Company in accordance with the legal norms and statutes of the Company and the Public Offering of Securities Act. Shareholders have easy access to remuneration information. BSE publishes its annual report on the X3News website and on its website in the sub-section "BSE Reports" of the Investor Relations Section.

Conflict of interest:

Members of the Board of Directors shall avoid and shall not allow any actual or potential conflict of interest.

The members of the Board of Directors shall immediately disclose conflicts of interest and provide shareholders with access to information about transactions between the Company and members of the Board of Directors or persons related to it.

Any conflict of interest in the Company shall be disclosed to the Board of Directors.

The Bulgarian Stock Exchange AD acknowledges and takes into account the practice that a potential conflict of interest exists when the Company intends to carry out a transaction with a legal entity in which:

- a) a member of the Board of Directors or persons related to it have a financial interest;
- b) a member of the Board is a member of the Management Board, the Supervisory Board or the Board of Directors.

Protection of shareholders' rights:

The corporate management of BSE encourages the participation of shareholders in the General Meeting of Shareholders, including by providing the possibility of remote presence through technical means (including the Internet) in cases where this is possible and necessary and does not contradict item 23.2.4. of the National Corporate Governance Code and when a regulatory regulation is created and there is a reliable and secure technical capability.

Committees supporting the activities of the Board of Directors – functions and responsibilities:

The activity of the Board of Directors of the Company is supported by an Audit Committee.

By resolution of the General Meeting of Shareholders of the Bulgarian Stock Exchange of 07.04.2017, on the basis of Article 107 of the Independent Financial Audit Act, an Audit Committee was elected.

Chairman of the Audit Committee is Sirma Atanasova.

Functions and responsibilities of the General Meeting of Shareholders

All shareholders of the Bulgarian Stock Exchange have the right to participate in the General Meeting of Shareholders and express their opinion. Shareholders with voting rights have the opportunity to exercise

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their voting rights at the General Meeting of the Company and through representatives.

The corporate management of the Bulgarian Stock Exchange carries out effective control by creating the necessary organization for the voting of the authorized persons in accordance with the instructions of the shareholders or in the ways permitted by law.

The corporate management of the Bulgarian Stock Exchange AD organizes and conducts the regular and extraordinary General Meetings of the Company's shareholders in compliance with strict rules. They shall ensure equal treatment of all shareholders and the right of each shareholder to express his views on the items on the agenda of the General Meeting.

The corporate management of the Bulgarian Stock Exchange AD organizes and conducts the General Meeting of Shareholders in a way that does not make voting difficult or more expensive.

The corporate management of the Bulgarian Stock Exchange encourages the participation of shareholders in the General Meeting of Shareholders, including by providing the possibility of remote presence through technical means (including the Internet) in cases where this is possible and necessary and does not contradict item 23.2.4. of the National Corporate Governance Code and when a regulatory regulation is created and there is a reliable and secure technical capability.

All members of the corporate management of the Bulgarian Stock Exchange AD attend the general meetings of the shareholders of the Company.

Materials for the General Meeting of Shareholders

The written materials prepared by the Bulgarian Stock Exchange and related to the agenda of the General Meeting are specific and clear and do not mislead the shareholders. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, including the profit-sharing proposal.

The Bulgarian Stock Exchange maintains on its website a special section on the rights of shareholders and their participation in the General Meeting of Shareholders.

The corporate management of the Bulgarian Stock Exchange AD complies with the provisions of the Public Offering of Securities Act and assists the shareholders authorized by the court to include additional issues on the agenda of the General Meeting.

The corporate management of the Bulgarian Stock Exchange guarantees the right of shareholders to be informed about the decisions taken at the General Meeting of Shareholders.

Information under Article 10, paragraph 1, letters (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 for takeover bids

Significant direct or indirect shareholdings within the meaning of Article 85 of Directive 2001/34/EC

There are none.

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The holders of all securities with special control rights and a description of these rights

BSE have no shares that give special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of the holders of a certain percentage or number of votes, deadlines for the exercise of voting rights or systems through which, through cooperation with the company, the financial rights granted to the securities are separated from the holding of the securities in relation to the shares, issued by the Bulgarian Stock Exchange AD.

Restrictions on voting rights

There are no restrictions on the voting rights of the company's shareholders.

Rules governing the appointment or replacement of board members and amendments to the memorandum of association

The rules for the election of members of the Board of Directors of the Exchange are laid down in the Statute of the company. According to Art. 21, item 4 of the Statute of the Stock Exchange, the election and dismissal of the members shall be carried out by the General Meeting of Shareholders. The requirements for the members of the Board of Directors are specified in art. 158 of the Markets in Financial Instruments Act (MFIA). According to the provision of art. 158, para. 3 in relation to art. 15, para. 1 of the MFIA, the change in the composition of the persons, who are members of the managing bodies of the market operator or manage the activity of the market operator, shall be carried out after prior approval by the Deputy Chair of the FSC in charge of the Supervision of the Investment Activities Division.

In 2019, the Public Enterprises Act (PPA) was adopted, under which BSE as a company with over 50% state participation is a public enterprise. The PPA applies insofar as the election and dismissal of the members of the Board of Directors is not regulated by the special laws.

The powers of the company's board members, in particular the right to issue or redeem shares

The powers of the members of the Board of Directors of the Exchange are specified in art. 35 of the company's statute. The right to issue or repurchase shares is within the competence of the General Meeting of Shareholders under art. 21, item 2 of the Statute of the company.

Diversity Policy

Description of the diversity policy:

The Policy for selection of the members of the Board of Directors (BoD) of the Bulgarian Stock Exchange and for promotion of diversity pursued by the Exchange complies with the regulatory requirements to the management and supervisory bodies arising from the transposition of Directive 2014/65/EU (MiFID II) into the Markets in Financial Instruments Act (MFIA) and its implementing acts, as well as the requirements of the Public Offering of Securities Act (POSA), the Guidelines of the European Securities and Markets Authority (ESMA) on the management bodies of market operators and data reporting service providers and Ordinance No 74 of 9.08.2022 on the requirements for the activity of market operators.

Implementation of diversity policy:

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Basic principles that are applied in the selection and evaluation of the members of the Board of Directors are:

- equality between women and men in the selection of members of the Board of Directors;
- equality between women and men in making decisions.

By applying these principles, BSE strives to maintain a balanced gender ratio.

Objectives of the diversity policy:

The purpose of the Policy is to apply the established standards that should be taken into account when appointing new and evaluating existing members of the management body, as well as to ensure diversity in the selection of members of the management bodies, which will ensure a reliable system of management and control, respectively the good corporate governance of the Bulgarian Stock Exchange AD.

Results of diversity policy implementation:

The Board of Directors of BSE consists of 5 (five) individuals with different professional experience, gender and age.