



Policy for selection of the members of the Board of Directors of the Bulgarian Stock Exchange AD and for the promotion of diversity

The policy for selection of the members of the Board of Directors (the Board) of the Bulgarian Stock Exchange and for the promotion of diversity (the Policy) 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.

The purpose of this 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, and respectively the good corporate governance of the Bulgarian Stock Exchange AD (the Exchange, BSE).

This policy defines the functions and responsibilities of the management body of the market operator for both executive and non-executive directorships.

The policy sets out the main guidelines, criteria and principles for ensuring diversity in the selection and assessment of the suitability of the members of the Board of Directors of the Exchange.

The composition of the Board of Directors and the number of persons included in it are consistent with the complexity and scope of the Exchange's activities and ensures the availability of a sufficient level of expertise.

The number of persons in the composition of the Board of Directors is determined in Article 31, paragraph 1 of the Statute of the Bulgarian Stock Exchange AD. The Board of Directors consists of 5 (five) individuals. The composition of the Board of Directors guarantees independence and impartiality of decisions and actions. The members of the Board of Directors have the appropriate knowledge and experience that their position requires.

According to the requirement of Article 116a, paragraph 2 of the Public Offering of Securities Act, at least one third of the Board of Directors on the BSE, in its capacity of a public company, are independent persons.

The members of the Board of Directors, as well as the persons managing the activities of the Exchange, are subject to approval by the Financial Supervision Commission (FSC) prior to their entry in the Commercial Register. In order to determine the composition of the Board of Directors, an assessment of the suitability of the members of the Committee for the selection of candidates is carried out on the grounds of Article 158, paragraph 3, in conjunction with Articles 62 and 63 of the LMFI. Members of the Committee are members of the Board of Directors who are not in executive functions. The Committee shall identify and recommend for approval by the General Meeting of Shareholders candidates for filling vacancies in the Board of Directors, taking into account the knowledge, skills, diversity and experience of the members, prepare a description of the functions and requirements for an appointment and calculate the time expected to be devoted by the future board member.

The election of Board members may not be for the sole purpose of increasing diversity to the detriment of the functioning and suitability of the Board as a whole or at the expense of the suitability of individual members of the Council.

In order to achieve diversity of opinion and experience, the composition of the Board includes people with different professional experience, gender and age.

The Nomination Committee shall set as a target level of representation of the under-represented gender in the Board of Directors two out of five members of the Board of Directors and shall implement a policy to maintain the number of representatives of the under-represented gender in the management in the context of the objectives set and to ensure the optimality of the level of expertise.

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 decision-making.

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

In accordance with the regulatory requirements, the Selection

Committee fulfils its obligations under Article 63, paragraph 3 of the LMFI:

1. analyse at least once annually the structure, size, composition and results of the work of the Board and make recommendations for possible changes;
2. analyse at least once annually the knowledge, skills and experience of the Board as a whole and of the individual members and report to the Board;
3. periodically review the policy applied by the Board of Directors for the selection and appointment of senior management staff and make recommendations to them.

In carrying out its duties, the Nomination Committee shall take into account the need to ensure that the decision-making process of the Board of Directors is not influenced by an individual or a small group of persons in a way that harms the interests of the market operator.

The main criteria in the selection of candidates are the reputation, experience and managerial abilities of individuals.

Good repute exists when there is no evidence to the contrary and the person's conduct does not give rise to any doubts as to the ability to ensure sound and prudent management of the exchange. The information on the basis of which the reputation is assessed includes a CV, a criminal record certificate, a declaration under Article 11, paragraph 1 of Ordinance No 11 of 03.12.2003 on the licenses to operate as a regulated market, market operator, to operate a multilateral trading facility or an organized trading facility, to operate as an investment intermediary, an investment company, an asset management company, a special purpose vehicle, a national investment fund and an alternative investment fund manager (Ordinance No 11), as well as other documents required under the applicable legislation.

The members of the market operator's Board of Directors must also have sufficient knowledge in areas for which they are not directly responsible but are collectively responsible with other Board members.

The Nomination Committee shall take into account both the theoretical knowledge and skills acquired through education and training and the practical experience gained by the potential member of the Board of Directors of the market operator in previous positions. With regard to education, the level of education is taken into account and whether it is relevant to financial services or activities or any other related field of knowledge legally determined. Practical and professional experience, including experience gained in a managerial position over a sufficient period of time, shall be taken into account. The

assessment may take into account short-term or temporary positions, but taking into account whether they are sufficient to accumulate adequate expertise.

Account shall be taken of the length of service, the nature and scale, the complexity of the field of activity in which the person has held a position, the scope of competences, the rights to make managerial decisions. Including knowledge and experience of the financial sphere, financial markets, regulatory framework, strategic planning and risk management.

The criteria for managerial capability include the prevention and detection of conflicts of interest, independence, the ability to perform duties impartially and without undue influence by or on others, the possibility of spending sufficient time, collective knowledge and expertise. When assessing independence, the positions that the person has occupied and the relationship with the other members of the Board of Directors shall be taken into account. Members of the Board of Directors must collectively possess sufficient knowledge, skills and experience necessary to lead the Exchange. Members of the Board of Directors shall have access to the information and documents necessary for the performance of their functions and duties.

The members of the Board of Directors perform their functions honestly, prudently and independently in order to make accurate own judgment of the decisions of the employees performing managerial functions and to exercise effective control and monitoring over the making of management decisions.

BSE ensures that the Board collectively possesses the competence necessary for the performance of its role and its obligations and a sufficient understanding of the market operator's activities and the risks arising from it.

When assessing the collective suitability of the Board, the Nomination Committee shall take into account at least the following areas:

1. any significant activity of the market operator;
2. financial reporting;
3. strategic planning;
4. risk management;
5. the regulatory compliance function and internal audit;
6. information technology and information security;
7. local, regional and global markets, where applicable;
8. the legal and regulatory environment;
9. the management of international and national groups and risks

related to the structure of individual groups, where applicable.

Any person elected as a member of the BSE Board of Directors should understand the activity of the market operator and the risks associated with it, the rules for managing the market operator, the potential position and responsibilities, including the structure of the group, to an extent commensurate with its responsibilities.

BSE provides financial and human resources to ensure the awareness of the newly appointed members of the management body about the activities of the market operator. The newly appointed members of the Board of Directors are introduced into the practices and procedures for work of the management body of BSE and are supported in their initial activities by employees and/or members of the management body appointed by the Board of Directors. If necessary, BSE provides adequate training, in view of possible new needs, in the process of work.

Members of the Board of Directors should be able to devote sufficient time to the proper performance of the functions assigned to them and shall provide a declaration to that end on the possibilities of allocating sufficient time. 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 Article 14 of the MFIA and Ordinance No 74 of 9.08.2022 on the requirements to the activity of market operators.

Assessment of the activities of the Executive Director of BSE is carried out twice a year by the Board of Directors upon submission of a six-month and annual report on the company's activities.

The assessment of the activities of the Board of Directors shall be carried out by reporting once a year to the shareholders of the company at the Annual General Meeting. The activity report is an indicator of the quality of performance of the functions assigned to the Board of Directors. The report must include information about the financial results of the company and the implemented new projects and services. The General Assembly decides to release from responsibility the members of the Board of Directors for their activities for the reporting year.

This policy has been amended and supplemented by a decision of the Board of Directors of BSE under Protocol No 9/20.02.2023.