

# PROGRAM FOR IMPLEMENTING THE INTERNATIONALLY RECOGNIZED STANDARDS FOR GOOD CORPORATE GOVERNANCE

## I. MAIN OBJECTIVES AND PRINCIPLES

By adopting and implementing this Program, the Bulgarian-American Credit Bank AD (“BACB” or the Bank) sets out the following objectives:

1. Protect shareholders’ rights and secure their equal treatment, including the minority shareholders.
2. Ensure a reliable governance and control system for the Bank, focused on creating a long-term increase of shareholders value.

Recognize stakeholders’ rights as per law and encourage cooperation between the Bank and stakeholders to ensure the Bank’s sustainable development

3. Ensure timely and accurate disclosure of information, related to the Bank’s business.

## II. WAYS TO ACHIEVE THE MAIN OBJECTIVES

The existing Bulgarian legislation contains a number of statutory regulations, which contain provisions focusing on ensuring good corporate governance. Some of these are: the Credit Institutions Act, the Commercial Act, the Public Offering of Securities Act, the Accounting Act, the Independent Financial Audit Act, etc. The Bank’s Bylaws comply with all legislative requirements and thus achieve a considerable part of the above objectives.

### II.1. Protect the shareholders’ rights and secure their equal treatment (including institutional investors and minority shareholders)

The **Bank’s** Management Board ensures the equal treatment of all shareholders, including minority and international investors, and is obliged to protect their rights.

For the purpose of ensuring equal treatment of its international investors, the **Bank** endeavors to publish as much information as possible in English as well, whereas this is mandatory for the Financial Statements and the quarterly letters to the shareholders.

In their operations, the **Bank** and its governance bodies are bound to comply with the requirements of the effective Bulgarian laws and the Bylaws, which provide for a number of shareholder rights, the most important being:

- Ensuring the rights of participation in the General Shareholders Meeting, of expression of opinion and of making proposals on the agenda items.

All persons registered in the **Bank’s** Shareholders Ledger, kept by the Central Depository no less than 14 days prior to the General Meeting are entitled to vote at the **Bank’s** General Shareholders Meeting.

Shareholders may vote on matters within the competence of the General Shareholders Meeting, including allocating profits, increasing and/or reducing the Bank’s equity, amending the Bank’s Bylaws, electing and dismissing Supervisory Board members, electing the Specialized Internal Audit manager, relieving Supervisory Board and Management Board members from liability, determining

the remuneration and the management guarantees of the Supervisory Board and Management Board members, approving the Bank's Annual Financial Reports, and approving the Report of the Bank's Registered Auditor, etc.

N.B. The shareholders may partake in the General Meeting via proxy whereas pursuant to the requirements of the Bank's Bylaws and the Commercial Act, the Power-of-Attorney is to be in writing, certified by a Notary Public and signed personally by the authorizer. The Power-of-Attorney must meet the other requirements as per Art. 116 of the POSA (Public Offering of Securities Act) and the respective regulation for the minimum contents of the power of attorney for representation of a shareholder at of the general meeting of the shareholders of the company.

The Management Board organizes the proceeding of the General Shareholders Meeting in strict compliance with the **Bank's** Bylaws and the effective Bulgarian laws, endeavoring to guarantee fair treatment of all shareholders.

Shareholders, who have held shares, representing at least 5% of the Bank's capital for more than three months have the right as per art. 223a of the Commercial Act to propose the inclusion of additional or other matters in the General Meeting's agenda, after the publication of the Invitation Calling the General Shareholders Meeting in State Gazette. In this case, the Management Board ensures the right to information to all shareholders by distributing the additional written materials, related to the new items on the agenda.

The Supervisory Board and Management Board members reply truly and thoroughly to the questions of the shareholders related to the economic and financial condition and business activity of the Bank, except for facts and circumstances, which may be deemed insider information. The shareholders may ask questions related to the economic and financial condition and business activity of the Bank no matter whether they are on the agenda.

- Right to information;

The Invitation Calling the General Shareholders Meeting and the agenda are published in the State Gazette and in one central daily newspaper at least 30 days prior to the General Shareholders Meeting day.

At least 45 days prior to the General Shareholders Meeting day, the Bank sends the invitation for the General Meeting of the Shareholders and the written materials, related to the agenda to the Financial Supervision Commission, the Bulgarian Stock Exchange – Sofia, and the Central Depository. The written materials concerning the agenda are available to the shareholders and upon request are provided free of charge to each shareholder. In addition, the shareholders may obtain the materials from FSC and BFB.

The Management Board prepares specific and unambiguous texts for the written materials, also in English, if possible, whereas any proposals concerning major corporate events, e.g. profit allocation, are presented as separate items in the agenda.

Within 3 days of the General Meeting, the Bank sends minutes from the meeting to the Financial Supervision Commission and Bulgarian Stock Exchange – Sofia. Each shareholder is entitled to examine the minutes and receive a copy of these. The Bank notifies FSC and BSE about the decisions taken at the General Meeting of the Shareholders that relate to facts and circumstances representing inside information as per art. 4 of the Market Abuses with Financial Instruments Act not later than the end of the business day following the day the decision was taken.

- Right to dividend when allocating the **Bank's** profits;  
Entitled to receive a dividend are the persons entered in the **Bank's** Shareholders Ledger kept by the Central Depository 14 days following day of the General Shareholders Meeting where the Annual Financial Statement was accepted and a resolution for allocating the profits was passed;

The **Bank's** Management Board arranges the payment of dividends through the Central Depository to the persons entitled thereto.

- Right to purchase new shares;  
As a rule, when the **Bank** increases its equity by issuing new shares: the hitherto shareholders are entitled to a first offer for a proportion of the new shares corresponding to their holding at that particular time, the objective being that the shareholders preserve their share interest in the **Bank's** equity following the issue of new shares. Bulgarian law foresees restrictions of this rule only in cases strictly defined by the law, these being thoroughly listed in POSA and the **Bank's** prospectus.

The Management Board ensures timely dissemination of the necessary information related to the equity increase via new share issue for the purpose of promptly and thoroughly notifying the shareholders with regard to their rights.

The equal treatment of all shareholders of the **Bank** (including the institutional investors and minority shareholders) is secured by the following:

- The shares of the **Bank** are ordinary, book-entry, registered, freely transferable, giving one voting right each. All shares rank *pari passu* amongst themselves with no preferential rights attached to any of the shares. The right to vote at the General Shareholders Meeting arises after the shares are paid up; the only restriction on exercising the right to vote concerns the shares acquired less than 14 days before the General Shareholders Meeting day; the Shareholders Ledger is kept at the Central Depository AD.
- Each shareholder of the **Bank** has the right to make proposals on the items on the agenda approved by the Supervisory Board regardless of the number of shares they possess;
- An Investor Relations Officer appointed on a labor contract checks for: ensuring the rights of all shareholders, providing information for all issues regarding the **Bank's** activities that is not inside information as per the POSA and for whose disclosure no legal restrictions or restrictions from FSC exist. The Investor Relation Manager prepares a report on his/her activity that is to be presented to the shareholders at the General Shareholders Meeting of the **Bank**.

### II.2.1. Ensuring a reliable governance and control system for the **Bank**

The effective Bulgarian laws and the Bylaws of the **Bank** stipulate a number of significant actions in this regard:

- The members to the **Bank's** Supervisory Board are elected and dismissed by, and accountable to the General Shareholders Meeting;

The Management Board is obliged to publish in due time the materials concerning the General Meeting agenda, wherewith to provide the shareholders with timely and accurate information concerning the election.

- A third of the **Bank's** Supervisory Board members are always and obligatorily independent persons in the meaning of the POSA;
- The Boards' members possess the required expertise to carry out their duties at the **Bank**. In order to be elected a member of the Management Board the candidate should hold a certificate, issued by the Bulgarian National Bank as per the Credit Institutions Act;

- In their operations, the Boards members are obliged to perform their duties with due diligence, to protect the Bank's and the shareholders' interests, use only such information they have grounds to deem accurate and complete and display loyalty to the **Bank** and to all shareholders.
- The Boards members are obliged to avoid direct or indirect conflict between their interest and the **Bank's** interest, and should such conflicts arise or a Board member is interested in executing a business transaction with the **Bank** – to promptly disclose these in writing to the Management Board and abstain from participating both in the negotiations and the discussing and making of decision, as well as not influence the other Boards members in making decisions in such cases.
- The Boards members are obliged not to disclose non public information for the **Bank** until it becomes public.
- The Boards members are obliged to once annually declare their interest in business companies in the capacity of general partners, the holding of more than 25 per cent of another company's equity, as well as their participation in the management of other companies or cooperatives as procurators, managers, or Board members
- The Supervisory Board is a **Bank** body performing general supervision and preliminary, follow-up, and current control over the operations of the **Bank's** Management Board. The Supervisory Board is entitled to access to the entire information concerning the **Bank** and may at any time demand that the Management Board or any company employee supply information or reports on any matter concerning the **Bank**.
- The Supervisory Board's competence also includes approving the **Bank's** business strategy, a triennial Business Plan, an annual Business Plan, as well as amendments thereto. The Supervisory Board also approved the organizational structure of the Specialized Internal Audit Service, the bylaws and the annual operational plan for this Service.
- The Management Board resolves on all other issues not within the exclusive competence of the General Meeting and the Supervisory Board. The Management Board arranges for and directs the execution of the resolutions passed.
- The Management Board drafts the **Bank's** management and activity report to be adopted by the General Shareholders Meeting, with a minimum content as per the statutory regulations, this report being a part of the **Bank's** Annual Financial Report. The Annual Report also contains a report on the implementation of this Program, as well as specific measures to improve the **Company's** management.
- The Management Board reports at least once per quarter to the Supervisory Board on its operations. The Management Board immediately notifies the Supervisory Board Chair of the occurrence of any circumstances material to the **Bank**, as well as of any resolution requiring approval by the Supervisory Board.
- **The Bank** has adopted rules governing the procedure for disclosing conflicts of interest and ensuring trust.
- Some transactions for large amounts governed art. 114 of the POSA may not be executed by the persons managing and representing the **Bank** without an explicit authorization to that effect by the General Shareholders Meeting (Art. 114 of the POSA). The Management Board monitors compliance with art. 114 of the POSA.

## **II.2.2. Warranties on the part of the Supervisory Board and the Management Board for the Company's business**

1. The Boards members hereby warrant that their operations regarding the corporate and operational management of the **Bank** will be fully justified and faithful, will be carried out in due diligence, and will be to the **Bank's** and shareholders' best interest.
2. The Boards will endeavor that their resolutions do not affect the **Bank's** individual shareholders in a materially different manner.
3. The Boards will ensure compliance with the provisions of the effective Bulgarian laws, the **Bank's** Articles, and its Bylaws, and will ensure the timely updating thereof upon occurrence of material changes.

4. With a view to the efficient conduct of their duties, the Board members will allocate sufficient time for the performance of their duties.
5. In performing their duties, the **Boards** members are to have at their disposal information, which they have grounds to deem accurate, up-to-date, and timely.

### **II.3.1. Ensuring the timely and accurate disclosure related to the Bank's business**

The Management Board provides the shareholders and the investor community with a regular and timely disclosure of information regarding major corporate events related to the **Bank's** business and status in an easy and accessible manner.

The Boards ensure equal treatment of all shareholders as regards disclosure of information by disclosing the inside information as per art. 4 of the Market Abuses with Financial Instruments Act to all shareholders.

It is mandatory that the **Bank's** Annual Financial Statement be certified by an independent registered auditor. The **Bank's** auditors are appointed by the General Shareholders Meeting.

The **Bank** hires under a full-time employment contract an Investor Relations Officer (IRO), who must possess the required characteristics and expertise to effectively perform his duties.

To ensure the timely and accurate disclosure of information, the following major groups of duties of the Boards and the IRO are singled out:

a/ An obligation to disclose information directly to the **Bank's** shareholders and investors.

The **Bank's** shareholders have the following rights:

- To obtain thorough and timely information pertaining to sessions of the General Shareholders Meeting, including information concerning the day, time, and location where the General Meeting is held, the General Meeting agenda, specific resolutions proposed on each agenda item, information pertaining to the procedure for exercising the shareholders' voting rights. The exercise of this right is warranted by promulgating in the State Gazette an Invitation Calling the General Shareholders Meeting no later than 30 days prior to the General Meeting day, and by publishing said invitation in one national daily. After the enforcement of the Commercial Register Act the Bank shall be obliged to announce the invitation calling the general shareholders meeting in the Commercial Register and in a central daily newspaper not later than 30 days before the date of the General Shareholders Meeting date;
- The **Bank's** Boards members are obliged to reply truthfully, thoroughly, and essentially to the shareholders' queries brought up at the General Meeting, including with regard to the **Bank's** economic and financial status, and business operations. The circumstances constituting inside information as per art. 4 of the Market Abuses with Financial Instruments Act are exceptions. The shareholders may put forward such queries whether or not related to the meeting's agenda;
- IRO is obliged to carry out an efficient relation between the Bank's governance bodies and its shareholders, as well as the persons stating their interest in investing in Bank's securities, whereas for the purpose IRO is to provide the above persons with information pertaining to the **Bank's** current economic and financial status, as well as any information these persons are entitled to as per law in their capacity of shareholders or investors in compliance with the effective Bulgarian laws.

**b/** An obligation to disclose information to the Financial Supervision Commission, to Bulgarian Stock Exchange – Sofia AD, and/or to Central Depository AD.

- The **Bank** provides to the Financial Supervision Commission and to Bulgarian Stock Exchange – Sofia AD: a) at least periodic reports with their minimum content as prescribed by the statutory regulations, b) notifications for inside information as per art. 4 of the Market Abuses with Financial Instruments Act which is directly related to the Bank and c) notifications as to other circumstances subject to registration by FSC;
- Within 90 days of the end of the fiscal year, the **Bank** provides to the Financial Supervision Commission and to Bulgarian Stock Exchange – Sofia AD the audited, consolidated financial statement in Bulgarian and English, accompanied with an annual management report with its minimum content as prescribed by the statutory regulations;
- The **Bank** forwards to the Financial Supervision Commission, to Bulgarian Stock Exchange – Sofia AD, and to Central Depository AD each Invitation Calling the **Bank's** General Shareholders Meeting together with the written materials under said General Meeting's agenda. Following conduct of the meeting, the **Bank** provides to the Financial Supervision Commission and to Bulgarian Stock Exchange the minutes from the General Meeting held, with each shareholder being entitled to familiarize himself (herself) with the content of the minutes and receive a copy thereof by the Deputy Chair heading the Investment Activity Supervision Office of the FSC;
- The **Bank** discloses information pertaining to other circumstances prescribed by law upon the occurrence thereof.

**c/** Notifications of the disclosure of share interest in the **Bank** (\*it is an obligation of the shareholders acquiring a certain percentage of the **Bank's** equity and should be done with regard to the **Bank**, the Financial Supervision Commission, and Bulgarian Stock Exchange-Sofia AD).

- Any individual or legal entity whose voting rights reaches, exceeds or drops below 5 per cent or a number divisible by 5 per cent in the total number of votes at the **Bank's** General Shareholders Meeting is obliged to notify to that effect the **Bank**, the Financial Supervision Commission, and Bulgarian Stock Exchange-Sofia AD within the legally prescribed period.

### **II.3.2. Transparency of Governance**

**a/** The **Bank's** Annual Financial Statement is subject to an independent financial audit, thus achieving a fair outside opinion on the manner whereunder this Statement has been drafted and presented. The **Bank** prepares and keeps its accounting books in compliance with the International Accounting Standards, which is a further warranty to the reliable presentation of its financial status.

**b/** The **Bank** prepares and keeps full and truthful minutes from all meetings of the Management Board and the Supervisory Board.

**c/** All other materials, minutes, agreements, representations, reports, etc. are also kept at the **Bank** and reflect the **Bank's** status, the transactions concluded, the commitments undertaken and fulfilled, and the disclosure of information carried out.

### **III. FINAL PROVISIONS**

**1.** This Program was drawn up in compliance with the standards internationally recognized and adopted by the Financial Supervision Commission on good corporate governance and on the principles of corporate governance as adopted by the OECD.

**2.** The specialized terms used in this Program have the meaning ascribed to the in the defining norms of the POSA Supplementary Provisions and the Market Abuses with Financial Instruments Act.

**3.** For issues not settled by this Program, the provisions of effective Bulgarian laws apply.

4. This Program has been approved by the Management and Supervisory Board of Bulgarian-American Credit Bank AD.
5. The Management Board of Bulgarian-American Credit Bank AD has been entrusted with the immediate implementation of the Program.