

**RULES FOR CALCULATING THE INDEX OF THE  
COMPANIES HAVING GOOD CORPORATE  
GOVERNANCE – Corporate Governance Index  
(CGIX)**

1. The CGIX is an index comprising the seven companies listed on the Exchange that have the best corporate governance, based on the market capitalisation of the issues of ordinary shares included, adjusted by the free-float of each one.
  2. The selection of the companies under Item 1 above shall be performed by the National Corporate Governance Commission.
  3. The CGIX shall comprise seven (7) issues of ordinary shares which meet the requirements set under Item 4 hereunder and duly designated as per the procedure established by the present Rules.
  4. An issue included in the calculation of the CGIX shall meet the following terms and conditions:
    - a) it has been traded on a market organised by the Exchange for at least one (1) year prior to the inclusion thereof into the index. In the cases where a given issue has been traded onto different segments, the initial date of introduction to trading shall be considered as the commencement date of trade;
    - b) it shall have a free-float market value of not less than five million Bulgarian levs (BGN 5,000,000);
    - c) the turnover realised in the last one year has been at least one million Bulgarian levs (BGN 1,000,000);
    - d) the number of transactions concluded over the last one year is not less than five hundred (500);
    - e) the respective issuer has duly declared that they shall observe the principles underlying the National Corporate Governance Code;
    - f) the respective issuer has not been declared as undergoing liquidation proceedings or insolvent; it is not undergoing transformation proceedings; no transfer of a commercial undertaking has been effected, and it is not carrying out a rehabilitation programme.
    - g) the respective issuer has submitted a filled-in self-assessment card with regard to the observance of the National Corporate Governance Code's principles.
    - h) over the last twelve (12) months, there have been no penal orders enforced for violations of Chapter Six "a", Chapter Eight, Chapter Ten and Chapter Eleven of the POSA with regard to the respective issuer, as well as the members of their managing or controlling bodies.
    - i) there is no coercive administrative measure imposed for violations of Chapter Six "a", Chapter Eight, Chapter Ten and Chapter Eleven of the POSA, or where the interests of the investors are threatened, on the issuer, as well as on the members of their managing or controlling bodies.
  5. The base (initial) value of CGIX shall be 100 points.
  6. The CGIX initial calculation date shall be 19<sup>th</sup> September 2011.
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7. The daily CGIX values shall be calculated by multiplying its base value by the ratio of the sum of the market capitalisation of the issues adjusted by the divisor, the weight coefficient and the free-float of each issue, which issues have been currently included into the index, and the sum of the market capitalisation at the base moment adjusted by the weight coefficient and the free-float.
8. For the purposes of the index, only the transactions concluded onto a regulated market organized by the Exchange shall be considered.
9. Where, during a given trading session, no transaction has been concluded in a given issue, the price of the last transaction shall be utilised for the purposes of CGIX.
10. The interval, over which the CGIX values are calculated during a trading session, shall be one (1) minute.
11. The formula for calculating the CGIX is, as follows:

$$CGIX_t = CGIX_{t-1} \times \left[ \frac{\sum_{i=1}^n N_{i,t} \times P_{i,t} \times FF_{i,t} \times W_{i,t} \times D_{i,t}}{\sum_{i=1}^n N_{i,t-1} \times P_{i,t-1} \times FF_{i,t-1} \times W_{i,t-1}} \right] \times K$$

where:

CGIX is the index of the companies having good corporate governance;  
Ni,t is the number of shares in the issue of the respective company on Day t;  
Ni,t-1 is the number of shares in the issue of the respective company on Day t-1;  
Pi,t is the price of the last transaction for i-security on Day t  
Pi,t-1 is the price of the last transaction for i-security on Day t-1  
FFi,t is the free-float of i-security on Day t  
FFi,t-1 is the free-float of i-security on Day t-1  
Wi,t is the weight coefficient of i-security on Day t (Wi=1, unless the weight of the security exceeds 25 % of the index)  
Wi,t-1 is the weight coefficient of i-security on Day t-1  
n is the number of issue included into the index;  
i is the indicator of the specific security;  
t is the day, for which the index is calculated;  
Di,t is the divisor for the current trading session of i-security;  
K is the adjustment factor (K=1, unless upon a change in the base of the index).

12. Adjustments to the values of the indices through a change in the divisors of the separate issues may be effected upon occurrence of the following corporate events:
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- a) distribution of dividends;
- b) changes in the amount of the issue or in the securities' par value;
- c) changes in the weight coefficients;
- d) changes in the free-float coefficients;
- e) other corporate events, necessitating changes in the indices.

13. Upon occurrence of a corporate event, necessitating a change in the divisor, the divisor's value for the next trading session shall be thus calculated:

$$D_{i,t} = \frac{N_{i,t-1} \times P_{i,t-1}}{N_{i,t-1}^a \times P_{i,t-1}^a} \times \frac{FF_{i,t-1(OLD)}}{FF_{i,t-1(NEW)}} \times \frac{W_{i,t-1(OLD)}}{W_{i,t-1(NEW)}}$$

Where:

- Di, t is the divisor for the next trading session of i-security;
- Pai,t-1 is the adjusted price of the last transaction in i-security, following the session's end on Day t-1, resulting from the occurrence of a corporate event on Day t;
- Nai,t-1 is the adjusted number of shares of i-security, following the session's end on Day t-1, resulting from the occurrence of a corporate event on Day t;
- FFi,t-1 (OLD) is the value of the free-float coefficient of i-security for Day t-1;
- FFi,t-1 (NEW) is the new value of the free-float coefficient of i-security for Day t-1;
- Wi,t-1(OLD) is the weight coefficient of i-security for Day t-1;
- Wi,t-1(NEW) is the new value of the weight coefficient of i-security for Day t-1.

14. Where performing index rebalancing, the value of 1 shall be allocated to the divisor.

15. The National Commission shall entrust the Index Committee to set the free-float coefficients at its meetings to be held on 2<sup>nd</sup> March, 2<sup>nd</sup> June, 2<sup>nd</sup> September and 2<sup>nd</sup> December, and where the respective day is a non-business one, on the first business day thereafter. The new coefficients shall become effective as of the first trading session following the third Friday of the month, into which month the respective session was held.

16. If, as of 1<sup>st</sup> June, the weight of the issues issued by companies comprising one business group exceeds thirty-five (35) per cent of the market value of CGIX's free-float, one or more issues of companies comprising the group in question shall be successively deducted from the index's base until decreasing below the aforesaid threshold.

17. If, as of the day preceding the date, onto which date the decision under item 15 above becomes effective, the market value of the free-float of a given issue exceeds twenty-five (25) per cent of the market value of CGIX's free-float, a weight coefficient

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shall be thus determined for the issue in question, so that the market value of the free-float shall be equal to twenty-five (25) per cent of the market value of the entire index's free-float.

18. Where determining weight coefficients, the free-float coefficients for the new period shall be used.

19. The free-float coefficients and the weight coefficients shall be effective until the trading session under item 15 above, second sentence.

20. An amendment to the CGIX base shall be introduced by a decision of the National Commission, which decision shall be immediately announced.

21. Based on summarised data submitted by the Index Committee, The National Commission shall perform periodic and extraordinary reviews of the CGIX basis.

22. Withdrawing an issue from an index is possible in the following cases:

- a) temporary suspension of the trade in the issue;
- b) ultimate termination of the trade in the issue;
- c) occurrence of circumstances, resulting in a discrepancy in the requirements set under item 4 of the present Rules;
- d) in the event of a systematic or considerable deviation from the criteria underlying the National Corporate Governance Code as per the discretion of the National Corporate Governance Commission.

23. In the event of extraordinary reviews of the CGIX base, the first next highest-ranking issues shall be added, which issues meet the criteria as established under item 4 above; however, which have not been included in the index's base during the last periodic amendment thereof.

24. The decisions on amending the CGIX base shall be adopted once per annum, at the first session of the National Commission between the second (2nd) and the tenth (10th) day of the month of June on the basis of data submitted by the Index Committee. The said decisions shall become effective as of the first trading session following the third Friday of the month of June.

25. An amendment to the index's base shall be effected on the basis of a self-assessment card, which self-assessment card is duly approved by the National Commission and presents in terms of a figure an overall score of the level of corporate governance with respect to the given company, as well as the level of compliance of the activities as undertaken by it with the principles of the National Corporate Governance Code.

26. The self-assessment card shall be submitted to the Exchange within the time

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period provided for under Article 100n, Paragraph 1 of the POSA.

27. The Index Committee shall summarise the results of the self-assessment cards of all companies that have submitted their annual financial statements within the statutory time period and shall present these to the attention of the National Commission.

28. At its session held as per item 24 above, the National Commission shall evaluate to what extent the results of the self-assessment card correspond to the actual implementation of the principles underlying the National Corporate Governance Code by each company, and may, for the purpose of including issues into CGIX, introduce amendments to the score of a company under one or more of the criteria.

29. For the purpose of performing more accurate evaluation of the company's level of compliance with the principles underlying the National Corporate Governance Code, the National Commission may request the submission of additional clarifications or responses to specific queries on the part of the respective company's management bodies. A refusal to provide such clarifications and responses shall constitute grounds for the dropping out, respectively the non-inclusion, of the company from/into the index's base.

30. The score of the National Commission under item 28 above shall be final for the purpose of determining the CGIX base.

31. The issues of the seven issuers having the highest overall corporate governance score shall be included into the CGIX base, and in the event of issuers having an equal score – the issues having a bigger market value of the free-float.

32. Upon an amendment to the CGIX base, the adjustment factor for the next day (Day t+1) shall be calculated, as follows:

$$K_{t+1} = \frac{CGIX_{oldbase}}{CGIX_{newbase}}$$

Where:

CGIX oldbase is the index's value following the end of the session;

CGIX newbase is the index's value following the end of the session calculated at the new base.

33. Upon effecting an adjustment to the index's base, a value of one (1) shall be again assigned to K.

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## **SUPPLEMENTARY PROVISIONS**

**§ 1.** Within the meaning of the present Rules:

1. “Free-float” shall be the number of shares held by shareholders, holding not more than five (5) per cent of the votes in the issuer’s General Meeting.
2. “Market capitalisation” shall be the product of the number of financial instruments into the respective issue multiplied by the unit market price.
3. “Business group” shall be a group of companies defined for the purpose of drawing up consolidated financial statements.
4. “Index’s base” shall be the issues included into the calculation thereof.

**§ 2.** The following abbreviations have been used in the present Rules:

1. “POSA” shall be the Public Offering of Securities Act.
2. “The National Commission” shall be the National Corporate Governance Commission.
2. “The Exchange” shall be *Bulgarian Stock Exchange – Sofia AD*, respectively the regulated market organised by *Bulgarian Stock Exchange – Sofia AD*.
3. “The Index Committee” shall be the Index Committee at *Bulgarian Stock Exchange – Sofia AD*.

## **TRANSITIONAL AND FINAL PROVISIONS**

**§1.** The present Rules shall become effective as from July 11, 2011.

**§2.** The first decision by the National Commission under item 24 of the present Rules, under which decision the initial composition of the CGIX is determined, shall be adopted at a session of the Commission to be held between July 02, 2011 and July 10, 2011 on the basis of the then-current self-assessment cards and trade and free-float data of the respective companies as of June 30, 2011.

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