

**DECLARATION FOR CORPORATE MANAGEMENT OF INTERCAPITAL PROPERTY DEVELOPMENT ADSIC**

*(addendum to the Annual management report for 2017)*

Since the meeting of the Board of directors that took place on 26.03.2006 when the Programme for good corporate management was implemented, including in 2017, the Board of directors of Intercapital Property Development ADSIC has managed and organized its activities, complying to and applying the internationally acknowledged standards for good corporate management.

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC considers good corporate management as a set of rules, mechanisms and policies for management and control of the company, aiming to balance the interests of the management, shareholders and interested third parties – commercial partners, company creditors, and potential investors.

By decision № 461-KKY from 30.06.2016, the deputy chairman of the Financial Supervision Commission (FSC), managing the Investment Supervision department, has approved the National Corporate Governance Committee as a code of corporate management in accordance with art. 100n, par.7, pt.1 in relation to art. 8, par.1 of the Public Offering of Securities Law (POSL). Intercapital Property Development will follow the principles of the National Code for corporate management (created in 2007 and established by the National Corporate Governance Committee, amended in February 2012 and April 2016) and will carry out its activities according to its regulations.

The complete management of the activity of the company in 2017 does not give the opportunity for detailed listing of all actions, representing the implementation of the programme accepted by Intercapital Property Development ADSIC, whereas below the compulsory requisites, as per art. 100n, par. 8 of the POSL have been listed below:

**1. Information whether the issuer complies accordingly with:**

**a) Code for Corporate management, approved by the deputy-chairman of FSC**

By decision № 461-KKY from 30.06.2016, the deputy chairman of the Financial Supervision Commission (FSC), managing the Investment Supervision department, has approved the National Corporate Governance Committee as a code of corporate management in accordance with art. 100n, par.7, pt.1 in relation to art. 8, par.1 of the Public Offering of Securities Law (POSL). Intercapital Property Development will follow the principles of the National Code for corporate management (created in 2007 and established by the National Corporate Governance Committee, amended in February 2012 and April 2016) and will carry out its activities according to its regulations.

**b) other code for corporate management**

Since the meeting of the Board of directors that took place on 26.03.2006 when the Programme for good corporate management was implemented, including in 2017, the Board of directors of Intercapital Property Development ADSIC has managed and organized its activities, complying to and applying the internationally acknowledged standards for good corporate management.

**c) information regarding the practices for corporate management, applied by the issuer in addition to the code according to a) and b)**

No such additional practices.

**2. Explanation by the issuer which parts of the code for corporate management according to art.1, a) or b) are not complied with and what are the reasons for that, and when the issuer has decided not to rely on any of the policies of the code for corporate management – reasons**

The company follows the principles of the National Code for corporate management (created in 2007 and established by the National Corporate Governance Committee, amended in February 2012 and April 2016) with the following exceptions:

**Chapter one – CORPORATE GOVERNMENT**

1.4. The Board of directors accepts and follows a Code of Ethics.

**Grounds:** The members of the Board of directors are guided in their daily activities by the commonly accepted principles of integrity, management and professional competence. Due to the above and in relation to the type, size and complexity of the activities of the company, there is no requirement of implementing a Code of ethics in which the principles followed by the management are listed.

2.3. The contracts for management, signed with the members of the Board of directors, define their obligations and tasks, criteria for the size of their remuneration, obligations for loyalty to the company and the grounds for dismissal.

**Grounds:** The practice is partially applied. The contracts for management of the members of the Board of Directors in the part regarding the grounds for dismissal have been simplified in order to avoid ambiguities in case of disputes, as the dismissal is carried out by decision from the General meeting of the shareholders.

3.5. Improving the qualification of the members of the Board of directors must be their permanent commitment.

**Grounds:** The practice is partially applied, as the improvement of the qualification of the members of the Board of directors is carried out according to the specific needs of the company.

3.6. It is recommended that the statutes of the company define the number of companies in which the members of the Board of directors can hold management positions.

**Grounds:** This text is recommendatory. No limit is set for the number of companies, in which members of the Board of directors can hold management positions in relation to the type, scope and complexity of the company's activities.

3.7. It is recommended that the number of consecutive mandates of the independent members be limited

**Grounds:** This text is recommendatory and is not applied due to the type, scope and complexity of the company's activities.

4. Remuneration

**Grounds:** The Company applies partially the practices in relation to this article, as according to the Remuneration policy, accepted by the General shareholder meeting, variable remuneration is not paid out to the members of the Board of directors.

5.2. Procedures for avoiding and disclosure of conflicts of interests must be regulated in the statutes of the company.

**Grounds:** In art. 111 and art. 124 of the Code, the obligations of the Board of directors are listed, including avoiding conflict of interest. In relation to the type, scope and complexity of the company's activities, the legal mechanism for avoiding and disclosure of conflict of interest sufficiently guarantees the rights of the current and potential shareholders and of the company as such. The company strictly observes directly the applicable regulations of art. 237 of the Commercial law, art. 114, 114a, 114b, 116b and 116g, art. 6 of POSL, art. 26 of the Law for Special Investment Purpose Companies, as well as art. 19 of REGULATION (EU) No 596/2014.

## 6. Committees

**Grounds:** The company partially applies the practices in relation to this article, as when taking into account the type, scope and complexity of the company's activities no necessity of establishing additional committees has been identified. In relation with art. 40j of the Independent Financial Audit Law (IFAL), which was in force until 02.12.2016, the members of the Board of directors carried out the functions of audit committee, the meetings were headed by the chairman of the Board of directors (non-executive member). On 01.06.2017 there was held an Extraordinary General Meeting of Shareholders of the Company, where an Audit Committee of the Company under Art. 107 of the Independent Financial Audit Act was chosen and the Statute of the Audit Committee according to Art. 107, para. 7 of the Independent Financial Audit Act was approved.

## Chapter one – TWO-STAGE SYSTEM

**Grounds:** Practice is inapplicable, as the company has a one-stage system of management.

## Chapter two – AUDIT AND INTERNAL CONTROL

19. It is desirable that a rotational principle is applied when choosing an internal auditor.

**Grounds:** The Company does not apply this practice. The offer for choice of external auditor is made by the Audit committee, and its choice is in the competence of the General meeting of the shareholders. According to the IFAL, in force until 02.12.2016, the key auditor of the audit company, as well as an auditor, working directly by individual practice, when auditing a company, carrying out activities of public interest, must retreat after carrying out audit activities for 5 consecutive years from the date of appointment in the audit company. They cannot participate in the audit of the same company prior to two years after their retreat from auditing activities.

A similar regulation has been provided for in the IFAL acting as of 02.12.2016, whereby compulsory rotation of the auditors of all companies of public interest is stipulated.

21. It is recommendatory to create a system of internal control, which can also identify risks, related to the activity of the company and to assist in their effective management. It should also guarantee the effective functioning of the systems for accountability and disclosure of

information.

**Grounds:** This practice is partially applied. Guaranteeing the effective functioning of the systems for accountability and disclosure of information is carried out by the Board of directors and Audit committee.

#### **Chapter four – DISCLOSURE OF INFORMATION**

**Grounds:** The Company applies partially the practices in this chapter. According to the type, scope and complexity of the company's activities, the legal mechanism for information disclosure stipulated in POSL, Regulation № 2 of FRC and REGULATION 596/2014, is sufficient for guaranteeing the rights of the investors. Secondly, according to the type, scope and complexity of its activities the company has not identified need to disclose information of non-financial nature outside the legally regulated requirements.

The company aims to provide to a full extent the disclosed information on its website in English.

All shareholders of INTERCAPITAL PROPERTY DEVELOPMENT ADSIC have the right to receive information regarding company matters, as well as any other information, as required by the law. In 2017 the company continued to maintain its website [www.icpd.bg](http://www.icpd.bg) where information for the company projects, investment policy, current news, legally defined information, that must be published, as well as any other information, which at INTERCAPITAL PROPERTY DEVELOPMENT's discretion can be of interest to investors and shareholders is published.

In addition to the above, the company complies with the requirements of the law for discretion of information which is published within the timeframe set by the FSC by E-register, Bulgarian Stock exchange through X3 and in Central Depository AD as well as the electronic information system EBI system of the NewConnect market, organized by the Warsaw Stock Exchange.

In order to achieve better transparency in complying with its legally established obligations the company informs the general public for significant events relating to its activities by publishing information, subject to obligatory disclosure, through the internet portal X3 news, accessible at: <http://www.x3news.com/>.

In order to ensure effective interaction with all interested parties, investors or/and shareholders INTERCAPITAL PROPERTY DEVELOPMENT ADSIC in 2017 continued to have an investor relations director – Milen Bozhilov. The director carries out effective communication between the Board of directors of the company and its shareholders and parties who have shown interest in investing in shares of the company, by presenting information regarding the current financial and economic situation of the company, as well as any other information, that they can receive by law in their capacity of shareholders or investors.

#### **Chapter Five - STAKEHOLDERS**

41. It is recommended that in accordance with this policy, the Board should establish specific rules for addressing the interests of stakeholders, which rules would ensure their involvement in solving specific matters, requiring their input.

Rationale: This text is recommended and does not apply to the nature, scale and complexity of the Company's operations.

42. It is recommended that periodically, in accordance with legal norms and international best practices, disclosure of non-financial company information be made, regarding economic, social and environmental issues related to stakeholders, such as combating corruption; working with employees, suppliers and customers; corporate social responsibility; environmental protection.

Rationale: This text is recommended. Due to the nature, scale and complexity of its activities, the Company has not identified the need to disclose information on non-financial and non statutory obligations.

## **Chapter Six - INSTITUTIONAL INVESTORS, FINANCIAL INSTRUMENTS MARKETS AND OTHER FIRMS**

Reasons: The Company does not apply the practices in this chapter because it is not an institutional investor, trustee or a market operator within the meaning of the law. Also, the Company is not responsible for the preparation of analyzes and consultations carried out by authorized advisors, analysts, brokers, rating agencies and others, except in cases of involvement of such in connection with the public offering of new securities issues.

Shares of ICPD are traded freely within the "Market for companies with special investment purpose" on the floor of the "Bulgarian Stock Exchange - Sofia", and on the floor of the alternative trading system for new companies "New Connect" on the Warsaw Stock Exchange.

### **1. Description of the main features of the internal control and risk management of the issuer in relation to the financial reporting process**

The company's financial statements have been prepared in compliance with the Bulgarian legislation and relevant international accounting standards. These accounts were audited by an independent auditor, confirming their compliance with the Bulgarian legislation and applicable accounting standards.

In compliance with Art. 36, para. 6 of the Accounting Act, the audit report must express an opinion:

- ✓ Does the activity report match the financial statements for the same reporting period;
- ✓ Is the activity report in accordance with applicable legal requirements and declare whether as a result of the acquired knowledge and understanding of the enterprise and the environment in which it operates, have found cases of significant misrepresentation in the activity report and indicate the nature of misrepresentation;
- ✓ is the required by the relevant regulations information presented in the corporate governance statement.

"Intercapital Property Development" ADSIC has adopted and implemented policies and procedures governing the effective functioning of the reporting system and the system for disclosure of information by the company. The policies contain in details the various types of information created and disclosed by the company, the processes of internal company document turn-over, different levels of access to the types of information of the responsible people and the deadlines for processing and managing information flows. The established system of risk management ensures the effective implementation of internal control in the creation and management of all company documents including financial statements and other

regulated information, which the Company is obliged to disclose in accordance with the legal provisions.

**2. Information under Article 10, paragraph 1, letter "c", "d", "e", "h" and "i" of the Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids**

**3.1 Information on Article 10, paragraph 1, letter "c" of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34 / EC**

As of December 31, 2017 the voting rights with more than 5% of the Company's capital are divided between 6 shareholders as follows:

Company Name	Country	Percentage of the total number of shares	Number of voting rights
NICOLAS STANCIOFF	France	12,00%	721 553*
ALPHA TRADING LIMITED	The Isle of Nevis	7,34%	441 196*
KRAJOWY DEPOZYT PAPIEROW WARTOSCIOWYCH S. – custody account	Poland	18,86%	1 133 862
MUTUAL FUND INVEST ACTIVE	Bulgaria	12,42%	746 441
MUTUAL FUND INVEST CLASSIC	Bulgaria	8,56%	514 309

\* Includes shares given as a collateral by the shareholder pursuant to REPO Contracts with financial instruments

**a. Information in Article 10, paragraph 1, letter "d" of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - holders of any securities with special control rights and description of these rights**

The company does not have shareholders with special control rights.

**b. Information in Article 10, paragraph 1, letter "a" of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - all restrictions on the voting rights, such as restrictions on voting rights of owners with a given percentage or number of votes, deadlines for exercising votes or systems through which by cooperation of the company, the financial rights of the securities are separated from the ownership of securities.**

There are no restrictions on the voting rights. Deadlines for exercising the voting rights are in accordance with the provisions of the Public Offering of Securities.

**c. Information in Article 10, paragraph 1, letter "3" of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - the rules which regulate the appointment and replacement of board members and submission of amendments to the memorandum**

By decision of the General Assembly of the Shareholders of "Intercapital Property

**Development" ADSIC** held on 14.03.2015, the mandate of the Board of Directors has been extended to five years. According to the Statute of the Company, the Board of Directors shall be elected by a simple majority of the General Assembly of Shareholders.

Council members may be reappointed without restrictions. After the expiry of their term, members of the Board of Directors shall continue to perform their functions until the election by the General Assembly of the new board.

Statute changes by the General Assembly can be made with a majority of 3/4 of the represented at the General Assembly shares with voting rights subject to approval in advance by the Financial Supervision Commission.

The detailed rules are in the Company's Statute, which is electronically published in the Company file in the Commercial Register - <http://www.brra.bg>, allowed for public access.

**d. Information under Article 10, paragraph 1, letter "i" of the Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - powers of the council, and in particular the power to issue or buy stock**

The powers of the Board of Directors are set out in Art. 110 et seq. in the Articles of Association. Redemption of shares is not currently provided for in the Articles of Association and is governed by special provisions of Art. 111, para. 5 of POSA and Art. 22, para. 4 SPICA.

According to Art. 33 of the Charter, the Board of Directors is authorized by shareholders at its discretion and when it deems appropriate, given all parameters of the issue, to increase the capital of the Company up to a maximum of 50,000,000 (fifty million) lev, by issuing new shares in this including preferred shares.

According to Art. 33a of the Statute, the Board of Directors is authorized by shareholders at its discretion and when it deems appropriate, given all parameters of the issue, to issue emission warrants and / or convertible bonds, at which the capital of the Company may reach a maximum of 50,000,000 (fifty million) lev. When issuing convertible bonds The Board of Directors is authorized to determine the provisions of the conversion of bonds into shares even after the expiry of the previous issue, if the issue has been released in this period.

According to Art. 56 of the Charter, the Board of Directors is authorized by shareholders to issue corporate bonds worth up to 50 million (fifty million) lev subject to the restriction of t. 54 of the Statute. The Board of Directors is free to assess in determining the type of bonds, security of debenture loans, the interest payments and the manner of repayment of principal, taking into account the needs of the company and market conditions for attracting external funding.

**32. Composition and functioning of the administrative, management and supervisory bodies and their committees**

Members of the Board of Directors of "Intercapital Property Development" ADSIC are Velichko Klingov - Executive Director, Cvetelina Hristova - Chairman of the Board of Directors and AHELOY 2012 Ltd - an independent member of the Board.

The financial statements for 2017 and the annexes to the Annual Report of the Company for 2017 contains detailed information on the shares held by members of the Board of the Company, received remuneration and / or compensation, and the contributions from each of the members in control and / or management bodies of other companies and their shares held in other companies.

The Board of Directors elects and dismisses the executive director/s and Chairman and Vice-Chairman of the Board of Directors; adopts rules for its work and approves rules for the

internal organization of the Company; discontinues or terminates contracts with servicing companies and the bank - custodian, subject to the requirements of applicable law; assigns valuation of real estate prior to their acquisition by the Company of one or more experts with qualifications and experience in this area in compliance with this statute and SPICA; decide on signing the preliminary contract or deed to dispose of real estate / property owned by the company; decides to contract a loan (bank credit) and to provide collateral for obligations of the Company; in cases provided by law and / or the occurrence of circumstances essential to the Company, shall immediately convene a General Meeting of Shareholders; appoint a labor contract Director of Investor Relations; elected procurator of the Company.

At the General Meeting of Shareholders held on 18.06.2009, an Audit Committee was elected. At the meeting held on 28.06.2012 and 30.06.2015, the Annual General Meeting of shareholders of the Company have decided functions of the Audit Committee to be implemented by the Board of Directors for a new term of three years from the date of the AGM. The functions of Chairman of the Audit Committee were performed by Cvetelina Hristova.

On 01.06.2017 there was held an Extraordinary General Meeting of Shareholders of the Company, where an Audit Committee of the Company under Art. 107 of the Independent Financial Audit Act was chosen and the Statute of the Audit Committee according to Art. 107, para. 7 of the Independent Financial Audit Act was approved. The elected members of the Audit Committee are Iva Chorapinova, Pavlinka Bizeranova and Cvetelina Hristova.

**33. Description of the diversity policy, applied to administrative, management and supervisory bodies of the issuer in relation to aspects such as age, sex or education and professional experience, the objectives of this policy of diversity, the manner of its implementation and results during the reporting period; where there is no such policy, the declaration shall contain an explanation of the reasons for the absence of such.**

Not applicable in accordance with art. 10, para 12 form the Law for Public Offering of Securities.

Date: 28.03.2018 r.



Velichko Klingov,  
Executive Director