

## **PROGRAM FOR IMPLEMENTATION OF THE INTERNATIONALLY RECOGNIZED STANDARDS FOR GOOD CORPORATE GOVERNANCE OF “INTERCAPITAL PROPERTY DEVELOPMENT” ADSIC**

The present program for good corporate governance has been developed under the National Corporate Governance Code (NCGC) and provides general guidelines and principles of good corporate governance of “Intercapital Property Development” ADSIC in compliance with the internationally recognized standards and pursuant to the provisions of the applicable Bulgarian legislation.

The introduction and the implementation by “Intercapital Property Development” ADSIC of these rules for good corporate governance aim to enhance the economic efficiency, to guarantee the rights of the shareholders and to ensure transparency and publicity in the company’s activity.

“Intercapital Property Development” ADSIC considers the good corporate governance as a set of rules, mechanisms and policies for managing and controlling the company, which aim to balance the interests of the management bodies, the shareholders and the other interested parties - business partners, creditors of the company and potential investors.

The program for good corporate governance of “Intercapital Property Development” ADSIC provides the framework which sets the goals of the company, defines the means to achieve these goals and the way to monitor the results.

The basic goals of the program for good corporate governance of “Intercapital Property Development” ADSIC are:

- Equal treatment of all shareholders of the company and guarantee of their rights;
- Improvement of the level of information security of the shareholders;
- Increasing the transparency and the publicity of the processes related to disclosing information by the Company;
- Providing an opportunity for effective control over the activity of the management body from government regulators and from shareholders;
- Ensuring accountability of the management bodies to the company and its shareholders.

“Intercapital Property Development” ADSIC is a special purpose investment company for securitization of real estate properties. It invests the cash funds it has accumulated through the issuance of securities in purchases of real estate properties and limited real rights on real estate properties; development of own properties by carrying out improvements; sale of real estate properties; renting, leasing or letting out for management own real estate properties and any other activity directly related to securitization of real estate properties which is not prohibited by the law.

The activity of “Intercapital Property Development” ADSIC is carried out in compliance with the specific requirements of the Law on the special purpose vehicles, the Law on the public offering of securities and the relevant regulations. The company's activity is controlled by the Financial Supervision Commission. “Intercapital Property Development” ADSIC has obtained a license to operate as a special purpose vehicle by Decision № 702-DCIS from 16.11.2005.

## **I. Rights and equal treatment of the shareholders**

The basic rights of shareholders are described in details in Art. 28 and the following of the By-laws of “Intercapital Property Development” ADSIC.

The rules for good corporate governance shall protect the shareholders' rights and shall ensure equal treatment of all shareholders, including the minority shareholders. The Company shall provide those rights by the observation of:

### **1. Secure methods of ownership registration**

All the company's shares are traded on the “Bulgarian Stock Exchange – Sofia” AD. The shareholders have the right to sell or transfer their shares as well as to buy new shares or to participate in subsequent capital increases, using the services of a licensed investment broker.

The shareholders' list has been maintained by “Central Depository” AD in the manner specified in its rules and regulations.

The rights on the shares are certified by a registration document (depository receipt) issued on behalf of the owner by “Central Depository” AD through an investment intermediary.

### **2. Delivery or transfer of shares**

The shares of “Intercapital Property Development” ADSIC are freely transferable, according to the will of their owners, in compliance with the specific requirements of the current legislation for disposition of dematerialized shares.

The transfer of shares from the company's capital shall be deemed committed following the registration of the book-entry securities issued by the company in the sub-account of their buyer to the account of a licensed investment broker in the register of “Central Depository” AD.

### **3. Regular and timely receipt of information related to the company**

All shareholders of “Intercapital Property Development” ADSIC have the right to receive information for the company's deeds, as well as other information in compliance with the law.

In order to ensure informed exercise of the shareholders' rights the Board of Directors of “Intercapital Property Development” ADSIC has appointed an investor relations director under an employment contract.

The director shall implement effective relation between the Company's Board of Directors, its shareholders and the persons who are interested in investing in securities of the company by providing them information about the current financial and economic condition of the company, as well as any other information which they have the right to receive in their capacity of shareholders or investors.

The company informs the shareholders about the corporate events related to the activity and the development of the company through submission of the necessary information to the Financial Supervision Commission by the electronic system “E-register”, to the “Bulgarian Stock Exchange – Sofia” AD by the electronic system “X3” and by the electronic service “X3-

news”, provided by the “Bulgarian Stock Exchange – Sofia” AD and to “Central Depository” AD within the statutory deadlines.

“Intercapital Property Development” ADSIC shall provide press releases and/or shall otherwise make available to the public important messages and information about the activity of the company along with the other publications required pursuant to the Law on the public offering of securities.

In order to provide an easy and timely access to the necessary information for the shareholders and the potential investors for taking an informed investment decision “Intercapital Property Development” ADSIC shall maintain and shall regularly publish current data about the company’s activity on its web site – [www.icpd.bg](http://www.icpd.bg).

The shareholders and the potential investors shall be able to monitor the real estate investments realized by “Intercapital Property Development” ADSIC.

Within the working time, at the premises of “Intercapital Property Development” ADSIC the shareholders and the investors shall be able to get acquainted with the constitutive documents, the Prospectus for public offering of securities and all financial statements of the company. The Investor Relations Director shall answer to all shareholders’ inquiries by providing information in an appropriate manner.

#### **4. Participation and voting in the General meeting of the shareholders, election of members of the Board of Directors, participation in the Company’s profit distribution**

The rules for good corporate governance shall give the opportunity to the shareholders to participate effectively and to vote at the General meeting of the shareholders as well as to receive information about the procedure for conducting a General meeting of the shareholders including information for the procedure of exercising the voting rights.

Pursuant to Art. 96 of the By-laws of “Intercapital Property Development” ADSIC, the General Meeting of the shareholders shall be held at its headquarters.

The regular General meeting of the shareholders shall be conducted by the end of the first half after the end of the reporting year.

An extraordinary General meeting of the shareholders may be convened at any time.

The General meeting shall be convened by the Board of Directors. A General meeting may be convened also at the request of shareholders holding for more than three months at least 5 (five) percent of the company’s capital.

The convocation shall be done by an invitation published in the Commercial Register not less than 30 (thirty) days before the opening of the General meeting.

The invitation for the General meeting, together with the materials for the General meeting shall be sent to the Financial Supervision Commission, “Central Depository” AD and the regulated market where the company’s shares are traded, at least 30 days before the meeting.

The written materials related to the agenda of the General meeting shall be available to the shareholders at the headquarters of “Intercapital Property Development” ADSIC since the date of the announcement of the invitation for convocation of the General meeting in the

Commercial Register. The written materials can also be found on the company's web site – [www.icpd.bg](http://www.icpd.bg). On request they are presented to each shareholder free of payment.

When the agenda includes election of members of the Board of Directors, these materials shall include also data on the names, the permanent address and the professional qualifications of the nominated members.

The written materials for the General meeting of the shareholders shall be drafted in simple language, shall be clear and shall not mislead the shareholders.

Shareholders who own shares in the amount of not less than 5% (five percent) of the capital of “Intercapital Property Development” ADSIC for more than three months are entitled to include new issues in the agenda of the General meeting, other than the issues in the agenda announced with the invitation, under the terms of Art. 223a of the Commercial Act.

The Board of Directors of the Company shall cooperate with the shareholders who want to include items in the agenda by the above pointed way.

The members of the Board of Directors are required to give correct, comprehensive and precise answers to questions posed by shareholders at the General meeting on the economic and the financial condition and the business of the company, except for circumstances that constitute inside information.

The shareholders may ask questions regardless of the fact whether they are related to the agenda or not. In order to ensure the exercise of the above pointed rights the members of the Board of Directors shall endeavor to attend the General meetings of the shareholders of “Intercapital Property Development” ADSIC.

The voting right at the General meeting shall be exercised by the persons who have acquired shares not later than 14 days before the date of the General meeting of the shareholders pursuant to a list provided by “Central Depository” AD as of that date.

The company provides a sample of a written power of attorney on paper or by electronic means, if applicable, along with the materials for the General meeting, as well as on request after its convocation.

In compliance with Art. 116, para 1 of the LPOS the written power of attorney for representation of a shareholder at the General meeting of the company's shareholders shall be for the particular General meeting, shall be explicit and with the minimum contents set up by an ordinance.

The power of attorney may be received by the company through electronic means in compliance with the terms and conditions for receipt of proxies by electronic means, published on the web site of the company – [www.icpd.bg](http://www.icpd.bg).

“Intercapital Property Development” ADSIC distributes dividends by a resolution of the General meeting of the shareholders under the terms and conditions provided by the Law on the special purpose vehicles, the Law on the public offering of securities, the Commercial Act and Chapter Nine of the By-laws. Pursuant to the Law on the special purpose vehicles and the By-laws, the Company is obliged to distribute as dividend at least 90 percent of its profit for the financial year determined in compliance with Art. 10, para 3 of the Law on the special purpose vehicles.

The Company is obliged to ensure the payment of the dividend voted at the General meeting to the shareholders within 12 months following the end of the financial year.

Each ordinary share gives a right to dividend corresponding to its nominal value. The right to receive dividend is entitled only to those persons who are included in a list of the shareholders of the investment company, issued by “Central Depository” AD as of the fourteenth day following the date of the General meeting at which the dividend distribution was voted.

The right to receive dividend expires within the overall 5-year term under the Law on the obligations and contracts.

Before the expiration of the 5-year term "Intercapital Property Development" ADSIC shall notify in written form the “Bulgarian Stock Exchange – Sofia” AD and shall publish an announcement in a daily newspaper and on its web site about the latest date for payment of dividends.

## **5. Types of shares and rights on them**

The rules for good corporate governance shall ensure equal treatment of all shareholders including minority and foreign shareholders. Limiting the rights of individual shareholders is not allowed.

Up to now “Intercapital Property Development” ADSIC has issued only ordinary book-entry shares. The rights on this type of shares are described in details in the By-laws of the company.

Shareholders holding not less than 5% (five percent) of the company’s capital may submit a claim to seek responsibility from the members of the Board of directors for damages caused to the Company.

Shareholders holding together or separately at least 5% (five percent) of the company’s capital, in case of inaction by the Board of Directors, which threatens the interests of the Company, may pursue in court the claims of the Company against third parties. The Company is called as a party in the law suit too.

Shareholders holding together or separately at least 5% (five percent) of the company’s capital may submit a claim to the Regional Court at the seat of the Company for damages caused to the company by actions or inactions by the members of the Board of Directors.

Shareholders holding together or separately at least 5% (five percent) of the company’s capital have the right to request from the General meeting or from the Regional Court the appointment of controllers to verify the while accounting documentation of the Company and to prepare a report for their findings.

Shareholders holding together or separately at least 5% (five percent) of the company’s capital have the right to request from the Regional Court to convene a General meeting or to authorize a representative of theirs to convene a General meeting with an agenda determined by them.

## **6. Capital structure and disclosure of information about persons exercising control over the company**

Each year the Board of Directors of “Intercapital Property Development” ADSIC prepares and presents to the Financial Supervision Commission and the “Bulgarian Stock Exchange

– Sofia” AD an annual report on the company’s activity which contains information about all significant events for the company pursuant to the law requirements.

The annual report discloses the names and the respective share of the shareholders who own more than 5% of the company’s capital, as well as information about the persons who directly or indirectly exercise control over the company.

The transactions with related parties, if there were such, are also disclosed in the annual report on the company’s activity.

The members of the Board of Directors, and the persons who directly or indirectly hold at least 25% of the voting rights at the General meeting of the shareholders of the company present information about the legal entities in which they hold directly or indirectly at least 25% of the voting rights in the General meeting or which they control, the legal entities in whose management and supervisory bodies they participate or whose procurators are, as well as information about the current and future transactions for which they have information and for which they can be recognized as interested parties.

## **II. Disclosure of information and transparency**

The Investor Relations Director together with the Company’s Board of Directors is obliged to ensure timely and accurate disclosure of information regarding all issued related to the Company, including its financial condition, the results from the company’s activity, the ownership and the management of the company.

In the disclosure of information about the corporate governance the company complies with the principle "comply or explain", avoiding failure in any of the recommendations of National Code for Corporate Governance /NCCG/.

The information disclosed may be divided into the following groups:

### **1. Periodical statements to the Financial Supervision Commission, the Bulgarian Stock Exchange – Sofia AD and „Central Depository” AD**

- quarterly and annual financial reports of the company;
- notifications of circumstances which are subject to registration;
- notifications of circumstances that could affect the price of the company’s shares;
- convocation of General meetings of the shareholders and other circumstances requiring notification of the above mentioned institutions.

### **2. Disclosure of information about the current condition of the company and forthcoming events to the shareholders and the potential investors**

As discussed in Section I. “Rights and equal treatment of shareholders”, information on the current condition of the company and forthcoming events can be obtained by telephone, in reply to a letter or e-mail or in person during the working time of the Company. The Investor Relations Director is obliged to provide true, accurate and comprehensive information, presented in a manner accessible to the company’s shareholders.

### **3. Disclosure of information through the mass media**

The company informs its shareholders through publications in the Commercial Register at the Registry Agency and on the company's web site and by other publicly accessible ways about convocations of General meetings of the shareholders, submitted annual and quarterly financial statements, the procedure for payment of dividend, the expiration of the five-year term for receipt of dividends, for prospective capital increases, etc.

### **4. Auditing of the annual statements**

The audit of the annual financial report of "Intercapital Property Development" ADSIC shall be carried out by an independent auditor appointed at the General meeting of the shareholders pursuant to the Law on auditing and the International Accounting Standards.

The annual report of the Board of Directors of "Intercapital Property Development" ADSIC on the management and the activity of the company during the current year contains detailed, clear and accessible information on the investment objectives and policies of the company, the results from the company's activity, the financial condition and prospects, the investment plans of the Company for the current and the next financial years, detailed information about the Board of Directors, their remuneration and their holdings of shares of "Intercapital Property Development" ADSIC; information on the major risk factors affecting the company, information about transactions with related parties and conflicts of interests as well as information about shareholders with significant participation in the company's capital. The document is submitted to the Financial Supervision Commission, the "Bulgarian Stock Exchange AD – Sofia" AD, and is also announced in the Commercial Register and published on the web site of the Company and in this way is accessible to any shareholder, potential investors and the public.

## **III. Responsibilities of the management bodies**

### **1. Board of Directors**

"Intercapital Property Development" ADSIC is managed by a Board of Directors composed of four persons, one of whom should be an independent member in compliance with the clauses of the Law on the public offering of securities.

For members of the Board of Directors shall be appointed persons with appropriate qualifications, experience and good reputation.

In case of an increase of the composition of the Board of Directors the requirement that at least one third of the members shall be independent shall be observed.

The Board of Directors shall take decisions on all issues so far under the current legislation and the By-laws of "Intercapital Property Development" ADSIC the relevant decisions are not of the exclusive competence of the General meeting.

The members of the Board of Directors shall manage the assets of the company with due diligence and shall prefer the interests of the shareholders to their own interests and shall maintain the optimum balance between risk and profitability.

Pursuant to the By-Laws of “Intercapital Property Development” ADSIC the Board of Directors is authorized with the appropriate rights and obligations which shall ensure the reasonable management of the company in the interests of its shareholders.

The members of the Board of Directors of “Intercapital Property Development” ADSIC shall give cash guarantee for their management in the amount of 3 monthly gross salaries within seven days following their election. The cash guarantee shall be deposited into the account of the respective member of the Board of Directors and shall be blocked in favor of “Intercapital Property Development” ADSIC in a bank on the territory of the country.

The members of the Board of Directors are jointly liable for the damages they have caused to the Company.

The members of the Board of Directors shall not disclose in any manner the information on the Company's activities which has become known to them as well as the decisions of the Company's management bodies.

## **2. Audit committee**

In compliance with Chapter 8 "B" of the Law on the independent financial audit the General meeting of the shareholders shall elect an Audit Committee of “Intercapital Property Development” ADSIC and shall also determine the number of the members, their mandate and the composition of the committee.

At least one of the members of the Audit Committee shall have higher education with a degree in accounting or finance and shall have at least 5 years professional experience in accounting or auditing.

The Audit Committee assists the Company's Board of Directors by observing the effectiveness of the internal audit system in the Company, the risk management system and the work of the independent auditor of the Company.

The present program for implementation of the internationally recognized standards for good corporate governance was adopted at a meeting of the Board of Directors of “Intercapital Property Development” ADSIC held on March 26, 2006, and amended at a meeting of the Board of Directors held on March 30, 2011.

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Velichko Klingov  
Managing Director