

**STATUTE  
(REGULATIONS)**

**On the Activity of the Audit Committee of  
Industrial Holding Bulgaria PLC**

**SECTION I**

**GENERAL PROVISIONS**

**Art. 1.** This Statute (Regulations) shall regulate the activity of the Audit Committee of Industrial Holding Bulgaria PLC, herein after referred to as the „Company”.

**Art. 2.** (1) The Audit Committee is a specialised, supervising, consultative body entrusted with the powers stipulated in Art. 108, para. 1 of the Independent Financial Audit Act (IFAA).

(2) The Audit Committee is a functional body of the Supervisory Board of the Company, the main goal of which it to ensure and guarantee an independent and unbiased financial audit and control on the financial reporting processes and the preparation of the financial statements of the Company. For the purpose, it may conduct assessments, provide consultations and draw up recommendations and proposals.

**Art. 3.** The Audit Committee performs its tasks and has the right to assign inspections and specific audits of the Company’s management, its administrative units and subsidiaries (the Group). The Audit Committee shall work in cooperation with the Group’s auditors and the Internal Control Audit Unit.

**Art. 4.** The Commission for Public Oversight of Statutory Auditors (Commission for Public Oversight) shall oversee-monitor the activity of the Audit Committee, evaluations the results thereof, and make recommendations on its improvement.

**SECTION II**

**COMPOSITION AND FUNCTIONS**

**Art. 5.** **(1)** The Audit Committee is composed of 3 (three) members elected by the General Meeting of Shareholders of the Company on a proposal from the Chair of the Management Board or Supervisory Board for a 3 (three)-year mandate.

**(2)** Members of the Audit Committee can be individuals holding a Master’s-Bachelor’s Degree, who have knowledge of the business area, in which the Company operates, and at least one of the members should have not less than 5 years of professional experience in the area of accountancy or audit.

**(3)** Members of the Supervisory Board of the Company or members of the Management Board, who are not executive members, may be elected as members of the Audit Committee as well.

**(4)** The majority of the members of the Audit Committee should be external and independent to the Company in accordance with the definition of Art. 107, par-para. 4 of the Independent Financial Audit ActIFAA.

**(5)** The individuals, who have been nominated as members of the Audit Committee, shall submit a declaration on the circumstances under par-para. 4, lodged with the General Meeting before the date of the election. When one or more of these circumstances occur after the election, the respective member of the Audit Committee shall promptly inform the Management Board and the Supervisory Board of the Company in writing and shall terminate the performance of his/her functions; a new member shall be elected by the next General Meeting in his place.

**Art. 6.** **(1)** The Audit Committee shall elect a Chair from among its members. The Chair should also comply with the requirements of Art. 5, par-para. 4-above.

**(2)** The Audit Committee may appoint a Secretary, from among its members or from outside.

**Art. 7.** **(1)** The Audit Committee shall have the following main functions:

1. To monitor the financial reporting process of the Company and draw up recommendations and proposals to ensure its effectiveness;

2. To monitor the effectiveness of the internal control system, risk management system and the internal audit activity concerning the Company's financial reporting;

3. To monitor the statutory audit of the annual financial statements, including its carrying out, documenting, the audit findings, notes and recommendations of the independent auditor, and the reports issued by the latter;

4. To verify and monitor the independence of the registered auditor of the Company in accordance with the requirements of the law and the Code of Ethics for Professional Accountants, including the appropriateness of the services, other than audit, provided by the auditor;

5. To bear the responsibility for the registered auditor selection procedure and recommends their appointment;

6. To inform the Management Board and the Supervisory Board of the Company of the results of the statutory audit and to clarify how the statutory audit has contributed to the reliability of financial reporting, as well as the function of the Audit Committee in this process.

(2) In order to carry out its functions under ~~par-para~~ 1, if necessary, the Audit Committee shall develop and approve internal procedures.

(3) The Company shall ensure sufficient resources for the Audit Committee to ensure the effective performance of their obligations.

(4) The members of the Management Board and the Supervisory Board, and the Company's employees are obliged to assist the Audit Committee in its activity, including to provide the information requested by it within reasonable terms.

## SECTION III

### WORK ORGANISATION

**Art. 8.** Meetings of the Audit Committee.

(1) The Audit Committee shall meet at least three times a year or when necessary, either at the office of the Company or in another agreed location.

a. The meetings shall be convened by the Chair, at his/her initiative or on a request of any of the members, sent via e-mail or by phone, at least 2 (two) days prior to the meeting. The Audit Committee may be convened on the request of the Supervisory Board, according to the same procedure.

b. The members of the Management Board and the Supervisory Board, as well as external auditors, the Internal ~~Control-Audit~~ Unit and other persons, whenever considered necessary by the Audit Committee, may be invited to attend the meetings of the Audit Committee.

**Art. 9.** Agenda, materials and minutes.

(1) The meetings of the Audit Committee shall be held under a predetermined agenda, announced on their convocation.

(2) The materials for the meeting shall be provided at the latest at the end of the day preceding that of the meeting.

(3) Minutes of each meeting shall be drawn up and signed by all attending members of the Audit Committee and the Secretary. The minutes shall be presented to the Supervisory Board at its next meeting or immediately, if necessary.

**Art. 10.** Quorum.

(1) If two of all its members are present, it is deemed that the Audit Committee has a quorum.

(2) The Audit Committee may pass decisions by a majority of 2/3 (two-thirds) of all its members.

(3) The Audit Committee may pass decisions non-attended (in absentia), if all members have expressed their consent to the decision in writing.

**Art. 11.** Activities ~~and functions~~ of the Audit Committee.

(1) With respect to **financial reporting**, the Audit Committee shall carry out the following activities:

1. To monitor the compliance with and consistency of the accounting policies applied with the general financial reporting framework;

~~1.2.~~ To review, together with the internal and external auditors, all differences and violations, which have been found as a result of the ~~internal control~~ examinations carried out by the Internal Audit Unit;

~~2.3.~~ To review, together with management and external auditors, the annual and interim financial statements, and assess whether they are complete, ~~comprehensive~~ consistent and contain information that is known to the members of the Audit Committee and reflects the relevant accounting principles.

(2) With respect to **internal control**, the Audit Committee shall carry out the following activities:

1. To assess whether management provides for the necessary culture of control by explaining the need of internal control and risk management;

2. To review the way management monitors the security of the information system for financial information processing and resource planning in view of its storage in case of failure;

~~3. To verify whether management implements the recommendations of the Internal Control Unit;~~

~~4.3.~~ To review the organizational structure and activity functions of the Internal ~~Control~~ Audit Unit in order to avoid any unjustified bans and restrictions;

~~5.4.~~ To review the qualification and effectiveness of the Internal ~~Control~~ Audit Unit staff. To give recommendations to the Management Board and the Supervisory Board on the appointment, ensuring the replacement, and or discharge ~~replacement~~ of the ~~unit's~~ Unit's head ~~Head~~ to the Management Board and the Supervisory Board;

~~5.~~ To approve the Internal Audit Annual Plan, and to review periodically the plan and the reports of the Internal Audit Unit;

~~6.~~ To monitor the management's activities in view of the findings and recommendations made by the Internal Audit Unit;

7. To conduct individual meetings with the head of the Internal ~~Control~~ Audit Unit on matters that, according to the opinion of the Audit Committee, should be examined in private.

(3) With respect to **risk management**, the Audit Committee shall carry out the following activities:

1. To review the adequacy and effectiveness of the risk management system by periodically ~~To collect~~ ing and analyse information on the actual areas of greatest financial risk and whether management handles the risks effectively;

2. To require from management and internal and external auditors information on the significant risks, and to make proposals for their reduction;

3. To review the findings of the competent regulatory and control bodies.

(4) With respect to **internal control**, the Audit Committee shall carry out the following activities:

1. To review and monitor the independence of external auditors, including to review the amount of their remuneration and all services they render to the Company, and to approve the services permitted by Art. 64, ~~par.~~ para. 1 of IFAA, other than the statutory financial audit;

2. To review the audit scope, plan ~~and~~, approach, and audit fees, and as well as the engagement letters, proposed by the external auditors;

3. To review the activity of the external auditors;

4. To review promptly all significant facts established and recommendations given by the external auditors, including any established and possible significant violations of accounting principles and standards, the effective law, of incorporation and other internal deeds of the Company, in so far as they have become known to it in the course of the audit engagement;

~~5.~~ To review the report prepared in accordance with Art. 60 of IFAA and the explanations of the external auditors regarding the nature and grounds for modification of the audit opinion in the auditor's report, as also of the emphasis of matter paragraphs and other matters not modifying the audit opinion;

~~5.6.~~ It may arrange meetings with the external auditors on matters the Audit Committee or the auditors consider should be discussed in confidence;

~~6.7.~~ To ensure that management will respond to the external auditors' recommendations;

~~7.8.~~ To ~~propose~~ recommend external auditors to the Management Board and Supervisory Board, ~~in agreement with the Management Board, external auditors~~, and for to propose their election ~~by to~~ the General Meeting of Shareholders.

(5) With respect to **reporting ~~the the operating results of its activity~~**, the Audit Committee shall carry out the following activities:

1. To maintain effective working relations with the Management Board and the Supervisory Board, external auditors and the Internal ~~Control~~ Audit Unit;

2. To inform at least three times a year the Supervisory Board on its activity and to make the necessary recommendations;

3. To ensure that the Management Board and the Supervisory Board are duly notified of all matters of importance that could have a significant impact on the financial statements and management reports of the Company;

4. To ~~inform~~ notify, through its Chair, the Commission for Public Oversight, as well as the Management Board and the Supervisory Board of the Company of any approval given under Art. 64, ~~par-para. 3~~ and Art. 66, ~~par-para. 3~~ of IFAA, within ~~the statutory 7-day term deadline after the date of the decision~~;

5. To report to the General Meeting of Shareholders on its activity;

6. To prepare and submit, through its Chair, to the Commission for Public Oversight, within the statutory deadline by 30 June of every calendar year, an annual report on its activity in a format and with contents as approved by the Public Supervision Commission.

(6) The Audit Committee shall carry out also the following **other activities and obligations**:

1. To conduct examinations of the financial and accounting system, financial assessments and processes, accounting and control procedures and preparation of the financial statements, and if necessary, to hire special consultants or experts for assistance;

2. To monitor the implementation of the relevant laws and secondary legislation, and the subsequent actions by management in case of established cases of significant omissions or violations;

3. To notify the Public Supervision Commission in writing, through its Chair, of the occurrence or a change in circumstances that are subject to entry in the Register of Audit Committees pursuant to art. 109, para. 2 of IFAA, within the statutory deadline.

**Art. 12.** Powers.

1. The Supervisory Board shall authorise the Audit Committee, within its competence, to perform the following:

2. To request information that it requires, and the persons in charge are obliged to cooperate;

3. To obtain external legal and professional advice;

4. To require the attendance of managers and employees of the Company at its meetings, if necessary;

5. To conduct through its members, whenever necessary, on-the-spot checks with the support of the Internal ~~Control~~ Audit Unit.

## SECTION IV

### FINAL PROVISIONS

**Art. 13.** This Statute (Regulations) on the Activity of the Audit Committee may be amended, supplemented and interpreted only by decisions of the General Meeting of Shareholders of the Company.

**Art. 14.** Any matter not settled by this Statute (Regulations), which are subject to imperative provisions of the Company's Articles of Association, shall be governed by the latter, as also by all other effective pieces of legislation regulating that area.

This Statute (Regulations) has been approved by the General Meeting of Shareholders of the Company held on 29 June 2017 and revokes the Regulations on the Activity of the Audit Committee of Industrial Holding Bulgaria PLC, approved by the Supervisory Board of the Company on 14 May 2009. The latter

has been amended and supplemented by the General Meeting of Shareholders of the Company held on 27 Audit 2020.