

STARA PLANINA HOLD PLC

CRITERIA FOR INDEPENDENCE OF AUDITORS

Independence of auditors performing financial audit of the statements of Stara Planina Hold PLC shall be determined in accordance with the following criteria:

1. They are not employed under an employment contract or they are in an official legal relationship except in the Institute of Certified Public Accountants, in specialized auditing enterprise or conduct scientific and teaching activity.

2. They are not bound either directly or indirectly with or participate in transactions of the holding, other than the one for the independent financial audit, which compromise their independence as auditors or lead to a conflict of interests.

3. They do not provide accounting services on the current account reporting of the business activity or on the preparation of the financial statements of the holding when they participate in the taking of management decisions on them and they do not provide services related to valuation of assets for the purpose of the financial statement of the holding.

4. They are not parties connected with Stara Planina Holding PLC, as they:

— Do not participate in the management and are not employees of Stara Planina Holding PLC;

— Are not spouses, direct relatives or collateral kinsmen – to third degree of kinship inclusive; are not connected by marriage – to second degree inclusive, to a member of the Board of Directors or employee of the holding;

— Do not own more than **5** per cent of the holding's share;

— They fulfill all other requirements for connected parties within the meaning of Tax-Social Security Procedure Code.

5. They are not a party in a legal dispute with Stara Planina Hold PLC.

The above criteria shall apply also for all partners and employees in the specialized auditing enterprise.



The present rules were adopted by the Board of Directors on 06.03.2007 and become an integral part of [Program for implementation of internationally recognized standards for good corporative management.](#)

REFERENCE

Registered certified accountant may not perform independent audit on a financial statement of an enterprise, when:

1. they are employed under an employment contract or they are in an official legal relationship except with and in the Institute of Certified Public Accountants, in specialized auditing enterprise or conduct scientific and teaching activity;

2. they are not connected parties with the enterprise whose financial statement is a subject of independent financial audit;

3. they are directly or indirectly involved or participate in transactions of the enterprise whose financial statement is a subject of the independent audit, where such transactions are other than the transaction for the independent financial audit and violate his/her independence as an auditor or lead to a conflict of interests;

4. they provide accounting services on the current accounting reporting of the activity and on the preparation of the financial statements of the audited enterprise when they participate in the taking on management decisions, and they do not provide services related to valuation of assets for the purpose of the financial statement of the enterprise whose financial statement is subject of the audit.

The limitations on clauses 2, 3 and 4 shall be applied also for all partners and employees in the specialized auditing enterprise.

"Connected parties" shall mean:

a) spouses, direct relatives or collateral kinsmen – to third degree inclusive; and the relatives by marriage – to second degree inclusive, and for the purposes defined by the law – when they are part of a common household;

b) employer and employee;

c) the partners;

d) parties, one of which participates in the management of the other or its subsidiary company;

e) parties in whose management or control body participates one and the same legal entity or natural person, including when the natural person represents other party;

f) company and person that owns more than 5 per cent of the shares which give right to vote in the company;

g) parties, where one of them exercises control with regard to the other;

h) parties whose activity is controlled by a third party or its subsidiary company;

i) parties that jointly control third party or its subsidiary company;

k) parties, where one of them is a trade agent of the other;

l) parties, where one of them made donation to the other;

m) parties that participate directly or indirectly in the management, control or capital of other party or parties on the grounds of which they may agree on conditions which differ from the usual ones.

"Control" is considered to be present, where the controlling party:

a) owns directly or indirectly, as per an agreement with other party, more than half of the votes in the general meeting of other party, or

b) is able to appoint directly or indirectly more than a half of the members of the management or control body of the other party, or

c) is able to govern, including through or together with subsidiary company as per articles of association or contract the activity of other party, or

e) as a shareholder or partner in a company, controls autonomously by virtue of transaction with other partners or shareholders in the same company, more than a half of the votes in the general meeting of the company, or

f) is able in another way to exercise pivotal influence on the decision-making related to the activity of the company.