



## RULES

### ON INTERNAL CONTROL AND RISK MANAGEMENT

#### I. GENERAL PROVISIONS

Art. 1. (1) These Rules shall determine the internal control and risk management activities in connection with the processes of financial reporting at Stara Planina Hold Plc.

(2) The financial management and control shall be exerted through management and control systems, which shall include cumulative operating policies and procedures with the purpose of ensuring reasonable assurance that the Company's goals towards protection of the financial interests are achieved via:

1. conformity with the legislation, internal acts and agreements;
2. reliability and comprehensiveness of the financial and operational information;
3. economy, effectiveness and efficiency of the activities;
4. protection of the assets and information.

Art. 2. The Financial Management and Control Systems shall aim at ensuring:

1. legal, economic, effective and efficient management of the financial resources;
2. conformity of the Company's financial activity with the operating legislation and the internal rules and agreements;
3. protection of the assets and information;
4. prevention and exposure of financial violations and errors in the functioning of the administration;
5. reliability of the accounting information;
6. ensurance of timely and reliable information in view of taking proper decisions upon the management of the finances.

Art. 3. (1) The Financial Management and Control Systems shall consist of mandatory control activities.

(2) Control activities shall be the rules, procedures and actions focused on decreasing the risks for achieving the goals and contributing to the implementation of the management decisions.

(3) The Company shall apply control activities, which shall include as follows:

1. solving and improvement procedures;
2. double signature system, which prevents the undertaking of a financial obligation or making of a payment without the signatures of a Company's representative and Chief Accountant;
3. preliminary control on legality to be performed by the Chief Accountant;
4. procedures for complete, true, precise and timely reporting of operations;
5. reporting and verification of the activities – assessment of the efficiency and effectiveness of the operations;
6. observation procedures;
7. human resources management;
8. documentation of all operations and actions.

#### II. ELEMENTS AND INTERNAL ACTS FOR FINANCIAL MANAGEMENT AND CONTROL

Art. 4. The Management shall exert financial management and control through the following interconnected elements:

1. control environment;
2. risk management;
3. control activities;
4. information and communication;

5. monitoring.

Art. 5. (1) The following internal policies and rules have been adopted with the purpose of efficient notification of any significant information on the financial and operational results and the significant main risks and insecurities in the activity of the Holding and the Economic Group:

1. Information provision and distribution policy.

2. Policy for deals with interested and related persons.

3. Rules for internal control and risk management.

4. Code of Ethical Conduct.

5. Auditor Independence Criteria.

6. Remuneration Policy.

(2) The following internal acts have been adopted with the purpose of ensuring the efficient implementation of financial management and control:

1. Job Table.

2. Job Characteristics.

3. Internal Labour Regulations.

4. Archiving Activity Instruction.

### III. RISK MANAGEMENT

Art. 6. Risk management is the process of identification, evaluation and monitoring of the risks, which may influence the achievement of the Company's goals and the introduction of the necessary control activities, with the purpose of limiting the risks.

Art. 7. (1) Risk identification.

1. This stage shall aim at drawing up a detailed list of the risks based on events that may be provoke, induce, detain, eliminate, accelerate or slow down the achievement of the goals.

2. Risk identification consists of verification of the impact of specific consequences, including secondary and piling influences. A broad spectrum of consequences shall be subject to check, even when the source or the reason for the risk may not be obvious. The possible reasons for any eventual consequences shall be subject to verification.

3. The Company's Management shall assign the identification of the sources of risk,

the fields of impact, the events (including changes of circumstances), as well as their reasons and potential consequences.

(2) Risk analysis.

1. It ensures incoming data for assessing the risk and taking decisions on the necessity of impact on the respective risk. It allows the avoidance of the most suitable methods and a strategy for impact on the risk. It contributes to taking a decision, when a choice has to be made and when there are opportunities for different types and levels of risk.

2. It includes the reporting of the reasons and the sources of risk, of their positive and negative consequences and of the opportunity for those consequences to occur. It identifies the factors that impact consequences. It determines the consequences and their probability.

3. The risk analysis may be carried out at different levels of particularity depending on the risk, the purpose of the analysis and the information, data and available resources.

(3) Risk assessment.

1. The assessment shall aim at supporting the process of decision making upon determining the necessity of an impact on the risk and the priority upon introducing the impact.

2. The risk assessment shall include comparison of the risk level determined during the process of analysis together with the probability for that risk to show. Based on that comparison it shall be possible to examine an assessment of the risk and the necessity of impact on that risk.

### IV. PROCEDURES OF PERMISSION, APPROVAL AND AUTHORIZATION

Art. 8. (1) The procedures of permission shall refer to decision taking by the Board of Directors, the Chairman of the Board of Directors, the Executive Director or other authorized persons, thus resulting in the occurrence of specific consequences for the Company.

(2) Approval shall be the approbation or certification of transactions, data or documents, thus completing processes, actions, proposals and their consequences.

(3) Permission and approval shall be enforced only by the Board of Directors, the

Chairman of the Board of Directors, the Executive Director or respectively authorized persons.

Art. 9. (1) Authorization shall be a procedure, where the Board of Directors issues a decision, and the Chairman of the Board of Directors or the Executive Director issues an order to certain officials for the implementation of certain functions or actions, such as actions of managing and disposing of assets, undertaking obligations, making expenses, actions connected with the assignment and implementation of a different activity, etc.

(2) Authorization shall take place in conformity with the normatively regulated possibilities, the specific terms and conditions, and upon observation of the requirements for the necessary competence and professional experience.

(3) Authorized employees shall act in accordance with the orders within the limits set by the given authorization and enactments.

#### V. DIVISION OF RESPONSIBILITIES

Art. 10. (1) The division of responsibilities is introduced in order to reduce the risk of errors, irregularities and violations and shall be governed by the internal regulations of the company under Art. 5.

(2) The responsibilities shall be allocated in a way that does not allow an employee to be simultaneously responsible for approval (authorization), execution, accounting and control.

#### VI. SYSTEM OF DUAL SIGNATURE

Art. 11. The system of dual signature shall be a mandatory procedure in undertaking commitments, incurring expenses, operations in management or disposition of property and others in the name and on behalf of the company.

Art. 12. (1) All documents related to liabilities, costs, operations in management or disposition of property and others, regardless of their value, shall be signed by the chairperson of the Board or Executive Director in their capacity as director and by the chief accountant in his/her capacity of the person responsible for accounting records.

(2) The chairperson of the Board and the Executive Director may with orders delegate rights to competent officials to sign in the name of director primary accounting documents for the collection of revenue, undertaking of commitments and incurring of expenditure in the following cases:

1. collecting revenue, incurring expenses in cash and bank and spending of inventories (payment orders, revenue and expenditure cash orders, requests for release of materials);

2. reporting of accounting relationships (estimated payroll, advance statements of materially responsible persons and employees);

3. receipt of invoices for supplies of goods and services;

4. orders to use annual leave of staff;

(3) The system of dual signature shall apply when there has been no preliminary control.

(4) The chief accountant, as a person responsible for accounting records may refuse to make a second signature. In these cases, the waiver must be in writing and motivated.

#### VII. PRELIMINARY CONTROL

Art. 13. (1) The preliminary control shall be a preventive activity of legality, where before making a decision or an action, a comparison is made with the requirements of applicable legislation.

(2) The procedure for preliminary control shall be determined by these rules.

Art. 14. (1) Preliminary control shall be carried out before any decision or performing any action related to the financial performance of the company regardless of the amount of income or expense associated therewith.

(2) Preliminary control shall be done through checks on the legality of the decision or action related to the disposal of assets and resources, including undertaking commitments and incurring expenses.

Art. 15. Access to assets and information shall be done by the relevant officials in order that aims to reduce the risk of improper use or disposal of assets and financial information.

Art. 16. For any obligation or expense prior to their assumption or committing, supporting documents shall be provided (memos, orders, statements, offers, contracts, invoices and acceptance protocols, etc.) that apply to the payment document.

#### VIII. PROCEDURES FOR ACCOUNTING OF OPERATIONS

Art. 17. (1) The procedures for accounting of operations shall be carried out in accordance with regulations and international accounting standards.

(2) The purpose of the procedures for accurate and timely accounting of business transactions shall be to reduce the risk of incorrect and untimely reflection of the information and drawing up financial statements and to obtain reliable information from the company's management for decision making.

#### IX. CONTROL PROCEDURES FOR INFORMATION SYSTEMS

Art. 18. (1) Communication shall be the movement of information across all information channels. Its goal shall be to raise awareness and to help achieve the goals of the company.

(2) Reporting shall be one of the most important communication channels between employees and management. Management should receive timely, relevant, appropriate, accurate and true information about all the activities of the company.

Art. 19. (1) Information shall be the collection of evidence on the events that are important for the activity of the company at all levels.

(2) The management shall inform the employees what information is needed for making the right management decisions through decisions, orders, instructions and more.

(3) The Company shall use information systems which are necessary for its operations and allow identification, collection, processing and dissemination of information.

Art. 20. (1) The quality of information provided by the information system shall affect the ability of management to take appropriate decisions in the context of management and control of individual operations and activities.

(2) The information system shall contain features that provide access at any time to reliable, accurate and current information, to enable effective monitoring.

#### X. MONITORING PROCEDURES

Art. 21. (1) The Company's management shall perform a comprehensive review of activities that aims to provide assurance that control activities are functioning as intended and remain effective over time.

(2) The review of activities shall be carried out currently periodically through analysis and evaluation performed after the events and it depends on the risk assessment and the effectiveness of current monitoring.

(3) The Company shall establish an audit committee, which shall monitor the financial reporting process, the effectiveness of the internal control system and the risk management system.

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The Rules were adopted at a meeting of the Board of Directors on 15.02.2017.