



**CORPORATE GOVERNANCE DECLARATION  
TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS OF BILLBOARD AD  
AS OF 31.12.2017 PURSUANT TO ART. 100N, PARA. 8 OF THE  
LAW ON PUBLIC OFFERING OF SECURITIES**

**1. Information on whether the issuer complies as appropriate with the Corporate Governance Code, approved by the Deputy Chairperson, or another corporate governance code**

BILLBOARD AD became a public company with the filing of the company and the issue of securities in the amount of BGN 7 500 000, issued by BILLBOARD AD and representing the registered capital of the company in the register of public companies and other issuers of securities kept by the Financial Supervision Commission under Decision № 153-PD of 30.01.2008.

By a resolution of the Board of Directors of BILLBOARD AD as of 06.03.2008 the company joined the National Corporate Governance Code, officially adopted in October 2007 as the corporate board declared that in its overall activities it will respect and apply the corporate governance principles and the recommendations set out in the Code and will make efforts these principles to be the basis of the overall performance of BILLBOARD AD and the companies in the economic group.

**2. Information regarding the corporate governance practices, which are applied by the issuer in addition to the Corporate Governance Code, approved by the Deputy Chairperson, or another corporate governance code**

BILLBOARD AD does not apply corporate governance practices in addition to the National Corporate Governance Code.

**3. Explanation by the issuer as to which parts of the Corporate Governance Code, approved by the Deputy Chairperson, or another corporate governance code the issuer does not comply with and as to what the grounds for this non-compliance are, and when the issuer has opted not to refer to any of the rules of the corporate governance code - the grounds for that**

The Board of Directors of BILLBOARD AD has found that it applies all the principles of conduct which are set out in the National Corporate Governance Code.

The National Corporate Governance Code is being applied subject to the “**comply or explain**” principle. This means that the company complies with the Code and in case of any deviation its corporate board should explain the reasons therefor.

BILLBOARD AD provides this information on compliance with the Code, as the latter represents an integral part of the Annual Report as of 31.12.2018 and will also be published on the website of the company.

**I. CHAPTER ONE – CORPORATE BOARDS**

As of 31.12.2018 the Board of Directors of BILLBOARD AD includes the following members:

1. Kalin Vassilev Genchev – Chairperson of the Board of Directors
2. Stefan Vassilev Genchev – Executive Director
3. Borislav Hristov Borisov – Independent member of the Board of Directors
4. Asen Georgiev Kostadinov – Independent member of the Board of Directors

The company is represented by the Executive member of the Board of Directors. In 2018 have not been made changes in the representation of the company neither has been appointed or released a procurator.

At the extraordinary session of the general meeting of the shareholders of BILLBOARD AD, held on 12.11.2018 was adopted a resolution for changes in the Board of Directors as Zarina Vassileva Gencheva and Dessislav Grozev Tomov were released from their positions as board members and Asen Georgiev Kostadinov was elected to be a new independent member of the Board of Directors of BILLBOARD AD for 5-years terms of office as from the date of entering the resolution with the Commercial Register to the Registry Agency.

The changes in the Board of Directors were filed with the Commercial Register to the Registry Agency on 16.11.2018 under № 20181116161641.

## **Functions and Obligations**

The Board of Directors directs and controls the company in a responsible and independent manner according to the vision, goals and strategies of the company and in the best interest of all shareholders.

The Board of Directors monitors the performance of the company on a quarterly and yearly basis and initiates changes in the management of its operations, when necessary.

The Board of Directors treats all shareholders equally, acts in their interest and in a diligent manner.

The members of the Board of Directors base their actions on common principles of integrity and managerial and professional competence. The Board adopted and follows an Ethics Code.

The Company has an integrated and functioning risk management system, including internal audit as well as a financial-information system.

The Board of Directors has established and controls the integrated functioning of the financial and accounting systems.

The Board of Directors provides guidelines, approves and controls the implementation of the company's business plan, the material transactions and all other operations and actions required by the company's by-laws.

Pursuant to the requirements of the Law on Public Offering of Securities the Board of Directors monitors all material transactions, making them approved. In case of transactions that individually or collectively exceed the thresholds specified under Art. 114, para. 1 of the Law on Public Offering of Securities, the Board of Directors prepares a motivated report and adopts a decision to convene a General Meeting of Shareholders, where to be authorized by the shareholders to perform these transactions.

The Board of Directors reports on its activities to the General Meeting of Shareholders by presenting for approval by the shareholders the Annual Management Report, the Report on the Implementation of the Remuneration Policy as well as any other enclosures and documents, required by the legislation in force.

## **Election and Removal of Members of the Board of Directors**

The General Meeting of Shareholders elects and removes members of the Board of Directors in compliance with the law and the company's Articles of Association, while considering the principles of continuity and sustainability of the Board of Directors' work.

Upon proposing new members of the Board of Directors, the principles of compliance of the nominees' competencies with the nature of the company's activities pursuant to the National Corporate Governance Code are being followed.

All members of the Board of Directors meet the legal requirements for taking up their duties. The functions and duties of the corporate board as well as its structure and competence are in accordance with the requirements of the Code.

The management contracts entered into with members of the Board of Directors specify their duties and tasks, the criteria for their remuneration, their duties of loyalty to the company and the grounds for dismissal.

During the year under review BILLBOARD AD has applied the Remuneration policy for the members of the Board of Directors in compliance with the legal requirements for public companies, the objectives, long-term interests and the strategy for the future development of the company as well as in compliance with its financial and economic standing in the context of the national and European economic situation, while considering the recommendations of the National Corporate Governance Code.

Pursuant to the current Remuneration policy for the members of the Board of Directors of BILLBOARD AD, during the reported financial year the Company has paid to the members of the Board of Directors only permanent remuneration, the amount of which accounted:

1.1. The obligations, workload, commitment and involvement of the members in the company's management, as well as the contribution of each member of the Board of Directors in the operations and results of the company;

1.2. The possibility to select and retain qualified and loyal members of the Board of Directors;

1.3. The conformity of the interests of the Board members and the long-term interests of the company.

The remuneration of the members of the Board of Directors and information on their amount is being disclosed annually in the Management Report of the Board of Directors on the activities during the reporting year. The Company prepares a report on the implementation of the remuneration policy as part of the annual financial report on the activities and which is presented for approval by the General Meeting of Shareholders.

## **Structure and Competence**

The number of members and the structure of the Board of Directors is specified in the company's Articles of Association.

The composition of the Board of Directors is structured in a way that ensures the professionalism, independence and impartiality of its resolutions related to the management of the company. The functions and obligations of the corporate board as well as its structure and competence are in compliance with the requirements of the Code.

The Board of Directors ensure the tasks and obligations of its members are properly distributed. As of 31.12.2018 the Board of Directors consists of:

- Executive member of the Board of Directors – engaged with the current representation of the company and the day-to-day management of the business processes;
- Chairperson of the Board of Directors;
- Two independent members of the Board of Directors.

The independent members of the Board of Directors control the functions carried out by executive management and contribute effectively to the company's performance in compliance with the interest of all shareholders and in respect of their rights.

The competence, rights and responsibilities of the members of the Board of Directors must comply with the law and the company's by-laws, and follow good professional standards and practice.

The members of the Board of Directors have suitable knowledge and experience required for the position they take. Information on the professional qualifications and experience is disclosed in the written materials to the invitation for the general meeting of shareholders where the respective members of the Board are elected. This information is also published on the website of the company.

After election of the new members of the Board of Directors they are being introduced to the basic legal and financial issues related to the company's activities and performance.

Continued professional training of members of the Board of Directors is their constant priority.

The members of the Board of Directors are able to devote sufficient time to carry out their tasks and duties although that the company's by-laws do not limit the number of management positions the members of the Board are allowed to hold. These circumstances are being monitored when nominating and electing new members of the Board of Directors.

The election of members of the Board of Directors is done through a transparent procedure which ensures timely and complete information regarding the personal and professional qualities of the nominees. As part of the materials for the general meeting where the election of a new member of the Board of Directors is proposed, are presented all declarations, criminal record certificate and CV of the nominee required by the Law on Public Offering of Securities and the Commercial Act.

When electing members of the Board of Directors, the nominees confirm by means of a declaration or personally to shareholders the correctness of the data and information presented. The election procedure is conducted in open voting and the votes "For", "Against" and "Abstained" are being counted.

The voting results are announced with the minutes of the General Meeting of Shareholders.

The number of consecutive terms of the members of the Board of Directors provides for the company's efficient functioning and compliance with legal requirements. The company's by-laws do not limit the number of consecutive terms of the independent Board members but this fact is being observed in the proposal for election of independent members.

The Board of Directors has adopted detailed Rules of Procedure of the Board of Directors of BILLBOARD AD, entirely consistent with the recommendations of the National Corporate Governance Code. The Rules regulate in details the requirements on the composition, election and dismissal procedures of board members; their rights, duties and responsibilities; the requirements that the amount and structure of the board members' remunerations should be consistent with; the functions, competence and powers of the Board of Directors; the rules for disclosure of conflict of interest; the procedures for conducting meetings and making decision from the Board of Directors and the requirements for the executive board members and their relations with the company.

## **Remuneration**

The Board of Directors develops clearly defined and specific remuneration policy with regard to its members which is subject to General Meeting of Shareholders' approval. The policy defines the principles of setting up the remunerations' amount and structure.

The Policy takes the minimum salary established for the country as a basis for setting the monthly remuneration of the members of the Board of Directors of BILLBOARD AD. During the reported year, all members of the Board of Directors of BILLBOARD AD received only permanent remunerations as their particular amount was approved by the General Meeting of Shareholders. The General Meeting of Shareholders, held on 27.06.2014 set the following remunerations for the members of the Board of Directors of BILLBOARD AD:

- Gross monthly remuneration for the executive member and the chairperson of the Board of Directors of BILLBOARD AD in the amount of 7 minimum salaries, established for the country,
- Gross monthly remuneration for the independent members of the Board of Directors of BILLBOARD AD in the amount of 5 minimum salaries, established for the country.

The regular General Meeting of the Shareholders, held in 2018 did not approve amendments to the Remuneration policy for the members of the company's Board of Directors.

In accordance with the legal requirements and best corporate governance practices the amount and structure of remuneration account: the obligations, workload, commitment and involvement of the members in the company's management, as well as the contribution of each member of the Board of Directors in the operations and results of the company; the possibility to select and retain qualified and loyal members of the Board of Directors; the conformity of the interests of the Board members and the long-term interests of the company.

The remuneration of all members of the Board of Directors of BILLBOARD AD consists of basic allowance. The current Remuneration policy for the members of the Board of Directors of BILLBOARD AD does not provide an option for payment of bonuses and/or other non-monetary additional remunerations to the board members neither provides an option for granting stock options, company shares or other types of variable remuneration to the members of the corporate Board.

Disclosure of information on the remunerations of the members of the Board of Directors is done in accordance with the law and the company's by-laws – by means of disclosing the Report on the implementation of the Remuneration Policy and the annual Management Report.

Shareholders have easy access to the adopted company policy concerning the determination of remunerations and bonuses of the board members as well as to information about the annual remunerations and variable incentives received by the members through the selected media for information disclosure and the company's website.

### **Conflict of Interests**

The members of the Board of Directors of BILLBOARD AD avoid and do not admit any real or potential conflict of interests. During the reported 2018 no transactions have been concluded between the company and members of the Board of Directors or related parties.

The procedures for avoidance and disclosure of conflicts of interests are stipulated in the company's by-laws.

Members of the Board of Directors immediately disclose conflicts of interest and provide shareholders access to information about transactions between the company and members of the Board of Directors or related parties by presenting a declaration under Art. 114b of the Law on Public Offering of Securities.

Art. 16 of the Rules of Procedure of the Board of Directors of BILLBOARD AD describe the procedure for avoiding conflicts of interest in case of transactions with interested parties and information disclosure in case of such transactions.

### **Committees**

There is an audit committee functioning in the Company in accordance with the requirements of the Independent Financial Audit Act.

The audit committee with Zlatka Todorova Kapinkova, Nadya Ruseva Budinova and Zarina Vassileva Gencheva as members with 1-year terms of office was elected at the regular session of the General Meeting of the Shareholders, held on 29.06.2017 and re-elected by a resolution of the General meeting held on 29.06.2018.

The new Audit Committee was established on the basis of written terms of reference, scope of tasks, way of operation and reporting procedures detailed in the Statute of the Audit Committee, adopted by the General Meeting of Shareholders, held on 29.06.2017.

## **II. CHAPTER TWO – AUDIT AND INTERNAL CONTROL**

The Board of Directors of BILLBOARD AD is being assisted by an audit committee. Pursuant to the provisions of art. 8 of the Statute, the Audit Committee of BILLBOARD AD:

1. monitors the performance of the independent audit of the annual financial statements on the part of the registered auditor elected by the company, taking into account the findings and conclusions of the Commission for Public Oversight of Statutory Auditors (CPOSA) on the application of Art. 26, paragraph 6 of Regulation (EU) No 537/2014;

2. monitor and verify the independence of the statutory auditor / audit company in accordance with the requirements of Chapters Six and Seven of the Independent Financial Audit Act, as well as with Art. 6 of Regulation (EC) No 537/2014, including the expedience of providing services except for the audit to the company under Art. 5 of the same Regulation;

3. requires to be immediately informed in writing by the statutory auditor / audit company about any circumstances that are impairing or would impair the independence in carrying out the audit engagement as required by Art. 31, para. 2, item 1 of the Independent Financial Audit Act;

4. requires to be immediately informed in writing by the statutory auditor / audit company about established and possible serious breaches of the applicable laws, constitutive and other internal acts of BILLBOARD AD insofar as they have become known to the statutory auditor / audit company while performing the audit engagement;

5. requires clarification from the statutory auditor / audit company about the nature and reasons for modifying the auditor's opinion in the auditor's report, as well as in the paragraphs for considering other matters that have not modified the auditor's opinion;

6. requires a copy of the compulsory professional liability insurance of the statutory auditor / audit company;

7. receives an additional report to the auditor's report under Art. 59 and Art. 60 of the Independent Financial Audit Act;

8. monitors the observance of the legal and regulatory requirements for the selection and appointment of a statutory auditor by performing the necessary verifications for its independence, qualification and reputation as well as for the quality of the audit services and gives recommendation to the General Meeting of the Shareholders of the company for the election of a statutory auditor;

9. is responsible for the selection procedure for the statutory auditor / audit company based on at least the following sample selection criteria for an auditor: audit approach; areas on which the audit will be concentrated; experience in the relevant business sector; use of IT technologies; internal quality control system; communication strategy; quality control assessments by the CPOSA or ICEA for the company and for each individual auditor, a partner in the audit engagement; auditor's insurance coverage; price on the principle of the most economically advantageous offer;

10. reviews the suggested scope and approach of the audit on the part of the certified auditor and coordinates the financial audit process with the internal audit unit;

11. monitors the observance of the requirements for the remuneration of the statutory auditor, pursuant to Art. 66 of the Independent Financial Audit Act and shall notify the CPOSA and the Board of Directors on any specific decision under Article 66, para. 3 within 7 days from the date of the decision;

12. monitors the application of the rotation principle in terms of the statutory auditor;

13. verifies and monitors whether the registered auditor provides the company with "banned services" within the meaning of the Independent Financial Audit Act and Regulation (EU) No 537/2014;

14. authorizes provision of "banned services" within the meaning of, and in accordance with, the requirements of the Independent Financial Audit Act and Regulation (EU) No 537/2014 on the basis of procedures developed for the approval of providing services except for the audit and after an independence threat assessments and the precautionary measures taken, and shall inform the Commission on public oversight of certified auditors within 7 days from the date of the approval;

15. reviews and discusses any essential written communication between the corporate Board and the company's certified auditor, incl. the letter of representation of the management, the list of all material and minor uncorrected deviations found during the audit, etc.;

16. periodically discusses with the certified auditor all material accounting policies and practices as well as any possible alternative treatments of financial information in accordance with established and applicable accounting standards;

17. at least once per year, verifies the internal auditing system of the certified auditor, as well as all the relations between the auditor and the company;

18. holds separate meetings with the certified auditor to discuss issues that the Committee or the certified auditor considers to be of a confidential nature;

19. the Audit Committee must be mandatorily informed by the certified auditor about any obstacles that the corporate Board has created in performing the independent financial audit, including limitation of the scope of the auditor's work;

20. performs all other functions and rights regulated by the current provisions of the national and European legislation.

The company has developed and applies an internal control system that also identifies risks the company might face in its activities and fosters their efficient management. This system also ensures effective functioning of the reporting and disclosure of information systems. Description of the major characteristics of the internal control and risk management systems is presented under item 4 of this Corporate Governance Declaration.

### **III. CHAPTER THREE – SHAREHOLDERS RIGHTS' PROTECTION**

The corporate board of BILLBOARD AD guarantees equal treatment of all company's shareholders, including minority and foreign investors, and protects their rights by means of:

- applying clear rules, regulated in details, regarding the organization and conduct of regular and extraordinary sessions of the general meeting of the company's shareholders which also include detailed description of the shareholders' rights. Those Rules are posted on the company's website - [www.bilbord.bg](http://www.bilbord.bg), Investors section;

- providing circumstantial information, including through the website of the company, regarding the requirements towards the proxies and the rules for authorization of shareholders' representatives at the General Meeting of the Shareholders, as well as presenting a sample of a written proxy at the disposal of BILLBOARD's shareholders, in a sufficient period of time prior to the date of the general meeting's session, which facilitates the participation and exercising votes at the General Meeting of the Shareholders;

- ensuring the right of all company's shareholders to ask questions to the corporate Board of BILLBOARD AD and receive answers by means of the established practice of members of the Board of Directors to be present at the sessions of the General Meeting of the Shareholders;

- providing information to all shareholders regarding the adopted resolutions at each session of the General Meeting of the Shareholders through respective notifications announced under the procedure for disclosure of regulated information and through publishing the minutes of the general meeting's session at the company's website in the shortest possible term;

- establishing the practice for timely announcement of information regarding important corporate events related to BILLBOARD AD and the companies included in the economic group, to the widest possible range of stakeholders, including through the website of the company;

- conducting a policy for supporting all shareholders upon exercising their rights.

The invitation for the General Meeting of Shareholders of BILLBOARD AD contains all the required information under the Commercial Act and the Law on Public Offering of Securities and additional information on exercising the right to vote and the possibility to add new items to the agenda pursuant to Art. 223a of the Commercial Act.

The Board of Directors of the Company provides information to all shareholders on their rights by the information posted on the company's website, the disclosed Articles of Association of the company and the invitation for any particular general meeting of shareholders.

## General Meeting of Shareholders

All shareholders of the company are being informed about the rules under which the General Meetings of Shareholders shall be convened and held, including voting procedures by means of the Company's Articles of Association and the invitation for any particular General Meeting of the Shareholders.

The Board of Directors of BILLBOARD AD provides sufficient and timely information concerning the date and venue of the General Meeting, as well as detailed information on the issues to be discussed and decided on at the meeting.

The invitation and the materials for the General Meeting of Shareholders of BILLBOARD AD is being disclosed through the system EXTRI NEWS - <http://www.x3news.com> and through the electronic media Investor BG - [www.investor.bg](http://www.investor.bg) to the public, the Financial Supervision Commission and the regulated securities market. After presenting the invitation and the materials for the General Meeting of Shareholders they are available on the website of the company.

As obvious from the minutes from the General Meetings of Shareholders of the Company, the Board of Directors and the elected chairperson ensure that each shareholder is in possession of their right to express opinion and ask questions during the General Meeting of Shareholders, corporate management should.

Shareholders holding voting shares have the opportunity to exercise their voting rights directly or through the use of a proxy or by correspondence at the General Meeting of Shareholders.

As part of the materials for the General Meeting of Shareholders the Board of Directors provides a sample of a proxy, Proxy voting Rules and Rules for voting through correspondence.

The provision of art. 23, para. 8 of the company's Articles of Association provides the possibility for the general meeting of the company's shareholders to be also held by using electronic means through one or more of the forms, provided by the Law on Public Offering of Securities as well as through combining the personal attendance session with any of these forms. Irrespective of the possibilities, provided by the Articles of Association, the company's Board of Directors shall specify the way for conduct of the General Meeting of Shareholders and the way for exercising the voting right for each particular session of the General Meeting of Shareholders as the respective information is stated in the invitation for convocation of the General Meeting of Shareholders.

Exercising the voting right by using electronic means would make the process of convening and holding a general meeting extremely expensive and in view of the small number of shareholders who participate annually in the work of the meeting it appears that the use of this means is economically unjustified.

The Board of Directors exercises effective control and ensure that necessary arrangements are made to facilitate voting by authorised representatives (proxies) in accordance with the instructions of the shareholders and in compliance with the law. An elected commission registers shareholders for any particular session of the General Meeting of Shareholders. The Chairperson and the Secretary of the General Meeting closely monitor the lawful conduct of the General Meeting, including the voting of authorized persons. Upon finding differences between the will of the principal and the vote of the authorized person this fact is recorded in the minutes and the will of the principal is respected.

The Board of Directors has prepared and adopted a set of documents for the organization and holding of regular and in extraordinary session of the General Meeting of Shareholders that ensure equal treatment of all shareholders and the right of each shareholder to express its views on the items in the agenda for the General Meeting.

The Board of Directors organizes the rules and procedures for conduct of the General Meeting of Shareholders in a manner which does not make the voting procedure unnecessarily difficult or expensive.

The Board of Directors encourages participation of all shareholders at the General Meeting but has not provided a possibility for not-attendance presence by using of technical means



(including Internet) due to the economic groundlessness of such a way for participation in the General Meeting.

The Executive Director and the Chairperson of the Board of Directors attend the sessions of the General Meeting of shareholders.

### **Written materials for the General Meeting of Shareholders**

Texts in the written materials related to the agenda of the General Meeting of Shareholders are clear, accurate and do not to mislead the shareholders. All proposals concerning major corporate events are presented as separate items on the agenda of the General Meeting of Shareholders, including the proposal for the distribution of profit.

The company maintains a special section on its website [www.bilbord.bg](http://www.bilbord.bg) describing the rights of shareholders and the rules and procedures for their participation in the General Meeting of Shareholders, where all written materials related with the items on the agenda as well as the minutes form the respectively held sessions of the General Meeting of Shareholders of BILLBOARD AD are being posted.

The Board of Directors co-operates with shareholders, who have the right under law, in placing additional items on the agenda of the General Meeting and proposing additional decisions on items already on the agenda by undertaking all necessary legal and factual measures to announce the additionally added items on the agenda for a General Meeting that has already been convened.

The Board of Directors guarantees the right of all shareholders to be informed on a timely basis about the decisions that have been made at the General Meeting of Shareholders by means of disclosing the minutes of the General Meeting of Shareholders through the selected media agencies and posting the minutes on the company's website.

### **Equal treatment of shareholders of the same class**

Pursuant to the Articles of Association of BILLBOARD AD all company's shares are of the same class – ordinary, registered, dematerialized shares with the right to vote and all shares give equal rights to the company's shareholders. Each share gives the right to one vote at the General Meeting of Shareholders and well as the right to dividend and liquidation quota proportionate to the nominal value of the share. All shareholders of the same class are being treated equally.

The Board of Directors guarantees that enough information is given to the shareholders about the rights all shares give before their acquisition by means of the information posted on the company's website as well as by having conversations and personal meetings with the corporate board and/or with the Investor Relations Director.

### **Consultation between shareholders about main shareholder rights**

The Board of Directors of BILLBOARD AD does not hinder shareholders, including institutional investors, to consult each other on matters, related to their main shareholder rights in a manner, which does not allow misuse.

### **Controlling rights shareholders' transactions and abusive transactions**

The Board of Directors of BILLBOARD AD does not allow transactions of shareholders with controlling rights, which violate the rights and/or legal interests of other shareholders, including when the controlling shareholder is negotiating with themselves. When executing such transactions it is necessary an explicit resolution of the Board of Directors as the interested party does not have the right to vote.

In case of any indication for exceeding the statutory thresholds under art. 114, para. 1 of the Law on Public Offering of Securities the Board of Directors prepares a motivated report and initiates convening and holding of a general meeting of shareholders to vote the transactions.

#### **IV. CHAPTER FOUR – INFORMATION DISCLOSURE**

The Board of Directors has adopted an information disclosure policy in compliance with legal requirements and the company's by-laws. In compliance with the adopted policy the corporate board has created and supports an information disclosure system

The information disclosure system guarantees equal access to information to the addressees (shareholders, stakeholders and the investment community) and does not allow for any abuse of inside information.

Inside information is disclosed in the statutory forms, order and terms through selected media agencies. The Company benefits single point of disclosing information electronically, thereby information reaches both in uncorrected form to the public, the FSC and the regulated securities market. Information in uncorrected form and in the same volume is published on the website of the company. Thus the executive management of the company guarantees that the information disclosure system provides comprehensive, timely, true and understandable information that allows for objective and well-informed decision-making and assessment.

The Company prepares annually corporate calendar which sets out specific dates for regulated information disclosure and the disclosures related to convening and holding a General Meeting of Shareholders.

The executive management and the Board of Directors promptly disclose information about the capital structure of the company and agreements that lead to exercising control, according to its information disclosure rules. Disclosure is made through the means as provided by the Law on Public Offering of Securities and its implementing by-laws as well as in compliance with the applicable European regulation.

The Board of Directors guarantees through the control exercised over the implementation of the information disclosure policy that the rules and procedures under which are conducted acquisition of corporate control and extraordinary transactions such as mergers and sales of substantial part of the assets are clearly and timely disclosed.

The board of Directors approves and controls together with the independent auditor internal rules for preparation of annual and interim reports and the procedure for disclosure of information.

The corporate website of BILLBOARD AD – [www.bilbord.bg](http://www.bilbord.bg), functioning both in Bulgarian and English language, is set in conformity in terms of its structure and contents of the published information with the requirements of the National Corporate Governance Code and the acknowledged good practices regarding the information disclosure systems. In the Corporate Governance section are published all current corporate documents of the company and provides information on the certified auditor of BILLBOARD AD, the members and functions of the elected audit committee.

The Company periodically discloses information on the corporate governance.

The Board of Directors of BILLBOARD AD finds that, with its overall activities in 2018, it has established preconditions for a sufficient transparency in its relations with current shareholders of the company, potential investors, financial mass media and capital market analysts as well as with the regulatory authority – Financial Supervision Commission.

In 2018 the Company has disclosed any regulated information within the terms and under the procedure provided for by the Law on Public Offering of Securities and its implementing by-laws.

#### **V. CHAPTER FIVE - STAKEHOLDERS**

The Corporate board ensures effective interaction with the company's stakeholders. This category includes certain interested parties who are directly influenced by the company and who are in a position to influence the company themselves.

BILLBOARD AD identifies as stakeholders, interested in its activities, all persons/entities which are not shareholders and which are interested in the economic prosperity of the company:

- Workers and employees;
- Customers,
- Suppliers and other contracting parties,
- Banks – creditors
- Bondholders, if such have been issued and
- the public in general.

The company's policy towards stakeholders is in compliance with the existing laws, based on the principles of transparency, accountability and business ethics. Stakeholders are being provided with the necessary information on the company's activities, current data on the financial status as well as any other information enabling their proper orientation and taking informed and well-grounded decisions.

In 2018 again, the corporate board of BILLBOARD AD applied diversified approach towards customers, suppliers and other contractors of the company in order to preserve the commercial and business relations with these stakeholder groups, extend the range of clients and achieve optimal good, realistic conditions for payments and deliveries.

#### **4. Description of the main characteristics of the internal control system and the risk management system of the issuer in connection with the financial reporting process**

When describing the general characteristics of the internal control and risk management systems it should be taken into account that neither the Law on Public Offering of Securities nor the National Corporate Governance Code define internal control framework to be followed by the public companies in Bulgaria. Therefore, for the purpose of implementing the company's obligations under Art. 100m, para. 8 item 4 of the Law on Public Offering of Securities to describe the general characteristics of the systems are used the frames of the International Auditing Standard 315.

##### **General description of the internal control and risk management systems**

There is a functioning internal control and risk management system in BILLBOARD AD which ensures the effective functioning of the reporting and information disclosure systems. The system was built and functions also in order to identify the risks that the company might face in its operation and support their effective management. The Board of Directors has the primary responsibility and role in terms of elaborating the internal control and risk management system. It performs both managing and guiding function as well as ongoing monitoring which consists of assessment whether the system is still suitable for the company in the changed environment, whether it acts as expected and whether it is periodically adjusted to the changed conditions. Assessment is proportionate to the characteristics of the company and the influence of the risks identified.

The objective of the internal control and risk management systems, applied in BILLBOARD AD is to ensure conformity between the legal and regulatory requirements and the proper functioning of the internal processes. These systems are established in accordance with the specific characteristics of the company - its business, financial performance, industry sector, needs and resources.

The internal control and risk management systems are aimed at:

- o identifying risks to which the Company may be exposed
- ((a) risks related to the core business of the Company and
- (b) risks that could materially affect the preparation and presentation of financial statements);
- o presenting the relevant information concerning these risks to the Board of Directors in order to ensure a possibility for taking informed management decisions;

- control on the existence of compliance with the legal provisions, regulations and guidelines of the management operations;
- monitoring the company's operations.

## **Control environment**

The control environment includes the general management and particular management functions as well as the attitude, awareness and operations of the corporate board responsible for the management in a broad sense and the responsible management in terms of the internal control. The control environment includes the following elements:

- **Commitment to competence** - The Board of Directors, audit committee and persons involved in the internal control and risk management process have the necessary knowledge and skills needed to perform the tasks required by the process that determine the job description of a person. The Board of Directors and the Executive Director of the company ensure the levels of competence for particular positions and the ways in which these levels become required requisites for skills and knowledge.
- **Involvement of persons responsible for general management** - The consciousness for control in the company is influenced significantly by the people engaged with general management, namely the members of the company's Board of Directors. The responsibilities of the Board of Directors are regulated by the Articles of Association and the management contracts. Additionally the Board of Directors is engaged with supervising the planning of the model and the effective functioning of the warning procedures and processes for reviewing the effectiveness of internal control of the company.
- **Philosophy and operating style of management** – The philosophy and operating style of management cover a wide range of characteristics. The attitudes of the Board of Directors and its actions in relation to financial reporting are revealed through the conservative choice among the available alternative accounting principles.
- **Organizational structure** - The establishment of appropriate organizational structure includes consideration of the main areas of powers and responsibilities and appropriate hierarchical levels of accountability and reporting. The Board of Directors considers the appropriateness of the company's organizational structure, taking into consideration this structure with the size and nature of the activities of the company.
- **Assignment of powers and responsibilities** – When assigning powers and responsibilities to other employees in the company it is being taken into account the applicable business practices in the sector, the knowledge and experience of the employees and resources available in the company.
- **Human resources policies and practices** - Policies and practices related to human resources often show important issues regarding the consciousness for control in the company. While selecting personnel the Board of Directors and the Executive Director focus on the education background, previous work experience, past accomplishments and evidence for integrity and ethical behaviour. Thus the company expresses its commitment to appoint competent and reliable employees.

## **Risk valuation process in the Company**

The risk valuation process on the part of the Board of Directors of BILLBOARD AD represents the basis regarding the way the corporate board of the Company specifies the risks that need to be managed.

The company's Board identifies the following types of risks relevant to the Company and its operations: general (systematic) and specific (unsystematic) risks. Systematic risks are related to the macro environment where the company operates, therefore in most cases they are not subject to control by the management team. Unsystematic risks are directly relevant to the Company's operations and depend mainly on the management. In order to minimize their effect the company

relies on increasing the efficiency of internal corporate planning and forecasting which provides capabilities to overcome the possible negative consequences of a risk event that has occurred.

Each of the risks associated with the country - political, economic, credit, inflation, currency – has its independent significance but their overall consideration and the interaction between them form an overall picture of the economic fundamentals, market conditions, competitive conditions in the country where the respective company operates.

A detailed description of the risks specific to the activities of BILLBOARD AD is presented in the section MAIN RISKS THE COMPANY FACES of the annual activity report.

### **Risk management process in the Company**

The Corporate board of BILLBOARD AD is responsible for the risk management. Risk management involves identifying, valuating and controlling potential events or situations that may negatively affect the achievement of the objectives of the organization and is aimed at providing reasonable assurance that the business objectives of the Company will be achieved.

### **Information systems and related business processes essential for the financial reporting and communication**

The information system essential for financial reporting purposes, which includes the accounting system, consists of procedures and documentation developed and established to:

- initiation, reflecting, processing and reporting of transactions and operations of the company (as well as events and conditions) and maintaining accountability for the related assets, liabilities and equity;
- resolving problems with incorrect processing of transactions, such as automated files for unspecified positions of information and procedures followed for timely correction of detained unspecified positions;
- processing and reporting on cases of circumventing the systems or tackling the controls;
- transferring the information from the transactions processing systems in the general ledger;
- covering the information which is essential for the financial reporting of events and conditions, other than transactions and operations, such as amortization of tangible and intangible assets and changes in collection of receivables; and
- ensuring that the information required for disclosure by the applicable financial reporting framework is collected, reflected, processed, summarized and that it is properly recorded in the financial statements.

The communication on the part of the company of the roles and responsibilities in terms of financial reporting and the related important issues, involves understanding of the individual roles and responsibilities related to the internal control. Communication includes such questions as the extent to which the accounting team understands how its activities in the information system for financial reporting are related to the work of the others and the means for reporting on exceptions to the corporate board.

Communication is based on financial reporting rules jointly developed with the independent auditor. Open communication channels help ensure that exceptions are reported and respective actions are undertaken with this regard.

### **Current monitoring of the controls**

Current monitoring of the controls is a process of valuating the effectiveness of the results from the internal control functioning over time. It includes timely valuation of the controls effectiveness and undertaking the necessary remedial action. The corporate board carries out current

monitoring of the controls through ongoing activities, separate valuations or a combination of both. Ongoing monitoring activities are often built into the normal recurring activities of the company and include regular management and supervisory activities.

## **5. Information under Article 10, Paragraph 1, Letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers**

### **5.1. Information under Article 10, Paragraph 1, Letter "c" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers**

#### **Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and crossshareholdings) within the meaning of Article 85 of Directive 2001/34/EC**

As of 31.12.2018 the capital of BILLBOARD AD amounts to BGN 15 000 000, divided into 15 000 000 shares with nominal value of BGN 1.00 each of them. All shares of the company belong to one class - ordinary, registered, dematerialized, freely transferable and each share entitles to one vote at the general meeting of shareholders, right to dividend and a liquidation quota, proportionate to the nominal value of the share.

Shareholders of BILLBOARD AD as of 31.12.2018, holding 5 or more percent of the voting rights in the company's General Meeting of the Shareholders are:

1. Vassil Stefanov Genchev, holding directly 3 753 730 shares or 25.024 % of the company's capital;
2. Stefan Vassilev Genchev, holding directly 3 000 000 shares or 20 % of the company's capital;
3. Kalin Vassilev Genchev, holding directly 3 000 000 shares or 20 % of the company's capital;
4. Veneta Stefanova Gencheva, holding directly 1 483 738 shares or 9.89 % of the company's capital.

These shareholders are related persons within the meaning of paragraph 1, item 13 of the Additional Provisions of the Law on Public Offering of Securities.

In 2018 has not been made a change in the shareholders of BILLBOARD AD holding 5 % or more of the voting rights at the general meeting of shareholders of BILLBOARD AD neither in their participation in the capital of the company.

### **5.2. Information under Article 10, Paragraph 1, Letter "d" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers**

#### **The holders of any securities with special control rights and a description of those rights**

BILLBOARD AD does not have any shareholders with special control rights.

### **5.3. Information under Article 10, Paragraph 1, Letter "f" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers**

**Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities**

There are no limitations over the voting rights of any shareholder of BILLBOARD AD.

Pursuant to the provisions of article 10 of the Articles of Association of BILLBOARD AD, each share gives the right to one vote at the General Meeting of the Shareholders, as well as to dividend and liquidation quota, which shall be proportional to the par value of the share. The right

to vote at the general meeting shall occur with the full payment of the issue value of each share and after filing the respective capital increase with the commercial register. The Company cannot issue privileged shares, giving the rights to more than one vote or to additional liquidation quota. The Company makes public, under the conditions and procedure of the Public Offering of Securities Act and the respective by-laws, any changes in the rights evolving from the different classes of shares, including changes in the rights evolving from derivative financial instruments, issued by the Company, which give the right to acquire Company's shares.

The right to vote at the General Meeting of the Shareholders of BILLBOARD AD is being exercised by persons that had acquired shares and had been filed with the book of shareholders at the latest 14 days prior to the date of the meeting. Pursuant to the provisions of article 20, paragraph 2 of the company's Articles of Association, the shareholders participate in the general meeting personally or by proxy, authorized in writing for a particular session of the general meeting with an explicit, notary certified proxy in accordance with the requirements of POSA and the respective by-laws.

#### **5.4. Information under Article 10, Paragraph 1, Letter "h" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers**

##### **The rules governing the appointment and replacement of board members and the amendment of the articles of association**

Pursuant to the provisions of the Articles of Association of BILLBOARD AD, the Board of Directors shall be appointed by the general meeting and shall consist of three to nine members. A member of the Board of Directors may be any individual having a legal capacity or a legal entity through an appointed representative.

Members of the Board of Directors may not be persons that:

1. have been members of an executive or controlling body of a company or a co-operation terminated due to bankruptcy during the last two years preceding the date of the decision for declaring bankruptcy if there remain unsatisfied creditors;
2. as of the moment of election, have been convicted and have an effective sentence of misappropriation, crimes against the industry or against the financial, tax or insurance systems committed in the Republic of Bulgaria unless they have been exculpated.

At least one third of the members of the Board of Directors must be independent persons. An independent member of the board may not be:

1. an officer in the company;
2. a shareholder who owns directly or through related persons at least 25 percent of the votes at the general meeting or a person related to the company;
3. a person who has lasting trade relations with the company;
4. a member of a management or supervisory body, procurator or officer in a company or another legal entity under items 2 and 3 of this paragraph;
5. a related person to another member of a management or supervisory body of the company.

Pursuant the Rules of Procedure of the Board of Directors of BILLBOARD AD, the composition of the elected by the general meeting Board of Directors must ensure the independence and impartiality of the judgments and actions of its members in terms of the company's course of business. The Board of Directors must ensure proper division of tasks and responsibilities among its members, as a major function of independent directors shall be to monitor the actions of the executive management and to participate effectively in the work of the company in accordance with the shareholders' interests and rights.

The company's Articles of Association shall be amended and supplemented by the general meeting of shareholders. Resolutions to approve amendments and supplements shall be taken by a qualified majority of 2/3 of the represented shares.

## **5.5. Information under Article 10, Paragraph 1, Letter "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers**

### **The powers of board members, and in particular, the power to issue or buy back shares**

The members of the Board of Directors of BILLBOARD AD shall organize and manage the company's activities in compliance with the law, the Articles of Association and the resolutions of the general meeting. The Board of Directors shall appoint one executive member to represent the company in the company's relations with third persons.

In compliance with the Articles of Association and the resolutions of the general meeting, the Board of Directors of BILLBOARD AD shall:

1. Execute the resolutions of the general meeting;
2. Propose to the general meeting to make amendments in the Articles of Association, to reorganize or terminate the company.
3. Prepare and propose for approval at the general meeting the annual financial statements, the management report and the proposal for profit distribution.
4. Prepare interim financial statements of the company, interim report on the company's activities and any other necessary documents, related to the periodic information disclosure on the part of the company.
5. Propose to the general meeting to increase or decrease the company's capital.
6. Elaborate and approve a Business Program, Corporate Governance Program, Code of Ethics and other internal acts of the company.
7. Approve the reports and manage the activities of the company's branches and representation offices.
8. Permit covering and respectively – writing off the company's balance of bad receivables, shortages and losses.
9. Adopt internal labor regulations as well as Rules for labor organization and labor salaries.
10. Adopt decisions for conclusion of transactions under Art. 236, para. 2 of the Commerce Act, except when an explicit authorization by the general meeting is required by a special law. Decisions of the Board of Directors pursuant to Art. 236, para. 2 of the Commercial Act shall be adopted unanimously.
11. Resolve on all other issues except for those, which are exclusive competence of the General Meeting of the Shareholders.

Resolutions of the Board of Directors shall be adopted by a qualified majority of 2/3 from the Board members.

Pursuant to the provisions of art. 12, para. 3 of the Rules of Procedure of the Board of Directors of BILLBOARD AD, the company's Board of Directors shall:

1. establish and control the strategic directions for development of the company;
2. establish the company's risk management policy and control the establishment and functioning of the risk management and internal audit system;
3. ensure the compliance with the legal, regulatory and contractual obligations of the company;
4. be responsible for the establishment and proper functioning of the financial information system of the company;
5. give directions, approve and monitor the implementation of the business plan of the company, transactions of material essence and other activities provided by the company's Articles of Association and its other statutes;
6. establish the company's information disclosure and investor relations policy;
7. provide shareholders and stakeholders with all the necessary information about the company in accordance with the legal acts and the generally acknowledged good corporate governance practices.

The Articles of Association of BILLBOARD AD provides the possibility for the company's capital to be increased by a resolution of the Board of Directors. Pursuant to the provision of art. 14, para. 11 of the Articles of Association of BILLBOARD AD, approved with a resolution of the GAS



dated 30.06.2008 and amended by a resolution of the GAS dated 27.06.2014, within 5 years following the filing of the amendments of the Articles of Association with the Commercial Register, the Board of Directors may adopt resolutions to increase the company's capital up to an aggregate nominal amount of BGN 50 000 000 / fifty million / levs by issuing new ordinary and/or preferred shares. The capital increase from the Board of Directors in accordance with the provision of Art.196, para. 1 of the Commercial Act may be done without a particular due delegation from the General Meeting of the Shareholders for each particular case but entirely on the grounds of the authorization provided by this provision of the Articles of Association. In the resolution for the capital increase the Board of Directors shall specify the amount and the purpose of each increase; the number and the kind of the new shares, the rights and preferences for them; the period and conditions for transferring the rights within the meaning of § 1, p. 3 of the Public Offering of Securities Act, issued for the existing shares; the period and conditions for subscription of the new shares; the amount of the issues value and the term and conditions for its payment; the investment intermediary assigned to carry out the subscription as well as any other parameters and circumstances requested by the provisions of the legislation in force, necessary for the implementation of the respective capital increase.

Pursuant to art. 16, para. 2 of the Articles of Association of BILLBOARD AD, approved with a resolution of the GAS dated 30.06.2009, the company may perform reverse buying out of company's own shares to the limits and under the conditions, provided by the Commercial Act and the Public Offering of Securities Act both under a resolution of the general meeting of shareholders and under a decision of the Board of Directors for a period not exceeding 18 months as of the date of the decision of the respective body. The reverse buying out under a decision of the Board of Directors may be done without a particular due delegation from the general meeting of shareholders for each particular case but entirely on the grounds of the authorization provided by this article, for a period of up to 2 years as of the filing the current amendments of the Articles of Association with the Commercial Register. In the decision of the Board of Directors for reverse buying out must be pointed out the maximum number of shares, liable to reverse buying out; the conditions and procedure under which the Board of Directors shall perform the buying out within the specified period not exceeding 18 months; the minimum and maximum price for buying out as well as the investment intermediary through which the buying out will be performed.

As of 31.12.2018 the company has not performed capital increase or a reverse buying out procedure based on a resolution of the Board of Directors.

## **6. The composition and functioning of the administrative, managerial and supervisory bodies and their committees**

BILLBOARD AD has a one-tier management system. The Company is being managed and represented by a Board of Directors.

Pursuant to the Articles of Association of BILLBOARD AD, The Board of Directors consists of three to nine members and is elected and released by the company's general meeting of shareholders. The Board of Directors holds at least one meeting per month or in accordance with its Rules. The Board of Directors may pass resolutions if at least half the members are present, whether in person or represented by another member. No present member may represent more than one absent member.

The Board of Directors may pass resolutions in absence, if all directors have stated in writing their approval for the resolution.

Minutes shall be kept of all resolutions of the Board of Directors which shall be signed by all present members of the BD, indicating the vote of each of them on the considered issues.

## **7. Description of the diversity policy applied as regards the administrative, managerial and supervisory bodies of the issuer in connection with aspects such as age, gender or education and professional experience, the objectives of such diversity policy, its method of application**

**and the results therefrom during the reporting period; when no such policy is applied, the declaration shall contain an explanation regarding the reasons for that**

Pursuant to the provision of art. 100n, para 12 of the Law on Public Offering of Securities, the requirements of art. 100n, para. 8, item 6 on the description of the diversity policy applied as regards the administrative, managerial and supervisory bodies of the company in connection with aspects such as age, gender or education and professional experience, the objectives of such diversity policy, its method of application and the results therefrom during the reporting period shall not apply for small and medium-sized enterprises.

The Company has not developed a diversity policy applied as regards the administrative, managerial and supervisory bodies of the company in connection with aspects such as age, gender or education and professional experience due to the fact that it falls in the exceptions of art. 100n, para. 12 of the Law on Public Offering of Securities.

Date of signing and  
approval for issuance:  
27.03.2019  
Sofia

For BILLBOARD Plc .....  
Stefan Genchev  
/Executive member of the Board of Directors/