

Corporate Governance Statement

Since the adoption of the Program for Good Corporate Governance at the meeting of the Board of Directors held on 26.03.2006, including in 2023 , the Board of Directors of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT has managed and organized its activities, observing and applying internationally recognized standards of good corporate governance. "INTERKAPITAL PROPERTY DEVELOPMENT" REIT considers good corporate governance as a set of rules, mechanisms and policies for managing and controlling the company, aimed at balancing the interests of the management bodies, shareholders and third parties - trading partners, creditors of the company, potential investors.

With Decision No. 461-KKU dated 30.06.2016 , the Deputy Chairman of the FSC, managing the "Investment Supervision" department, approved the NKKU as a corporate governance code under Art. 100n, para. 7, item 1 in connection with para. 8, item 1 of the Civil Code. "INTERCAPITAL PROPERTY DEVELOPMENT" REIT will, as appropriate, comply with the principles of the National Corporate Governance Code (created in 2007 and approved by the National Corporate Governance Commission, subsequently amended in February 2012, April 2016 and July 2021) and will carry out its activities in accordance with its provisions.

The overall organization of the Company's activities in 2023 on a day-to-day basis does not allow for an exhaustive listing of all actions representing the implementation of the program adopted by INTERCAPITAL PROPERTY DEVELOPMENT REIT, and the mandatory requisites according to Art. 100n, para. 8 of the Civil Procedure Code:

1. Information on whether the issuer complies as appropriate :

a) The Corporate Governance Code approved by the Deputy Chairman of the FSC

With Decision No. 461-KKU dated 30.06.2016 , the Deputy Chairman of the FSC, managing the "Investment Supervision" department, approved the NKKU as a corporate governance code under Art. 100n, para. 7, item 1 in connection with para. 8, item 1 of the Civil Code. The company complies as appropriate with the principles of the National Corporate Governance Code (created in 2007 and approved by the National Corporate Governance Commission, subsequently amended in February 2012, April 2016 and July 2021) and conducts its activities in accordance with its provisions. .

The actions of the Company's management and employees are aimed at affirming the principles of good corporate governance, increasing the confidence of shareholders, investors and persons interested in the management and activities of the Company and encouraging the Company's successful business activities and sustainable development.

b) another corporate governance code

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c) information on the corporate governance practices applied by the issuer in addition to the code under letter "a" or letter "b"

There are no additional practices.

2. **Explanation by the issuer which parts of the corporate governance code under item 1, letter "a" or letter "b" it does not comply with and what are the reasons for this, respectively when the issuer has decided not to refer to any of the rules of the code for corporate governance - grounds for this**

The company complies as appropriate with the principles of the National Corporate Governance Code (created in 2007 and approved by the National Corporate Governance Commission, subsequently amended in February 2012, April 2016 and July 2021), with the following exceptions:

Chapter One - CORPORATE GUIDELINES

- 1.4. The Board of Directors adopts and complies with a Code of Ethics.

Grounds : The members of the Board of Directors are guided in their daily activities by the generally accepted principles of integrity, managerial and professional competence. Therefore, and taking into account the nature, scale and complexity of the Company's activity, it is not necessary to adopt a Code of Ethics, in which the principles observed by the management should be formally indicated.

- 1.6. The Board of Directors promotes the implementation and monitors compliance by the subsidiaries with the adopted principles for sustainable development at the group level, where applicable. It helps to establish a culture of sustainable development.

Grounds : The point is not applicable to the Company, insofar as as of 31.12.2021, it has sold its entire shareholding (100% of the capital), which it owned from the subsidiary "MARINA CAPE MANAGEMENT" EOOD.

- 2.3. The management contracts concluded with the members of the Board of Directors define their duties and tasks, the criteria for the amount of their remuneration, their obligations of loyalty to the company and grounds for dismissal.

Reasons : The practice is partially implemented. The Contracts for the Management of the members of the Board of Directors, in their part on grounds for dismissal, are simplified as much as possible in order to unambiguously interpret them in the event of a dispute, insofar as the dismissal takes place by decision of the General Meeting of Shareholders.

- 2.4 The activity of the members of the Board of Directors should be subject to an annual evaluation.

Grounds : "INTERKAPITAL PROPERTY DEVELOPMENT" REIT did not create a body to evaluate the activities of the Board of Directors. The competence of the general meeting of shareholders is to dismiss the members of the Board of Directors, who report annually on their activities to the shareholders.

3.5. Improving the qualifications of the members of the Board of Directors should be their permanent commitment.

Reasons : The practice is partially applied, insofar as the improvement of the qualifications of the members of the Board of Directors is carried out in view of the specific needs of the Company.

3.6. It is recommended that the articles of association of the company determine the number of companies in which the members of the Board of Directors can hold management positions.

Reasons : This text is recommended. There is no limit to the number of companies in which the members of the Board of Directors can hold management positions, in view of the nature, scale and complexity of the Company's activities.

3.7. It is recommended that the number of consecutive terms of independent members be limited.

Reasons : This text is recommended and does not apply in view of the nature, scale and complexity of the Company's activity.

4. Remuneration

Reasons : The company partially implements the practices under this point, insofar as according to the Remuneration Policy adopted by the General Meeting of Shareholders, no variable remuneration is paid to the members of the Board of Directors.

5.2. The procedures for avoiding and disclosing conflicts of interest should be regulated in the articles of association of the company.

Grounds : In Art. 111 and Art. 124 of the Statute, the obligations of the Board of Directors are specified, including the avoidance of conflicts of interest. In view of the nature, scale and complexity of the Company's activity, the legal mechanism for avoiding and disclosing conflicts of interest sufficiently guarantees the rights of current and potential shareholders and of the company as such. The company strictly observes the directly applicable provisions of Art. 237 of the Criminal Code, Art. 114, 114a, 114b, 116b and 116d, para. 6 of the Civil Procedure Code, Art. 26 of the ZDSITS, as well as Art. 19 of REGULATION (EU) No. 596/2014.

6. Committees

Grounds : The Company partially implements the practices on this point, as far as considering the nature, scale and complexity of the Company's activity, no need for the creation of additional committees has been identified. In accordance with the requirements of the effective until 02.12.2016 art. 40g ZNFO, the members of the Board of Directors performed the functions of an audit committee, and the meetings were chaired by the chairman of the Board of Directors (non-executive member). At the general meeting of shareholders held on 01.06.2017, the company elected an Audit Committee under Art. 107 of the Law on the

Independent Financial Audit and approved the Regulations (statute) of the Audit Committee according to Art. 107, para. 7 of the Law on the Independent Financial Audit.

As of 31.12.2023, members of the Audit Committee of the Company are: Iva Chavdarova Chorapinova, Tsvetelina Chavdarova Hristova and Zhivka Dimitrova Stankova – Nikolova.

By decision of the general meeting of shareholders dated 28.06.2021, the members of the Audit Committee were re-elected for a new 3-year term, starting from the date of the general meeting .

Chapter One - TWO-TIER SYSTEM

Grounds : The practices in this part are inapplicable, insofar as the Company has a single-level management system.

Chapter Two - AUDIT AND INTERNAL CONTROL

19. It is desirable to apply a rotation principle in the proposals and selection of an external auditor.

Reasons : The company does not apply this practice. The proposal for the election of an external auditor comes from the Audit Committee, and his election is within the competence of the General Meeting of Shareholders. According to the current NFPA, the key auditor of an audit firm, as well as an auditor who works directly through individual practice, when they audit a public interest entity, must retire after having performed audit engagements for 7 consecutive years from the date of appointment in the audited enterprise. They may not participate in the audit of the same entity before the expiry of four years from their withdrawal from the audit engagement.

21. It is recommended to build an internal control system, which includes identifying the risks accompanying the company's activity and supporting their effective management. It should also guarantee the effective functioning of the reporting and information disclosure systems.

Reasons : This practice is partially implemented. Guaranteeing the effective functioning of the reporting and information disclosure systems is carried out by the Board of Directors and the Audit Committee.

Chapter Three - PROTECTION OF SHAREHOLDERS' RIGHTS

23.2. It is recommended that corporate managements maintain a database of contacts of their shareholders owning 5 or more of the capital of the company, allowing direct messages to be sent to them or to a person designated by them.

Reasons : This text is recommended and partially implemented by the Company. In view of the nature, scale and complexity of the Company's activity , the company does not maintain a separate database with contacts of its shareholders owning 5 or more than 5% of the company's capital. Initial information about the contacts of the shareholders holding 5% and

over 5% is obtained through the received notifications of a significant shareholding within the meaning of Art. 145 et seq. of the Civil Procedure Code. In addition, the appointed Director of Investor Relations maintains constant contact with investors.

34. Where applicable, corporate management shall adopt rules that ensure disclosure on an annual basis of non-financial information in accordance with national legislation and applicable European law. In this regard, corporate management must include in their annual reports information on how and to what extent the company's activities can be qualified as environmentally sustainable, such as: what part of its turnover is the result of products and services that are related to economic activities that qualify as environmentally sustainable; what proportion of its capital expenditure, when applicable, as well as what proportion of its operating expenditure is related to assets or processes related to economic activities that qualify as environmentally sustainable. When the corporate management prepares a separate report for non-financial reporting, this information must be included in the report.

Grounds : The requirements of this clause are not applicable to the Company in view of its nature, scale and size. According to Art. 8 of Regulation (EU) 2020/852, the specified requirement applies only to companies that are required to publish non-financial information according to Article 19a or Article 29a of Directive 2013/34/EU.

Chapter Four - DISCLOSURE OF INFORMATION.

Reasons : The company partially implements the practices under this chapter. In view of the nature, scale and complexity of the Company's activity, the legal mechanism for disclosure of information, provided for in the Civil Code, Ordinance No. 2 of the FSC and Regulation 596/2014, appears to be sufficient to guarantee the rights of investors. Next, in view of the nature, scale and complexity of its activity, the Company has not identified a need to disclose information of a non-financial nature beyond its statutory obligations.

The company strives to present as much information as possible on its website in English.

All shareholders of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT have the right to receive information about the company's affairs, as well as any other information, according to the requirements of the law. In 2020, the Company also maintains a website <http://icpd.bg/>, on which it publishes information about the Company's projects, investment policy, current news, legally defined information subject to publication, as well as other information that, at its discretion of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT may be of interest to investors and shareholders.

In addition, the Company complies with the requirements of the law for the disclosure of information, which it publishes in the statutory terms in the Financial Supervision Commission through E-register, "Bulgarian Stock Exchange" AD through "Extras" and in "Central Depository" AD, as well as in the electronic EBI information system system on the "NewConnect " market, organized by the Warsaw Stock Exchange.

In order to achieve greater transparency while complying with its legally defined obligations, the Company informs the public about the significant events related to its activity

by publishing information subject to disclosure and through the Internet portal X 3 News , available at the address: <http://www.x3news.com/>.

Chapter Five - INTERESTED PERSONS. SUSTAINABLE DEVELOPMENT

39. Corporate management should be committed to establishing specific actions and policies regarding the sustainable development of the company, including the disclosure of information related to the climate and social aspects of their activities.

Reasons : The company partially implements this point insofar as it has not currently created a separate policy in relation to the sustainable development of the company. The Company's management supports the idea of responsible and environmentally sustainable business, which not only benefits business and society, but also contributes to social, economic and environmental development and improvement of the quality of life in general. The Company's management strives for sustainable development of the organization, resources, people and society as a whole. The company ensures publicity and transparency of management, protects the rights of all shareholders and treats them equally. Basic principles are reasonable and effective management of the company's assets and control of risk in and their impact on the environment.

We are convinced that by following responsible and ethical business practices in relation to real estate investments, maintaining safe and healthy working conditions, and protecting the environment, we are building a stable company for the benefit of employees, shareholders and society as a whole.

The Company complies with all applicable regulations related to the protection of the environment, and the management monitors the Company's impact on it. Company employees are encouraged to submit proposals and ideas for reducing the Company's impact on the environment.

40. Corporate management ensures effective interaction with interested parties. In addition, corporate management guides, approves and oversees the stakeholder engagement policy. The group of interested persons refers to certain groups of persons on whom the company directly affects and who, in turn, can influence its activities, including suppliers, customers, employees, creditors, public pressure groups and others. The company identifies who are the interested parties in relation to its activity based on their degree and spheres of influence, role and attitude towards its sustainable development.

Reasons : The company implements this practice partially. The Company has not adopted a policy in so far as the Company's established practices ensure effective interaction with interested parties.

The management of the company maintains effective relations with all interested parties, observing the principles of transparency and business ethics. The company takes into account the interests of both shareholders and suppliers, customers/counterparts, employees, creditors and others and identifies them based on their degree, spheres of influence and relation to its development. The main criterion for the selection of management personnel is competence, education and experience in various areas of economic and social life, and not age, gender,

social status or religion. Personal initiative is stimulated, individuality is developed and efforts are made to increase the motivation of staff.

43. It is recommended that, in accordance with this policy, the corporate managements also develop specific rules to take into account the interests of the interested parties. The rules must ensure the participation of interested persons and their involvement in solving specific issues requiring their position. These rules should guarantee the balance between the development of the company and the economic, social and ecological development of the environment in which it operates.

Grounds: The company has not developed such rules. The practices established in the Company ensure a reliable balance between the development of the company and the economic, social and ecological development of the environment in which it operates.

44. It is recommended that periodically, in accordance with legal norms and good international practice for disclosing information of a non-financial nature, the company informs about economic, social and environmental issues concerning interested parties, such as: fighting corruption; dealing with employees, suppliers and customers; the social responsibility of the company; environmental protection and violation of human rights.

Reasons : This text is recommended, and in view of the nature, scale and complexity of its activity, the Company has not identified a need to disclose information of a non-financial nature beyond its statutory obligations.

3. Description of the main features of the issuer's internal control and risk management systems in relation to the financial reporting process

The Company's financial statements have been prepared in compliance with Bulgarian legislation and applicable international accounting standards. The reports are certified by an independent auditor who confirms their compliance with Bulgarian legislation and applicable accounting standards.

In view of the requirements of Art. 36, para. 6 of the Accounting Act, the auditor's report must state the following:

- ✓ whether the activity report corresponds to the financial statements for the same reporting period;
- ✓ has the activity report been prepared in accordance with the applicable legal requirements and state whether, as a result of the acquired knowledge and understanding of the enterprise's activities and the environment in which it operates, they have identified cases of material misrepresentation in the activity report and indicate the nature of the misstatement presentation;
- ✓ whether the information required by the relevant legal acts is presented in the corporate governance declaration.

"Intercapital Property Development" REIT has adopted and applies rules and procedures regulating the effective functioning of the company's reporting and information disclosure systems. The rules describe in detail the different types of information created and disclosed by the company, the processes of the internal company document circulation, the different levels of access to the types of information of the responsible persons and the deadlines for processing and managing the information flows. The created risk management system ensures the effective implementation of internal control in the creation and management of all company documents, including the financial statements and other regulated information that the Company is obliged to disclose in accordance with the legal provisions.

4. 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 on proposals for ingestion

4.1. 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 on takeover proposals - significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross shareholdings) within the meaning of Article 85 of Directive 2001/34/EC

As of December 31, 2022, the votes with more than 5% in the General Assembly were distributed among the following shareholders:

Name of the company	Country	Number of shares held	% of capital
UNIVERSAL PENSION FUND-FUTURE	Bulgaria	1,900,000	6.84%
EF PRINCIPAL EXCHANGE TRADED FUND ETF	Bulgaria	1 824 483	6.57%
DF "EF RAPID	Bulgaria	2,415,000	8.70 %
EXCHANGE TRADED FUND ASSET BALANCED ETF	Bulgaria	1,400,000	5.04 %
MKP Ltd	Bulgaria	3,350,162	12.07 %
EUROINS ROMANIA ASIGURARE-	Romania	1,731,110	6.23%

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4.2. 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 on takeover proposals - the holders of all securities with special control rights and a description of these rights

The company has no shareholders with special control rights.

4.3. Information under Article 10(1)(f) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover proposals - any restrictions on voting rights, such as restrictions on voting rights to the holders of a certain percentage or number of votes, deadlines for exercising a vote or systems by which, through cooperation with the company, the financial rights granted to the securities are separated from the ownership of the securities

There are no restrictions on voting rights. The deadlines for exercising the right to vote are in accordance with the provisions of the Law on the Public Offering of Securities.

4.4. Information under Article 10, paragraph 1, letter "3" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover proposals - the rules governing the appointment or replacement of board members and the introduction of an amendment to the founding agreement

According to the company's Articles of Association, the Board of Directors is elected by a simple majority of the General Meeting of Shareholders. Council members can be re-elected without restrictions. After the expiration of their mandate, the members of the Board of Directors continue to perform their functions until the election of a new board by the General Assembly.

The Articles of Association are changed by the General Meeting with a majority of 3/4 of the voting shares presented at the General Meeting, and prior approval of the changes by the Financial Supervision Commission is also required.

The rules are described in detail in the Company's Articles of Association, which are published in the Company's electronic file in the Trade Register - <http://www.brra.bg>, giving all third parties the opportunity to familiarize themselves with it.

4.5. Information pursuant to Article 10(1)(i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - powers of the board, and in particular the right to issue or repurchase shares

The powers of the Board of Directors are specified in Art. 110 et seq. of the Company's Articles of Association. Buyback of shares is currently not provided for in the Company's

Articles of Association and is regulated by the special provisions of Art. 111, para. 5 of the Civil Procedure Code and Art. 22, para. 4 of the ZDSITS.

According to Art. 33 of the Articles of Association, the Board of Directors is authorized by the shareholders at its discretion and by determining all the parameters of the relevant issue to increase the Company's capital up to a maximum amount of BGN 50,000,000 (fifty million), by issuing new shares, in this number and preference shares.

According to Art. 33a of the Articles of Association, the Board of Directors is authorized by the shareholders at its discretion and by determining all the parameters of the relevant issue to issue warrants and/or convertible bonds, on the basis of which the Company's capital can reach a maximum amount of 50,000,000 (fifty million) BGN. When issuing convertible bonds, the Board of Directors is authorized to determine the parameters of converting the bonds into shares even after the term under the previous sentence, if the issue was issued within this term.

According to Art. 56 of the Articles of Association, the Board of Directors is authorized by the shareholders to issue corporate bonds with a total value of up to BGN 50,000,000 (fifty million), subject to the limitation of Art. 54 of the Statute. The Board of Directors is free in its discretion in determining the type of bonds, the security of bond loans, the amount of interest payments and the method of repayment of the principal, taking into account the needs of the company and the conditions of the market for attracting external financing.

4.6. Composition and functioning of the administrative, management and supervisory bodies and their committees

Members of the board of directors of INTERCAPITAL PROPERTY DEVELOPMENT REIT are Velichko Klingov - executive director, Tsvetelina Hristova - chairman of the board of directors, and AHELOY 2012 EOOD - independent member of the board of directors.

The financial report for 2023 and the attached Annual Report on the Company's activities for 2023 contain detailed information about the shares of the Company's capital owned by the members of the Board of Directors, the remuneration and/or compensation received, as well as about the participations of each of the members in control and/or management bodies of other commercial companies and the shares held by them in the capital of other companies.

The Board of Directors elects and dismisses the Executive Director/s and Chairman and Deputy Chairman of the Board of Directors; adopts Rules for its activity and approves Rules for the internal organization of the Company; concludes, terminates and cancels a contract under Art. 100n, para. 12 of the Civil Procedure Code.

