

Corporate governance statement

Since the adoption of the Program for Good Corporate Governance at a meeting of the Board of Directors held on March 26, 2006, including in 2021, the Board of Directors of INTERCAPITAL PROPERTY DEVELOPMENT REIT has managed and organized its activities, observing and applying internationally recognized standards for good corporate governance. INTERCAPITAL PROPERTY DEVELOPMENT REIT considers good corporate governance as a set of rules, mechanisms and policies for management and control of the company, aimed at balancing the interests of management bodies, shareholders and third stakeholders - trading partners, trading partners.

By Decision № 461-CCU of 30.06.2016 , the Deputy Chairman of the FSC, head of the Investment Supervision Department, approved the NCCU as a corporate governance code under Art. 100n, para. 7 , item 1 in connection with para. 8 , item 1 of the POSA. INTERCAPITAL PROPERTY DEVELOPMENT REIT will comply with the principles of the National Code of Corporate Governance (established in 2007 and approved by the National Commission for Corporate Governance, subsequently amended in February 2012, April 2016 and July 2021). its activities in accordance with its provisions.

The overall organization of the Company's activities in 20 21 on a daily basis does not allow for an exhaustive list of all actions representing the implementation of the program adopted by "INTERCAPITAL PROPERTY DEVELOPMENT" REIT. 100n, para. 8 of the POSA:

1. Information whether the issuer complies as appropriate :

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

By Decision № 461-CCU of 30.06.2016 , the Deputy Chairman of the FSC, head of the Investment Supervision Department, approved the NCCU as a corporate governance code under Art. 100n, para. 7 , item 1 in connection with para. 8 , item 1 of the POSA. The company complies with the principles of the National Code of Corporate Governance (established in 2007 and approved by the National Commission for Corporate Governance, subsequently amended in February 2012, April 2016 and July 2021) and operates in accordance with its provisions .

The actions of the management and employees of the Company are aimed at establishing the principles of good corporate governance, increasing the confidence of shareholders, investors and those interested in the management and activities of the company and promoting successful business activities of the Company and sustainable development.

b) another corporate governance code

26 , 2006, including in 2021 January, the Company has managed and organized its activities, observing and applying internationally recognized standards for good corporate governance.

(c) information on the corporate governance practices applied by the issuer in addition to the code referred to in point (a) or point (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" are not observed 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 with the principles of the National Corporate Governance Code (established 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 MANUALS

1.4. The Board of Directors adopts and complies with the 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, taking into account the nature, scale and complexity of the Company's activities, it is not necessary to adopt a Code of Ethics, which formally states the principles observed by the management.

1.6. The Board of Directors shall promote the implementation and observe the compliance of the subsidiaries with the adopted principles for sustainable development at group level, where applicable. Contributes to the establishment of a culture of sustainable development.

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

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

Grounds : The practice is partially applied. The contracts for Management of the members of the Board of Directors in their part for grounds for dismissal are simplified as much as possible for the purpose of their unambiguous interpretation in case of dispute, insofar as the dismissal is by decision of the General Meeting of Shareholders.

2.4 The performance of the members of the Board of Directors should be subject to annual evaluation.

Grounds : INTERCAPITAL PROPERTY DEVELOPMENT REIT has not established a body to evaluate the activities of the Board of Directors. It is the competence of the General Meeting of Shareholders to dismiss the members of the Board of Directors, who report annually on their activities to the shareholders.

3.5. Raising the skills of the members of the Board of Directors should be their ongoing commitment.

Grounds : The practice is partially applied insofar as the raising of the qualification 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 may hold managerial positions.

Reasons : This text is recommended. There are no restrictions on the number of companies in which the members of the Board of Directors may hold managerial 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 office of independent members be limited.

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

4. Remuneration

Grounds : The Company partially applies the practices under this item, insofar as according to the Remuneration Policy adopted by the General Meeting of Shareholders, variable remuneration is not paid to the members of the Board of Directors.

5.2. Procedures for avoiding and disclosing conflicts of interest should be regulated in the company's bylaws.

Grounds : In Art. 111 and Art. 124 of the Articles of Association set out the obligations of the Board of Directors, including the avoidance of conflicts of interest. Given the nature, scale and complexity of the Company's activities, the legal mechanism for avoiding and disclosing conflicts of interest sufficiently guarantees the rights of current and potential shareholders and the company as such. The company strictly observes the directly applicable provisions of Art. 237 of the CA, art. 114, 114a, 114b, 116b and 116d, para. 6 of LPOS, Art. 26 of the SPV Act, as well as Art. 19 of REGULATION (EU) No 596/2014.

6. Committees

Grounds : The Company partially applies the practices under this item, insofar as the need for the establishment of additional committees has not been identified, taking into account the nature, scale and complexity of the Company's activities. In accordance with the requirements of Art. 40g ZFFO, 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 Independent Financial Audit Act and approved the Rules (Statute) of the Audit Committee according to Art. 107, para. 7 of the Independent Financial Audit Act.

As of 31.12.2021 members of the Audit Committee of the Company are: Iva Chavdarova Chorapinova, Tsvetelina Chavdarova Hristova and Jivka Dimitrova Stankova - Nikolova.

By decision of the General Meeting of Shareholders of 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-STAGE SYSTEM

Grounds : The practices in this part are inapplicable as far as the Company has a one-tier management system.

Chapter Two - AUDIT AND INTERNAL CONTROL

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

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

21. It is recommended to set up an internal control system, which should include identifying the risks associated with the company's activities and support their effective management. It should also ensure the effective functioning of reporting and disclosure systems.

Grounds : This practice is partially applied. Ensuring the effective functioning of the reporting and disclosure systems is done by the Board of Directors and the Audit Committee.

Chapter three - PROTECTION OF SHAREHOLDERS 'RIGHTS

23.2. It is recommended that corporate executives maintain a database of contacts of their shareholders holding 5 or more than 5% of the company's capital, allowing direct messages to be sent to them or to a person designated by them.

Grounds : This text is recommended and is partially applied by the Company. Given the nature, scale and complexity of the Company's activities , the company does not maintain a separate database of contacts of its shareholders holding 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 for significant share participation in the sense of art. 145 et seq. Of LPOS. In addition, the appointed Investor Relations Director maintains constant contact with investors.

34. Where applicable, corporate governance shall adopt rules to ensure the disclosure on an annual basis of non-financial information in accordance with national law and applicable European law. In this regard, corporate management should include in its annual reports information on how and to what extent the company's activities can be classified as environmentally sustainable, such as: what part of its turnover is due to products and services that are related to economic activities that qualify as environmentally sustainable; what part of its capital expenditure, where applicable, and what part of its operating costs are 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 item are not applicable to the Company in view of the nature, scale and size. According to Art. 8 of Regulation (EU) 2020/852, this requirement only applies to companies that are required to publish non-financial information in accordance with Article 19a or Article 29a of Directive 2013/34 / EU.

Chapter Four - DISCLOSURE OF INFORMATION.

Grounds : The Company partially applies the practices under this chapter. In view of the nature, scale and complexity of the Company's activities, the legal mechanism for disclosure of information provided in the POSA, Ordinance № 2 of the FSC and Regulation 596/2014 is sufficient to guarantee the rights of investors. Next, in view of the nature, scale and complexity of its activities, the Company has not identified a need to disclose information of a non-financial nature outside its statutory obligations.

The company strives to present the maximum amount of information disclosed on its website and in English.

All shareholders of INTERCAPITAL PROPERTY DEVELOPMENT REIT have the right to receive information about the conduct of company affairs, as well as any other information in accordance with the requirements of the law. In 2020, the Company maintains a website <http://icpd.bg/>, where 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 INTERCAPITAL PROPERTY DEVELOPMENT REIT may be of interest to investors and shareholders.

In addition, the Company complies with the requirements of the Law on Disclosure of Information, which it publishes within the statutory deadlines in the Financial Supervision Commission through E-register, Bulgarian Stock Exchange AD through Extras and 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 in compliance with its statutory obligations, the Company informs the public about significant events related to its activities by publishing information subject to disclosure through the Internet portal X 3 News , available at: <http://www.x3news.com/>.

Chapter Five - STAKEHOLDERS. SUSTAINABLE DEVELOPMENT

39. Corporate management must be committed to establishing specific actions and policies regarding the company's sustainable development, including the disclosure of climate-related information and the social aspects of their operations.

Reasons : The company partially applies this point insofar as it has not yet created a separate policy in relation to the sustainable development of the company. The management of the Company 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 improving the quality of life in general. The management of the Company 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. The main principles are prudent and effective management of the company's assets and control of the risk of their impact on the environment.

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

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

40. Corporate governance ensures effective interaction with stakeholders. In addition, corporate governance provides guidance, approves, and oversees stakeholder engagement policies. The group of stakeholders includes certain groups of persons who are directly affected by the company and who in turn can influence its activities, including suppliers, customers, employees, creditors, public pressure groups and others. The company identifies the stakeholders in relation to its activities based on their degree and areas of influence, role and attitude to its sustainable development.

Reasons : The company applies this practice in part. The Company has not adopted a policy insofar as the practices established in the Companies ensure effective interaction with stakeholders.

The management of the company maintains effective relations with all stakeholders, observing the principles of transparency and business ethics. The company takes into account the interests of both shareholders and suppliers, customers / contractors, employees, creditors and others and identifies them based on their degree, areas of influence and attitude to its development. The main criterion in the selection of managers is competence, education and experience in various fields of economic and social life, and not age, gender, social status or religion. Personal initiative is stimulated, individuality is developed and work is done to increase the motivation of the staff.

43. In accordance with this policy, it is recommended that corporate governance also develop specific rules for taking into account the interests of stakeholders. The rules must ensure the involvement of stakeholders and their involvement in resolving specific issues that require their

position. These rules should ensure a balance between the development of the company and the economic, social and environmentally sound 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 environmentally friendly development of the environment in which it operates.

44. It is recommended that periodically, in accordance with legal norms and good international practice for disclosure of non-financial information, the company informs about economic, social and environmental issues concerning stakeholders, such as: fight against corruption; work with employees, suppliers and customers; the social responsibility of the company; environmental protection and human rights violations.

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

3. Description of the main characteristics of the issuer's internal control and risk management systems in connection with the financial reporting process

The financial statements of the Company have been prepared in compliance with the Bulgarian legislation and the applicable international accounting standards. The reports have been 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 express an opinion:

- ✓ whether the activity report corresponds to the financial statements for the same reporting period;
- ✓ whether the activity report has 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 activity and the environment in which it operates, they have identified cases of material misstatement in the activity report; presentation;
- ✓ in the corporate governance declaration.

Intercapital Property Development REIT has adopted and applies rules and procedures governing the effective operation of the company's reporting and disclosure systems. The rules describe in detail the different types of information created and disclosed by the company, the processes of internal document management, the different levels of access to the types of information of the responsible persons and the deadlines for processing and managing information flows. The established risk management system ensures the effective implementation of internal control in the creation and management of all company documents,

incl. the financial statements and other regulated information that the Company is obliged to disclose in accordance with the legal provisions.

4. Information referred to in Article 10 (1) (c), (d), (e), (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 referred to in Article 10 (1) (c) of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - significant direct or indirect shareholdings (including indirect shareholdings through pyramidal structures) and cross - shareholdings) within the meaning of Article 85 of Directive 2001/34 / EC

As of December 31, 2021, the votes with over 5% in the General Meeting were distributed among the following shareholders:

Name of the company	Country	Number of shares held	% of capital
UNIVERSAL PENSION FUND-FUTURE	Bulgaria	1,824,483	6.84%
STOCK EXCHANGED FUND EF PRINCIPAL ETF	Bulgaria	1,824,483	6.57%
MF "EF RAPID"	Bulgaria	2,730,000	9.83%
ACTIVA BALANCED ETF	Bulgaria	1,800,000	6.48%
MF ACTIVA HIGH INCOME FUND	Bulgaria	1,730,818	6.23%
MCP OOD	Bulgaria	3 530 162	12.71 %

4.2. Information referred to in Article 10 (1) (d) of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - holders of all securities with special control rights and a description of those securities rights

The company has no shareholders with special control rights.

4.3. Information referred to in Article 10 (1) (f) of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - all restrictions on voting rights, such as restrictions on voting rights of holders of a certain percentage or number of votes, deadlines for exercising votes or systems through which, in cooperation with the company, the financial rights granted to the securities are separated from the holding 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 Public Offering of Securities Act.

4.4. Information referred to in Article 10 (1) (3) of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on proposals for takeovers - the rules governing the appointment or replacement of members of the Council and amending the memorandum of association

According to the Articles of Association, the Board of Directors is elected by a simple majority of the General Meeting of Shareholders. The members of the Council may be re-elected without restriction. After the expiration of their term of office, the members of the Board of Directors shall continue to perform their functions until the election of a new Board by the General Meeting.

The Articles of Association are amended by the General Meeting by 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 required.

The rules are described in detail in the Articles of Association of the company, which is published on the electronic file of the Company in the Commercial Register - <http://www.brra.bg>, giving the opportunity to all third parties to get acquainted with it.

4.5. Information referred to in 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 Council, in particular the right to issue or buy shares

The powers of the Board of Directors are specified in Art. 110 et seq. Of the Articles of Association of the Company. Repurchase of shares at the moment is not provided for in the Articles of Association of the Company and is regulated by the special provisions of Art. 111 , para. 5 of LPOS and Art. 22 , para. 4 of the SPV Act.

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 parameters of the issue to increase the capital of the Company to a maximum of BGN 50,000,000 (fifty million) by issuing new shares, number and preferred 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 parameters of the issue to issue issues of warrants and / or convertible bonds, based on which the Company's capital may reach a maximum of 50,000,000 (fifty million) BGN. When issuing convertible bonds, the Board of

Directors is authorized to determine the parameters of conversion of bonds into shares even after the term under the previous sentence, if the issue is issued within this period.

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 restrictions of Art . 54 of the Articles of Association. The Board of Directors is free to decide on the type of bonds, the security of bond loans, the amount of interest payments and the method of repayment of principal, taking into account the needs of the company and market conditions to attract 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 - an independent member of the Board of Directors.

The financial report for 2021 and the attached to it Annual Report on the activities of the Company for 2021 contain detailed information about the shares held by the members of the Board of Directors from the capital of the Company, received remuneration and / or compensation, as well as each of the members in the control and / or management bodies of other companies and the shares they hold in the capital of others of companies.

The Board of Directors elects and dismisses the Executive Director (s) and the 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 terminates a contract under Art. 100n, para. 12 of the POSA.