

CORPORATE GOVERNANCE CONSOLIDATED DECLARATION

OF "MONBAT" AD

PURSUANT TO THE REQUIREMENT OF THE PROVISIONS OF ART. 100N, PARA. 8 OF THE LAW ON PUBLIC OFFERING OF SECURITIES

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

MONBAT AD complies as appropriate with the National Corporate Governance Code and operates in full compliance with the principles and provisions of the Code.

MONBAT AD is a part of group of enterprises within the meaning of §1, item 2 from the Additional provisions of the Accountancy Act and is a parent company, holding over 50 % of the votes at the general assembly of several subsidiaries.

As of 31.12.2016 MONBAT AD has direct and indirect holdings in the following subsidiary companies within the economic group if the issuer:

Company's name	Principal activity	Capital share or percentage of votes at the General Assembly as of 31.12.2015
MONBAT PLC DOO, Serbia	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Serbia as well as export and import from and to the Republic of Serbia of scrap, materials and finished goods.	100 % of the capital
START AD, Sofia	Production, service and marketing of accumulator batteries; engineering and development-implementation activities; production and marketing of equipment for production of accumulator batteries; foreign and domestic trade and setting up commercial networks, specialized stores and representation offices.	97.80 % of the voting shares

SC MONBAT RECYCLING SRL - Romania	<p>Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Romania as well as export and import from and to the Republic of Romania of scrap, materials and finished goods.</p>	<p>100 % of the capital</p>
MONBAT RECYCLING EAD - Bulgaria	<p>Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of Bulgaria.</p>	<p>100 % of the capital</p>
OCTA LIGHT BULGARIA AD	<p>Manufacturing of high power light emitting diodes – manufacturing of single color (white), multicolor (blue, red, green), high power (from 0.5W to 5W), highly effective (above 100 lumen/Watt) user orientated (<80 lumen/Watt) series of light emitting diodes for general and specific purposes.</p> <p>Engineering in the field of lighting industry in the country and abroad, including marketing, feasibility studies, design.</p> <p>Design and manufacturing of specialized lighting fixtures and luminaries for general purpose for street, architectural, stage and accent lighting</p> <p>Design, manufacturing and installation of whole lighting systems, including implementation of energy-efficient lighting solutions, work with municipalities and private corporations.</p> <p>Complex engineering and exploitation of installations on ESCO agreements within the territory of Bulgaria and abroad (attractive nearby markets as Greece, Serbia, Rumania, future markets as Western Europe).</p> <p>Investment and development in the field of optoelectronics, studies and experimental activities for the implementation of new products and materials for the manufacturing of high power LEDs and their use for general lighting; development of new products and concepts for the introduction of high power light</p>	<p>50.45 % of the capital</p>

	emitting diodes for mass usage.	
MONBAT ROMANIA OOD	Trade company with scope of activity: trading, service and marketing of accumulator batteries, accumulator, lead, polyethylene and polypropylene scrap.	99 % of the capital
MONBAT NEW POWER AD	Production and trade of batteries	51% of the capital
Energy Batteries Nigeria Limited	Trade of batteries and their accessories;	100 % of the capital

The subsidiaries of MONBAT AD are not public companies and in their activities they do not apply the principles and provisions of the National Corporate Governance Code except for the provisions concerning the internal control and risk management systems, applicable at Group level. A big part of provisions of the Code are not applicable due to the legal form of the companies and the single ownership of their capital.

2. Information regarding the corporate governance practices, which are applied by MONBAT AD in addition to the National Corporate Governance Code

MONBAT AD applies in addition to the National Corporate Governance Code the following corporate governance practices: Recommendations of the UN Global Compact. MONBAT AD is a member of the Global Compact and prepares an annual Communication on Progress.

3. Explanation by MONBAT AD as to which parts of the National Corporate Governance Code does not comply with and as to what the grounds for this non-compliance are

In 2016 the activities of the Board of Directors of MONBAT AD were implemented in full compliance with the regulatory requirements set out in the Law on Public Offering of Securities and the respective implementing by-laws, in its Articles of Association and the National Corporate Governance Code. The corporate Board of MONBAT AD considers that there are no parts of the National Corporate Governance Code that the company does not comply with.

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 for that.

CHAPTER ONE – CORPORATE BOARDS

MONBAT AD has a one-tier management system. The company is being managed by a Board of Directors including the following members:

Atanas Bobokov - Chairperson of the Board of Directors and Executive Director,

Plamen Bobokov – Board Member

Stoyan Stalev - independent member of the Board of Directors

Alexander Chaushev - independent member of the Board of Directors

Nikolay Trenchev - independent member of the Board of Directors

Evelina Slavcheva - independent member of the Board of Directors

Florian Huth - independent member of the Board of Directors

Petar Bozadzhiev – Board Member

Yordan Karabinov - independent member of the Board of Directors

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 activities, 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. In 2016 such transactions have not been executed and therefore no decision of the General Assembly for approval thereof has been adopted.

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 respecting 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 candidates' 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 concluded 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 financial year under review MONBAT 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 respecting the recommendations of the National Corporate Governance Code.

Pursuant to the Remuneration policy MONBAT AD has paid to the members of the Board of Directors only permanent and additional remuneration, the amount of which accounted:

- 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 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 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. The Board of Directors consists of:

- Executive member of the Board of Directors and Chairperson of the Board of Directors – engaged with the current representation of the company and the day-to-day management of the business processes;
- Vice chairperson of the Board of Directors – engaged with the corporate vision and expanding the markets.

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 Chairperson of the Board of Directors is not an independent director, as the same is representative of the majority shareholder of the company, and in 2016 performed the functions of the Executive Director. Given the current capital structure of the company, the members of the Board of Directors deem appropriate, the Chairperson of this body not to be an independent director.

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 the knowledge and experience required for the position they take. Information on the professional qualifications and experience is disclosed yet with the proposal for election of a member of the Board of Directors and the latter is part of the written materials for the general meeting.

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.

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. 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 necessity for conformity of the interests of the Board members and the long-term interests of the company.

The remuneration of the executive Director consists of basic allowance and bonuses. The additional bonuses are set up in the remuneration policy and are tied to indicators in terms of performance of the company and/or the achievement of pre-determined by the Board of Directors purposes.

According to the remuneration policy of the Board of Directors the Company has not provided additional incentives to the executive members of the Board of Directors in the form of shares, stock options and other financial instruments.

Independent directors receive only basic remuneration without additional incentives and the basic remuneration reflects their participation in the meetings and the performance of their tasks related to monitoring the activities of the executive management.

According to the remuneration policy for the Board of Directors, the General Meeting of Shareholders may vote on additional remuneration to the Board of Directors in the form of bonuses depending on the achieved financial results of the company.

As stated above, 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 avoid and do not admit any real or potential conflict of interests. 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.

During the reported 2016 no transactions have been concluded between the company and members of the Board of Directors or related parties.

The Board of Directors has not developed a particular written procedure for avoiding conflicts of interest in case of transactions with interested parties and information disclosure in case of such transactions but controls the execution of material transactions by means of voting and approving such transactions.

Committees

There is an audit committee functioning in the Company. With regard to the requirements of the legislation in force and based on the criteria set by the legislation, the Board of Directors proposes to the company's General Meeting of Shareholders an audit committee with a composition that meets the new legislative requirements and the company's needs.

The Audit Committee is 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.

CHAPTER TWO – AUDIT AND INTERNAL CONTROL

The Board of Directors of Monbat AD is being assisted by an audit committee. The Audit Committee motivates in writing its proposal for selection of an auditor before the General Assembly, guided by the established requirements for professional conduct.

The Board of Directors ensures compliance with applicable independent financial audit law. Regarding the recommendation to selection of an external auditor, the audit committee of the company is led by the rotation principle.

The audit committee supervises the internal audit process and monitors the overall relations with the external auditor, including the nature of non-audit services, provided by the auditor of the Company.

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.

CHAPTER THREE – SHAREHOLDERS RIGHTS' PROTECTION

The Board of Directors guarantees equal treatment of all company's shareholders, including minority and foreign investors, protects their rights and

facilitates their exercise within the limits permitted by applicable law and in accordance with the company's Articles of Association.

The invitation for the General Meeting of Shareholders 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 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 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 corporate Board 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 is being disclosed through three media agencies and the corporate profile of MONBAT AD in Facebook thus reaching 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 for 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.

Pursuant to the company's Articles of Association it is possible for the general meeting of the company's shareholders to be also held by using electronic means. Exercising the voting right by using electronic means has not been used by now since it 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. The Board of Directors appoints an elected commission that registers shareholders for any particular session of the General Meeting of Shareholders and proposes to the General Meeting a Chairperson, Secretary and Teller of the votes. 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 Assembly.

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 the participation of shareholders at the General Meeting of Shareholders and has provided a possibility for remote exercising the right to vote in the General Assembly. In 2016 only one shareholder has benefited from this opportunity.

The members 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.monbat.com describing the rights of shareholders and the rules and procedures for their participation in the General Meeting of Shareholders.

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 provisions of the Articles of Association 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 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 MONBAT 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. In 2016 have not been executed such transactions and such procedures have not been performed.

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 discloses information on the net sales revenue, profit and EBIT and EBITDA on a monthly basis every 25th day of the month following the month to which the information relates.

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.

Corporate management approves and controls together with the financial director and IR director rules for preparation of annual and interim reports and the procedure for disclosure of information.

The company has a website www.monbat.com with approved contents, scope and frequency of information disclosed. The contents of the website is set in conformity with the requirements of the National Corporate Governance Code.

The company has an English version of the corporate website with the same contents.

The Company periodically discloses information on the corporate governance.

The Board of Directors finds that, with its overall activities in 2016, 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.

In 2016 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.

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.

MONBAT AD identifies as stakeholders, interested in its activities, all persons/entities which are interested in the economic prosperity of the company: Customers, Workers and employees, creditors, Suppliers and other contracting parties, local community and other interested parties.

MONBAT AD regularly discloses non-financial information as well in relation to the Corporate social responsibility policy adopted by the Board of Directors. The Company annually reports to the Global Compact presenting a Communication on Progress by the end of March on account of the previous year.

The company has developed the following documents:

1. Policy on Safety and Health at Work in Monbat AD;
2. Quality Policy;
3. Environmental Policy;

The company's policy towards stakeholders is in compliance with the existing laws, based on the principles of transparency, accountability and business ethics.

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 companies' 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.

The main characteristics and principals of functioning of the internal control and risk management systems in MONBAT AD, describes below, are respectively applicable in terms of the companies included in the Group.

General description of the internal control and risk management systems

There is a functioning internal control and risk management system/the system/ which ensures the effective functioning of the reporting and information disclosure systems. The system was built and functions 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. The Board has both managing and guiding function as well as ongoing monitoring function.

Ongoing monitoring on the part of the corporate board 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.

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.

Risk valuation process in the Company

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

The Board of the Company 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.

The general plan of the company's management for risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial position of the Company.

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 company operates.

A detailed description of the risks specific to the activities of MONBAT AD is presented in the section MAIN RISKS THE COMPANY AND COMPANIES OF THE GROUP of the annual activity report.

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.

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 31.12.2016 the capital structure of MONBAT AD is the following:

Name of the shareholder	Number of shares	Percentage of the capital
PRISTA OIL HOLDING EAD, Sofia	16 666 371	42.73 %
MONBAT TRADING Ltd., Sofia	2 752 800	7.06 %
PRISTA HOLDCO COOPERATIEF U.A.	8 103 758	20.78 %
UPF Doverie	2 549 457	6,54 %
MUPF Allianz	2 029 556	5,20 %
Free float	6 898 058	17,69 %

The Company does not have other shareholders who directly or indirectly own 5 percent or more than 5 percent of the voting rights in the General Assembly.

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

MONBAT 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 MONBAT AD.

In order to participate in the General Meeting, shareholders must identify themselves with the documents attesting their identity and representative authority as provided by the law, the Articles of Association and the invitation for the General Meeting and must be registered by the mandate commission on the list of attending shareholders prior to the beginning of the General Meeting.

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 the general assembly approves the number, elects and releases the Board members and their remunerations as well.

According to the Company's Articles of Association, the Board of Directors is elected for up to five years. The General Meeting of Shareholders may at any time decide to make changes in the number of the members and the composition of the Board of Directors as members of the Board may be re-elected without limitations. Member of the Board of Directors may be a legally capable natural person and legal entity that complies with the law and have the necessary professional qualifications in relation to the activities of the company.

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 Articles of Association of the Company specifies all powers of the Board of Directors.

Pursuant to the provisions of the Articles of Association of the Company the Board of Directors does not have the right to decide on a capital increase of the Company. This is done by a resolution of the General Meeting of Shareholders.

Pursuant to the Articles of Association of the Company the Board of Directors is authorized to adopt resolutions for buy back procedures of company's own shares.

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

MONBAT AD has a one-tier management system. The Company is being managed and represented by a Board of Directors which as of the date of preparing this declaration includes the following members:

Atanas Bobokov - Chairperson of the Board of Directors and Executive Director,

Plamen Bobokov – Board Member

Stoyan Stalev - independent member of the Board of Directors

Alexander Chaushev - independent member of the Board of Directors

Nikolay Trenchev - independent member of the Board of Directors

Evelina Slavcheva - independent member of the Board of Directors

Florian Huth - independent member of the Board of Directors

Petar Bozadzhiev – Board Member

Yordan Karabinov - independent member of the Board of Directors

The Board of Directors adopts Rules of Procedure and elects a Chairperson and Vice Chairperson among its members.

The Board of Directors holds at least one meeting per 3 months in order to discuss the condition and development of the company. Each board member may request the Chairperson to convene a meeting to discuss specific issues.

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.

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

The company has developed a number of internal documents that can be classified as a diversity policy in terms of the management and supervisory bodies in relation to aspects such as age, gender or education and professional experience.

Such internal documents are: Rules of Procedure of the Board of Directors, Recruitment Policy, Code of Ethics, Personal Data Processing Rules, Rules on the structure of the internal organization.

Each of these documents individually and together with the other documents form the company's diversity policy in terms of the management and supervisory bodies in relation to aspects such as age, gender or education and professional experience, the objectives of this diversity policy.

The internal documents require the company to apply a balanced policy for nominating members of the corporate board who have education and skills that respond to the company's nature of work, its long-term objectives and business plan.

The internal documents of the company encourage establishment of gender balance at all management levels.

The Company does not discriminate members of the corporate boards based on the criterion of age.

02.05.2017

Executive Director :.....

Atanas Bobokov

