

CORPORATE GOVERNANCE DECLARATION

I. Introduction

This Declaration has been prepared in compliance with Art. 100m, para 8 of POSA aiming to disclose regulated information of Group Speedy, with content data regarding the following:

- General characteristics of the Internal control and Risk management systems regarding the financial reporting process;
- Information based on Art. 10, paragraph 1, item c, d, f, h, and i of Directive 2004/25/EC and the European Parliament and the Council of April 21st, 2004 on takeover bids;
- Composition and functioning of the administrative, management and supervisory bodies of their Committees;
- The Multicultural policy applied regarding the administrative, management and supervisory bodies in terms of aspects, such as age, sex or education and work experience, the goals of this policy of applying multicultural aspects and the results thereof as of the reporting period;
- Information regarding the observance of the Corporate Governance Code by Speedy AD (the parent company);
- Justification for non-observing certain sections of the Corporate Governance Code.



II. Internal Control and Risk management systems in the financial reporting process

The internal control system of financial reporting and accountability at the Group Speedy companies has been developed as a result of research of good reporting and control practices in Bulgaria, leading companies from the same business areas, as well as in accordance with the national legal requirements. It is an ongoing process on monitoring by the managements and is subject to development and elaboration. Most parameters presented in this document are from the practice of Speedy AD, as far as it has the most developed internal control system.

1. Control environment.

The control environment in the Group is based on:

a. *Communication and application of integrity and ethical values*

Speedy AD (the parent company) has incorporated an Ethics Code that sets up a framework for personal integrity and professional ethics within the company and its subsidiaries. The Ethics Code has been communicated to all employees that agree to follow the incorporated ethic regulations and professional ethics. It has been implemented in the job descriptions of all employees including the Financial Accounting and Reporting Departments, and has been set up as a model of behaviour.

b. *Competence commitment;*

Speedy AD (the parent company) has incorporated a Procedure for Recruitment and Hiring of employees under labour contracts. There are set requirements for education, work and professional experience of employees at all levels.

c. *Participation of those charged with governance;*

The Executive Director of Speedy AD (parent company) has introduced adequate rules and procedures for the carrying out of the internal control functions. He is responsible for the financial management and control in the Group, for its compliance with the principles of lawfulness, good financial management and transparency. The Executive Director has delegated his rights to other official representatives of the Company and its subsidiaries, by definition of their respective rights and obligations, and regularly requests periodical reporting of the delegated rights.

The Executive Director of Speedy AD (parent company) has set up and maintains conditions for independent internal audit functioning that reports directly to the Board of Directors and the Audit Committee.

The management bodies that carry certain rights and responsibilities regarding the financial reporting process in the Group, and respectively other related processes thereto, are: The Board of Directors, Audit Committee, Financial Director, Chief Accountant of Speedy AD and its subsidiaries' equivalent authorities.

By approving the annual financial statements for issuance, the Board of Directors, and respectively each company's General Manager, accept and confirm the accounting policy and its amendments for each reporting period, the prepared approximate accounting assessments as of each reporting date, incl. the applied methodology; financial statements and reports, along with other publicly disclosed documents that contain financial information.



The Audit Committee monitors in an independent manner the realization of the financial reporting processes, the application of accounting policies and the effectiveness of the internal control system of the Group's companies, including risk management, as well as the achievement of results by the internal and external audit systems.

Finance directors are responsible for the thorough organization, functioning and current control of accounting activities, as well as the financial reporting system. They are the direct leaders of the management process, and in charge of making all key decisions regarding the financial statements and other publicly disclosed documents that contain financial information. They are also the first level approvers of the accounting policy, general reporting methodology and in charge of assessment and acceptance of the work performed by external experts (valuators, actuary, auditors, consultants, etc.) that are part of the financial reporting process. They currently monitor, together with the Chief Accountants of the Group's companies and the Reporting Managers (or equivalents thereof) the effects and risks on the financial statements resulting from the established business risks for the Group Speedy companies.

The Chief Accountants are in charge of organization and management of the accounting and reporting function of the respective group company – they control and methodologically direct the current accounting activity, they also manage the preparing implementation of the accounting reporting methods and techniques; they are responsible for the process of month-end accounting and regular balancing, and preparation of all accountable approximate valuations, they offer and prepare accounting policies and their amendments, they follow current legislation changes in the IFRS. They are the direct contact of the internal and external experts used for the purpose of financial reporting.

d. *Management's philosophy and operational style*

The Management of Speedy AD (parent company) prepares the consolidated financial statements in compliance with the principle to present truthful and fair presentation of the Group's financial position and its financial results. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and the applicable local legislation.

The Group's management confirms that it consistently applies an adequate accounting policy and, that upon the preparation of the consolidated financial statements as at 31 December the prudence principle has been applied for valuation of assets, liabilities and expenses.

The Group's management has also confirmed that they adhere to the applicable active accounting standards, and, the consolidated financial reports have been prepared based on the principle of going concern basis.

The Group's management is also responsible for keeping the due accounting registers and book keeping, for the expedient assets and liabilities management and taking necessary measures for evasion and detection of probable embezzlements or fraud and other irregularities.

e. *Organizational structure*

At the Group companies there is an established full-time personnel engagement, Regulation for Internal Work Order, employee job descriptions (responsibilities allocation is at place), as well as a hierarchical structure with certain responsibility and reporting levels.

f. *HR management policies and practices*

The Group has developed procedures for staff selection and recruitment for employees under employment contracts, as well as Procedure for Employees Evaluation.



g. Staff competence

The requirements for employees' competence have been incorporated in employees' job descriptions. The need for additional qualification have been described in the employees' annual assessment plans. The latter are prepared based on the annual employee appraisal in the respective company in the Group. Following the annual appraisals, based on their outcome in terms of areas for improvement of competence and abilities are to be discussed with respective department directors and annual training program is prepared. The management of the respective group company manages the organization for enhancement of necessary knowledge and abilities of the employees, by including them into the appropriate training programs.

2. Risk assessment policy at Group Speedy

Risk management is a substantial element of the thorough management process of Speedy AD and the subsidiaries. It is generally accepted that any organization is dynamic and relates to certain transitions – time, budget, participation, therefore certain risk is always at place, and it needs to be managed. The targets of the risk management within the group is to: increase in a maximum degree the probability for positive impact over its activity, minimization of the probability for negative impact.

The Management of Speedy AD (parent company) considers risk management to be a key activity which brings higher achievement of the groups' goals. For this purpose, all decisions made to manage risk identification and secure regular monitoring of the process, as all of them are being documented, and regularly updated.

The operational environment in which the management of Speedy AD and respectively its subsidiaries work represents the framework that has to be observed and applied in the everyday risk management process. It has been built on external and internal group factors that influence its operation.

a. External Factors – external factors for the Group are complexity and changes in the existing legislation, technological development, public opinion, economic conditions in the country related to access to funding, political conditions, environmental protection and legal restrictions.

External factors	Risks
Changes in legislation	Changes in legislation and other regulations can restrict the planned activities of the Group. The regulations can sometimes stipulate requirements that are inapplicable in practice.
Complexity of legislation	Lack of adequate systems and trained personnel to apply the regulations.
Technologies development	Newly developed technologies can impose contractors to cease to support currently active systems in the group
Changes in political environment	Changes in government, legislation or regulatory authorities could impact the targets set by the Group Speedy. It could lead to legislation changes, it could therefore bring amendments in the requirements for carrying out certain activities.
Environmental conditions	Changes in environmental requirements could mean that certain activities or projects must be ended or modified, and prerequisites for new investments might appear.



External factors	Risks
Changes in economic environment, related to the Group financing	Main financing sources of the Group Speedy are banks, leasing companies, and other creditors with whom the Group companies have deferred payment agreements, which, in case of economic environment deterioration, could restrict or make financing possibilities more expensive.
Natural disasters	Fire, flood, or other natural disasters could bring a negative impact over the assets to perform certain activities.

a. Internal factors – the operational activities in the Group Speedy, the available resources, the applicable financial and accounting and IT systems, new activities, operations or functions, internal restructuring of activities, etc., are illustrated in the table below:

Internal factors	Risks
Corporate restructuring	Any restructuring in Group Speedy and its activities could bring an unexpected negative impact.
Internal control system amendments	Any amendment in Group Speedy's structure could reflect in loosening the internal control system, leading to certain losses and breakdowns in the Group's system.
Human Resources	Weak HR policies can lead to incapability of hiring the respective personnel or to impossibilities to support or increase administrative capacities.
New or renovated IT systems	Fast or substantial changes in IT systems can influence the internal control system risk
IT systems protection measures	A system breakdown, loss, forgery or inappropriate data management, unauthorized access to IT systems of the Groups' companies, can influence negatively its activities.
New technologies	New technologies introduction into the manufacturing processes or information systems can influence the internal control risk.
Rapid growth	Significant and rapid activity expansion could limit controlling procedures and increase the defect risk in their actions.
Expanded activities abroad	Expanding activities or acquisitions abroad could bring new and often unique risks that can reflect the internal control procedures, e.g. additional or amended risks resulting from changes in currency operations.
New accounting standards and clarifications	Accepting new accounting principles or amendments in existing accounting principles could influence the risks in preparing the financial statement
Bad financial management	Improper management of the planned financial resource or exceeding planned limits, accrual of excessive liabilities.



Weak control over inventories and assets	Theft of assets, abuse of non-current assets.
--	---

3. Information system

Group Speedy has implemented and uses a set of different software products forming the Information system responsible for financial reporting and communication. Elements of the overall information system are:

- Operational software – used to enter financial operations and transaction in carrying out of all services offered in the activities of the Group companies – courier services, postal services, postal money transfer transactions, logistic services, etc.;
- Financial and accounting software – used for accounting for all transactions, incl. revenue and cost transactions, bank account transactions and allocation in the respective budget items;
- Payroll software – used for automated formation of employees’ remuneration and automatization of the obligatory contributions of individual accounts;
- Vehicle management software – used for keeping track of the manufacturer set technical for tracking the expense on fuel and its budget planning;
- Expense controlling software at the parent company – used for approval of each expense;
- Company resources planning software at the parent company – used to integrate budgets of all departments and activities within the group, operating in one single integrated information system, that serves the needs of all business units;

Overall, the Information System comprises all methods and documentation that:

- Identify and evidence all valid trades and operations;
- Describe in a timely manner trades and operations with sufficient detail, which enables their proper classification for the purposes of financial reporting;
- Evaluate the trades and operations value in a way that allows their fair value entry in the financial statements;
- Define the due time period in which the trades and operations have been executed, in order to enable their due balancing in the respective accounting period;
- Represent the trades and operations in an appropriate manner, along with the related disclosures in the financial statements thereto.

The quality of information that has been generated by the system can impact the ability of the Group’s management, respectively the managements of the respective Group companies, to make expedient decisions in the management and activities control, as well as in preparing trustful financial statements.

The communication that includes availability and understanding individual roles over the financial reporting is carried out by electronically means of communication or by the management’s activity.

4. Controlling activities, policies and procedures

The controlling activities can be categorized, as follows:

a. Review of the performance and performance results

They include:



This is a translation from Bulgarian of the Consolidated annual management report of Group Speedy for year 2019.

- Reviews and analyses of the actual results towards budgets, prognoses and results from previous periods;
- Relations of different data groups – operational or financial – along with analyses of interrelations and analysing and corrective measures;
- Comparison of internal data with external information sources;
- Reviews of activity results separated by functional units or activities;

b. Information processing

The two common categories of the controlling activities in the IT systems are the controls of applied IT programs and the common IT controls, which represent policies and procedures related to multiple applicable programs that support the effective functioning of controls over the applicable programs that enable guarantees of continuous adequate functioning of IT systems. Examples of control over the applicable programs include:

- Verification of the mathematical correctness of records;
- Maintenance and review of accounts and turnover registers;
- Automatized controls, such as verification of incoming data and checks for consistency of numeration and non-automatic checks of reports for exceptions.

Examples of common IT controls can consist of:

- Control over the program settings changing;
- Controls that restrict access to certain programs or data;
- Controls over the implementation of new releases of software applicable programs;
- Controls over the system software, restricting accesses or current monitoring over the system application usage that could change financial data or records with no audit trail.

c. Physical Controls

These activities comprise:

- The physical security of assets, including adequate measures for preserving, such as safety appliances and security access to assets and documentation;
- Access approval to computer programs and data containing files;
- Regular counting and comparison of cash availabilities, reported in the controlling documents (such as, comparison of counting of cash availabilities with the results from inventory with accounting documents).

The degree to which controlling parties aim to prevent asset frauds, is related to the trustfulness of preparing financial statements and therefore auditing, depends on certain circumstances, such as cases when assets are extremely susceptible to fraud.

d. Responsibilities allocation

Allocation of responsibilities for approval of trades and operations, their due recording and maintenance of responsibility for assets by different employees. Responsibilities allocation is envisaged to prevent possibilities for allowing any employee to be in a position to perform, or cover mistakes or fraud cases in the regular employee task and duties/responsibilities.



5. Current observation of controlling functions

Control at Group Speedy is an ongoing process, carried out by its management, administration and employees within the Group. Ongoing controls are performed by means of:

- The Quality Management System;
- The Internal Control unit
- The Internal Audit unit;
- The Financial control unit;
- The Vehicle control unit;
- 24/7 monitoring centre;

Or their equivalents at the Group's subsidiaries.

The process of current control aims to achieve a reasonable confidence in the goals achievement, allocated in the following categories:

- Performance and optimization of operations;
- Trustfulness of the financial and accounting information;
- Compliance with legislation and active legal regulations.

Current control observation by the management includes an assessment of the controlling process if it works as envisaged and if it is modified in the appropriate way, in order to reflect the changes in environment. Current control observation, includes:

- Reviews by the Management – referring to the major organization goals, including those related to the performance, profitability and resources preservation.
- Assessment by the internal auditors for following the Group's quality policy.
- Supervision of the following of ethics code or the business practice policy within the Group's companies and its subsidiaries – that comprises the compliance with laws and regulations that designate the organizations' activity.

Current controls are carried out to guarantee that controlling procedures are continuous and act effectively over time.

Goals of all controlling units in the Group Speedy is to support and assist the Management, by means of identifying and assessing risks and the adequacy of financial management and control systems, regarding:

- Identifying, assessment and risk management performed by the Management.
- Compliance with applicable legislation, internal acts and active contracts.
- Trustworthiness and comprehensiveness of financial and operational information;
- Effectiveness, efficacy and economically of activities;
- Assets and information protection;
- Tasks performance and goals achievement;

By achieving this purpose every controlling unit contributes to the improvement of the activity of the Group Speedy and ensures assistance in achieving current and future Group goals.



III. Information based on Directive 2004/25/EC on takeover bids

Currently there is no offer for acquisition proposed to the Group.

IV. Composition and functioning of the administrative, management and supervisory bodies of their Committees

Board of Directors of Speedy AD (parent company)

Speedy AD is managed by its Board of Directors (Board) that consists of 5 (five) members, electing one Executive Director. The Corporate Board work is managed by its Chairman. Shareholders that hold at least 15,5% of stocks can vote for one of the Board members, and shareholders that hold at least 60% of stocks can appoint four of its members.

The Board of Directors operates on the grounds of a company Statute, by making decisions that make a substantial importance for the company's activity, unless they fall into the explicit competence of the General Shareholders Meeting.

The Board meetings are held not less than once in three months. Each member has the right to authorize another member to present them before the Board. One present member can only represent one absent one. The invites, with the enclosed agenda and the materials, should be sent out, at best possibility, at least 7 days before the session date, unless the date and place have been appointed at the previous shareholders meeting. In cases of urgency, the meeting can be held by oral invitation without observation of the 7-day term requirement. The sessions are considered regular, in case at least 1/2 of its members are present – in person or via an authorization.

Decisions shall be made via natural majority, unless in cases with related parties over EUR 50 thousand, that are made unanimously by all members. It is only allowed to vote with only "For" and "Against".

The members of the Board of Directors have the right to get informed on the company's performance and activities and take part in the board's functions by voting on the proposals, and have the right to summon Board's meetings, to approach authorities via certain statements, documents to Boards' requirements, to propose new points in the agenda and propose decisions, the Board Members can attend General Shareholders Meetings without voting rights, as they are obliged to respond to questions of the shareholders concerning the economic, financial or commercial activity of the parent company.

In carrying out their functions, the Board Members are obliged to act exclusively in favour of the Group, act and inquire the Board in cases of circumstances that substantially matter for the group, and aiming to make decisions to protect its interests.

Audit Committee of the parent company

An Audit Committee has been established to function in assistance to the Board of Directors, that is composed by three (3 persons), appointed by the General Shareholders Meeting. The members of the Committee must comply with the requirements under the Law on Independent Financial Audit and carry out their functions following the principles of lawfulness, objectivism, professionalism, independence, loyalty and accountability. The decisions are made via general majority at meetings hosted by a Chairman, held at least 4 times per annum.

The Audit Committee shall follow the processes for financial reporting, internal control functions, risk management procedures and the independent financial audit. In the carrying out of their work,



its members can address the Management, all employees and can access all necessary information needed to perform their work. In its activities, the Audit Committee shall:

- Hold sessions with the Managers of units responsible for managing operational and financial risk, with legal advisors in service of the parent company, with the ethical matters responsible employee, or any other Management member, that they consider appropriate, in order for the due carrying out of their obligations.
- Can receive, consider and discuss with external and internal auditors, as well as with the parent company's Management the respective audit reports (including the letter to the Management regarding assertions and recommendations), as well as any hindrances, that have occurred in the audit work, including substantial disagreements with the Management;
- Can receive, consider and discuss with the respective manager all reports concerning important matters that have been identified at parent company level with regards to the financial or operational risk, compliance with applicable legislation, regulations and codes of conduct, and/or specific reports on substantial cases of incompliance.

Management bodies of Dynamic Parcel Distribution S.A. (subsidiary)

The subsidiary is managed by a Board of Directors consisting of 5 persons. The Board of Directors (Board of Directors) and its Chairman are elected at the General Shareholders Meeting. The majority of Directors shall not be executive members.

The meetings of the Board of Directors are called by the Chairmen under his initiative or by the initiative of any member or shareholders, non-lesser than once per quarter. For the holding of meetings written invites shall be sent out at least 5 days before. This invite can be sent out 48 hours before the meeting provided that the subsidiary's interests are at risk. The Members of the Board of Directors are entitled to get informed on the company's performance and manage the Board of Directors activities by voting on proposed decisions.

The meetings are considered regular in case that 2/3 of its members are present by attendance or by representation via authorization. The decisions shall be made via a majority of 2/3.

The subsidiary is managed by an Executive director, elected by the Board of Directors members. The Executive Director is entitled to manage operational activities of the company and make decisions on its development, excluding the activities that are within the scope of the General Shareholders Meeting or the Board of Directors.

Management bodies of Geopost Bulgaria EOOD (subsidiary)

The subsidiary is managed and represented by one or more managers, appointed by the sole propriety owner. The Manager organizes and runs the subsidiary's activities in compliance with the applicable legislation and the decisions of the sole propriety owner, and reports to them.

Management bodies of Speedy EOOD (subsidiary)

The subsidiary is managed and represented by one or more managers, appointed by the sole propriety owner. The Manager organizes and runs the subsidiary's activities in compliance with the applicable legislation and the decisions of the sole propriety owner, and reports to them.



Management bodies of Rapido Express and Logistics (subsidiary)

The subsidiary is managed and represented by one or more managers, appointed by the sole propriety owner. The Manager organizes and runs the subsidiary's activities in compliance with the applicable legislation and the decisions of the sole propriety owner, and reports to them.

Management bodies of OMG Mobile (subsidiary)

The subsidiary is managed and represented by one or more managers, appointed by the sole propriety owner. The Manager organizes and runs the subsidiary's activities in compliance with the applicable legislation and the decisions of the sole propriety owner, and reports to them.

IV.V. Diversity policy applied regarding the administrative, management and supervisory bodies

The parent company and the Group companies do not have any specific diversity policy with regard to aspects like age, sex, education, professional experience or other characteristics, but have adopted and apply ethical standards, rules on staff selection and detailed internal rules to ensure equal treatment of stakeholders. Group Speedy makes all efforts to ensure equal opportunity for recruitment and follows the whole range of regulations related to fair practices in the working environment and prevention of discrimination. Recruitment is based solely on the qualities and qualifications necessary for the due caring out of the respective functions with regard to the achievement of optimal results.

Discrimination, regardless of whether based on race, sex, perception or expression of gender affiliation, skin colour, beliefs, religion, origin, nationality, citizenship, age, disability, generic information, marital status (including cohabitation without marriage or civil union, defined and recognized by the current legislation), sexual orientation, culture, ancestry, veteran status, socio-economic position or other protected by the law personal characteristics are unacceptable and fully incompatible with the traditions of the Group for providing of honourable, professional and worthily workplace. The repressive measures against persons raising complaints for discrimination are also forbidden.

The main goals that the Group sets regarding the diversity policy are:

- Attracting, hiring and retaining people with wide range of professional skills. The diversified abilities of the managers and the employees open up new possibilities for innovative and creative decisions, increase the creativity and the innovations. This would lead to more effective adaptation to the impact of the globalization and the technological changes. The diverse work force could increase the effectiveness of the Group in reaching its goals. It could motivate the employees, to provide access to new market segments and to improve the productivity.
- Encouragement of working atmosphere that adopt the ethno-cultural diversity and where the differences between people are appreciated and respected.
- Solving of one of the most important problems for the employer - the one related to the scarcity of working force as well as the problems concerning hiring and retaining highly qualified employees.
- Improving the reputation and the overall performance of the Group companies in front of external stakeholders and the society.
- Create opportunity for the groups of disadvantage people and build up the unity of the society.



Report on compliance with the Corporate Governance Code

Corporate Governance Code applied

Speedy AD observes where appropriate and applies the National code for corporate governance adopted by the National Commission for Corporate Governance and approved by the Deputy Chairman of the Financial Supervisory Commission. The Company is included in the list of public companies that has declared to follow the principals of the National Code for Corporate governance.

In November 2012, Speedy AD listed its stocks for trading on the Bulgarian Stock Exchange – Sofia. The Company has accepted to follow the National Code for Corporate governance since 2013. The National Code for Corporate Governance was adopted in 2007, and additionally amended by the National Committee for Corporate Governance in April 2016.

This report contains information that is requested under the provisions of the National Code for Corporate Governance by Speedy AD.

All activities carried out by the management and employees of Speedy AD, have been aimed to establish principles for best corporate governance, increasing the trust of shareholders, investors and respective interested parties in the management and activities of Speedy AD, and encouraging successful economic activities.

This Code observance is reported based on the principle “comply or explain”, which means that all regulations are generally followed, and then there are cases of deviation or incompliance, the Company’s Management shall explain the reasons.

Speedy AD has a one-tier management system. Accordingly, all regulations concerning two-tier management systems in the Code are not applicable for the company.

A. One-tier system

1. Functions and obligations

Board of Directors of Speedy AD:

- 1.1. The Board of Directors directs and controls the Group’s activities in an independent and responsible manner in accordance with the vision, aims, strategies of the Company and the interests of shareholders.
- 1.2. The Board of Directors monitors the companies’ and Group’s results and if necessary, initiates changes to business management.
- 1.3. The Board of Directors treats all shareholders in an equal way, acts in their interest and with a good business care.
- 1.4. The Board of Directors member act in a professional and diligent manner and conducts themselves according to the commonly accepted principles of integrity and duty of care. The Board of Directors has adopted a written Code of Ethics of the company.
- 1.5. The Board of Directors has established and controls the creating and functioning of a risk management system, including for internal control and internal audit.
- 1.6. The Board of Directors ensures and controls the integrated functioning of the accounting and financial reporting systems.



This is a translation from Bulgarian of the Consolidated annual management report of Group Speedy for year 2019.

1.7. The Board of Directors provides directions, approves and controls the implementation of the business plan of the Group companies, material transactions, as well as other activities set in the by-laws of Speedy AD.

1.8. The Board of Directors reports its activity to the General Meeting of Shareholders.

2. Election and dismissal of members of the Board of Directors

2.1. The General Meeting of Shareholders shall elect and dismiss members of the Board of Directors in compliance with the law and the parent company's by-laws, and in accordance with the principles of continuity and ensuring the stability of the Board of Directors' work.

A member of the Board of Directors members is elected based on the proposal of shareholders holding 15.5% of the stock. Four of the Board of Directors' members are elected based on the proposal of Shareholders holding 60% of the stock.

2.2. Upon proposals for election of new Board of Directors' member, the principles for compliance with the candidates' competence with the nature of activity of the parent company shall be followed.

2.3. The responsibilities, tasks, duty of care and duty of loyalty of Board members to the company as well as the criteria and level of remuneration and the conditions for removal from the Board are stipulated by management contracts.

The company has a management contract with chief executive officer. The non- executive members of the BoD are elected and perform their duties under mandate from the GMS. Their responsibilities, tasks, duty of care and duty of loyalty of Board members to the company as well as the criteria and level of remuneration and the conditions for removal are stipulated in the Rules of procedure of the Board of Directors of Speedy AD, Remuneration policy of Board of Directors of Speedy AD and Statutory Act of the company.

3. Structure and competence

3.1. The number of members and the structure of the Board of Directors should be determined by the parent company by-laws.

3.2. The composition of the Board of Directors elected by the General Shareholder Meeting ensures the professionalism, independence and impartiality of its resolutions related to the management of the parent company and the Group.

3.3. The Board of Directors ensures that the tasks and obligations of its members are properly distributed. The main function of independent directors is to supervise and control the functions carried out by executive management and to contribute effectively to the parent company's and Group's performance in the best interest of all shareholders and in respect of their rights.

3.4. The required skills, 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.

3.5. The members of the Board of Directors should have the knowledge and experience required for the position they take. After their election, the new members of the Board of Directors have to be familiarized with the basic legal and financial issues related to their task and the parent company's and Group's activities and performance. Continued professional training of members of the Board of Directors should be encouraged.

3.6. The members of the Board of Directors should dispose of sufficient time to carry out their tasks and duties. The parent company's by-laws do not limit the number of directorships a Board member can hold, but the Board of Directors Members devote their time with priority to perform duties in Speedy AD including its subsidiaries.



3.7. The election of members of the Board of Directors of the parent company must be done through a transparent procedure which should ensure timely and complete information regarding the personal and professional qualities of the candidates.

4. Remuneration

4.1. The Board of Directors has developed clearly defined and specific remuneration policy regarding the Board of Directors' members which was subject to GSM's approval in 2013. The amount of and criteria for the remuneration must be approved by the General Shareholders Meeting.

4.2. The amount and criteria for the remuneration should, in accordance with the law and good corporate governance practices, follow criteria such as:

4.2.1. Responsibilities and contribution of the member of the Board of Directors to the parent company's and Group's performance and results;

4.2.2. The availability and ability to select and retain qualified and loyal members of the Board of Directors;

4.2.3. The need to have the interests of the members of the Board of Directors aligned with the long-term interests of the parent company and the Group.

4.3. The remuneration of executive members of the Board of Directors should consist of basic salary and variable incentives, in the form of variable remuneration.

4.3.1. The variable incentives should be specifically defined or definable and should be linked with clear and specific criteria and indicators with respect to the parent company's and Group's performance and the meeting of targets set by the Board of Directors. The maximum amount of the additional variable remuneration of members of the Board of Directors is approved by the General Meeting of Shareholders. The remuneration is paid with a Decision of the Board of Directors upon meeting the preliminarily set and approved financial and non-financial criteria.

4.3.2. Based on a decision of the GMS dated December 2016, the parent company provided one-off additional stimuli to the Board members – bonus shares (to the non-executive remunerated members).

4.4. The remuneration of independent directors in the form of a basic salary and additional incentives depends on their individual participation in meetings, their performance level in regard with their assigned tasks, their ability to oversee and control the operations of executive management and their effective contribution to the Group's performance.

4.5. The General Meeting of Shareholders has voted to appropriate to the members of the Board of Directors additional remunerations as bonuses depending on the financial performance.

4.6. The remuneration of the members of the Board of Directors is disclosed in accordance with the law and the parent company's by-laws.

4.6.1. 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 such members.

5. Conflict of interests

5.1. The members of the Board of Directors should prevent any real or potential conflict of interests.

5.2. The procedures for preventing and disclosing conflicts of interests are not provided for in the parent company's by-laws. Currently internal rules and procedures for prevention of conflicts of interest are adopted and applied.

5.3. The members of the Board of Directors should immediately disclose any conflicts of interests and provide shareholders with access to information about transactions concluded between the company, respectively the Group and members of the board or any related party.

5.4 The Board of Directors has adopted a system for prevention of conflicts of interest in cases of trades with related parties and the respective methods of their disclosure. Transactions with related parties and stakeholders shall be subject to approval by the Board of Directors, unless in the cases when approval is required from the General Meeting of Shareholders.



6. Committees

6.1. The work of the Board of Directors is assisted by committees. The Board of Directors should determine the need for setting up committees in accordance with the specific operations of the company, respectively – the Group.

6.2. Depending on the requirements of the existing legislation and based on the criteria defined therein, the Board of Directors proposes to the General Meeting of Shareholders of the parent company to elect an Audit Committee whose composition should comply with the legal requirements and the specific needs of the parent company.

6.3. The committees should be set up based on a written structure, scope of tasks, functioning and reporting procedures.

B. AUDIT AND INTERNAL CONTROL

1. The Board of Directors, assisted by an Audit Committee, prepares a written justification to the General Meeting of its choice of auditor, based on the established professionalism requirements.

2. The corporate managements ensure compliance with applicable legislation in terms of independent financial audit.

3. Speedy AD applies a rotation principle in the selection of an external auditor. By means of a decision of the General Meeting of Shareholders held on 26 June 2018, the shareholders elected AFA OOD as registered auditor of the separate and consolidated annual financial statements for years 2018 and 2019.

4. The Audit Committee oversees the internal audit activities and monitors overall relations with the external auditor, including the nature of the non-audit services rendered by the Company's auditor.

5. An internal control system has been established that also identifies the risks related to the operations of the parent company and its subsidiaries and supports the effective management thereof. It should ensure the effective functioning of the accountancy and information disclosure systems.

C. PROTECTION OF SHAREHOLDERS' RIGHTS

1. Protection of Shareholders' Rights

The Board of Directors ensures equal treatment of all shareholders, including minority and foreign shareholders, and should be responsible for the protection of their rights and enable their exercising within the limits of acceptable according to applicable legislation and according to the parent company's by-laws. The Board of Directors ensures provision to information to all shareholders regarding their rights.

2. General Meeting of Shareholders

2.1. All shareholders have been informed about the rules for convening and holding General Meetings of Shareholders, including voting procedures. The Board of Directors provides sufficient and timely information regarding the time and place of the General Meeting, as well as the complete information about the meeting's agenda and decisions to be made.

2.2. The Board of Directors, during the General Meeting, ensures that all shareholders may express their opinion and ask questions.

2.2.1. Shareholders with a voting right may exercise it at the General Meeting of the parent company in person or through a proxy. Currently the parent company's by-laws do not stipulate that it is possible via



electronic communications and/or electronic means. This practice will be applied upon the availability of trustful technical possibility.

2.2.2. The Board of Directors exercises effective oversight and ensures that the necessary arrangements are in place for the voting by authorized representatives (proxies) in accordance with the instructions of the shareholders and in accordance with the law.

2.2.3. The corporate management establishes rules for the organization and conduct of regular and extraordinary General Shareholder Meetings, thus guaranteeing equal treatment of all shareholders and the right of each shareholder to express their opinion on the agenda items.

2.2.4. The Board of Directors establishes the rules and procedures for the conduct of the General Shareholder Meeting in a manner which does not make the voting procedure unduly difficult or expensive.

2.2.5. The Board of Directors takes action to encourage the participation of all shareholders at the General Meeting. Currently, there is no technical possibility for those who cannot make it physically by allowing the use of information technology (incl. Internet). This practice shall be applied upon the availability of a secure technical possibility.

2.3. All members of the Board of Directors, as a rule, attend the General Meetings of Shareholders of the parent company.

2.4. Materials for the General Shareholders Meeting

2.4.1. Texts and written materials related to the agenda of the General Meeting are specific and clear, without misleading the shareholders. All proposals concerning major corporate events should be presented as separate items on the agenda of the General Meeting, including the proposal for the distribution of dividends.

2.4.2. The parent company is currently in a process of development of a special website section regarding the shareholders' rights to participate in the General Meeting.

2.4.3. The Board of Directors ensures that court-authorized shareholders can place additional items on the agenda.

2.5. The Board of Directors guarantees the right of all shareholders to be informed about the decisions made at the General Meeting. All GM minutes are publicly disclosed and are accessible, including on the corporate website of Speedy AD.

3. Equal treatment of shareholders belonging to the same class

3.1. All shareholders belonging to the same class are treated in an equal way.

3.2. All shares within a certain class give equal rights to the shareholders belonging to the same class.

3.3. The Board of Directors guarantees the availability of sufficient information to the shareholders regarding the rights that all stock classes provide after their acquiring.

4. Consultations between shareholders regarding general shareholder rights.

4.1. Within the limits of the applicable legislation and in compliance with the parent company's by-laws, the Board of Directors does not hinder shareholders, including institutional investors, to consult among each other regarding matters concerning their general shareholder rights, in a way that doesn't allow abuse.

5. Transactions of shareholders with controlling rights and embezzlement

5.1. The Board of Directors does not permit transactions with controlling right shareholders that are in breach of rights and/or legal interests of other shareholders, including under the conditions of contracting the self.



D. DISCLOSURE OF INFORMATION

1. The Board of Directors approves the information disclosure policy in compliance with legal requirements and by-laws.

2. In accordance with the established policies under item 1, the Board of Directors creates and maintains a system for information disclosure.

3. The system for information disclosure should guarantee equal access to information addressees (shareholders, stakeholders, the investment community) and should not allow abuse of insider information.

4. The Board of Directors guarantees that the system for information disclosure provides comprehensive, timely, true and understandable information to allow for objective and well-informed decision-making and assessments.

5. The Board of Directors discloses in a timely manner the structure of capital of the parent company and the agreements that result in exercise of control in accordance with its rules on information disclosure.

6. Within the scope the effective legislation and in compliance with the parent company's by-laws the Board of Directors guarantees that the rules and procedures according to which acquisitions of corporate control, as well as extraordinary deals, such as mergers or takeovers of substantial company's stakes, are performed, are disclosed in a clear and timely manner.

7. The Board of Directors implements and controls compliance with the internal rules for preparing annual and interim statements, as well as the order for information disclosure.

8. The Board of Directors applies internal rules that guarantee the timely and appropriate periodical or incidental change regarding the Group, its management, corporate boards, operational activity, shareholders structure.

9. As a part of the system for information disclosure, Speedy AD maintains a company website. This website should be operated in accordance with approved policies on the content, scope and regularity of information disclosure. The information published on the website includes:

- basic commercial and corporate information identifying the company;
- up-to-date information about the shareholding structure;
- parent company's by-laws and the adopted policies pertaining to the operations and functioning thereof;
- information about the structure and composition of the management and supervisory bodies of the parent company as well as basic information about their members, including information about any committees;
- financial statements of the parent company (separate and consolidated) for each year since its registration in the Register of the public companies;
- materials about forthcoming General Shareholders Meeting as well as any additional materials which have been submitted in compliance with the law. Information about the resolutions of the General Meetings of Shareholders for the past 4 years, including information about the dividends distributed by the parent company within that period;
- information about external auditors;
- information about forthcoming corporate events;



- information about the shares issued and other financial instruments
- any information that is material to the Group's activities;
- information about shareholders' rights, including sufficient information on the shareholders' right to request the inclusion of matters and to propose resolutions on matters already included in the agenda of the general meeting under the provisions of Art. 223 (a) of the Commercial Act;
- contact details of the parent company's Investor Relations Director.

9.1. Speedy AD also maintains an English version of its corporate website with identical content. Effective since 2014 it discloses information regarding shareholders in English language as well, regarding financial statements (consolidated and non-consolidated), General Shareholders Meetings invites, meeting minutes from GMS, etc.

10. The parent company regularly discloses information about its corporate governance. The disclosure of corporate governance information is effected in compliance with the "comply or explain" principle. This principle requires companies to explain the reasons for not complying with individual provisions of the Code.

11. The Board of Directors applies procedures that guarantee the timely and appropriate periodical or casual change regarding the Group, its management, corporate boards, operational activity, shareholders structure, that allow timely and accessible way for disclosure to the information users.

E. STAKEHOLDERS

1. The Board of Directors ensures effective interaction with stakeholders. This category comprises certain stakeholders to whom the Group companies have a direct impact and who are in a position to influence the Group, including suppliers, clients, employees, creditors, civil society groups, and others. The companies identify the stakeholders based on their scale and sphere of influence and impact, as well as their role and relationship to company's sustainable development.

2. In its stakeholder policy, the Board of Directors must comply with existing laws. A good corporate governance practice requires taking into consideration the interests of stakeholders in accordance with the principles of transparency, accountability and business ethics.

3. The Board of Directors should establish specific rules for addressing the interests of stakeholders. These rules should ensure appropriate stakeholder engagement when decisions requiring their input are made.

4. It is recommended that in accordance with this policy the Board of Directors implement specific rules for accountancy of interests of shareholders that guarantee their involvement in cases of solving specific matters that require their opinion. These rules should guarantee the balance between Group's development and the economic, social and environmental development of the sphere it operates in.

In its operations, Group Speedy has not had substantial conflicts with involved parties, and therefore no certain necessity has been found to prepare and implement such rules. Group Speedy is aware of its social responsibility and is involved in programs for social and corporate responsibility in the area of organization and assistance in educational, sports and other programmes, and since 2014 it has started using electro mobiles in central parts of larger cities and the usage of ecologically sustainable packaging.

5. The Board of Directors maintains effective relations with stakeholders. The parent company should, once per year together with the annual financial statement of the Group and in compliance with the legal provisions and the good international practices for disclosure of information of non-financial nature,



disclose information about economic, social and environmental issues of concern to stakeholders, for example: anti-corruption policies; labour policies, policies regulating supplier and client relations; the Group companies' corporate social responsibility policies; environmental protections and nature preservation policies.

6. The Board of Directors guarantees the right to timely and regular access to reliable and trustworthy information regarding the Group, in cases when shareholders participate in the corporate governance process.

F. INSTITUTIONAL INVESTORS, MARKETS OF FINANCIAL INSTRUMENTS AND OTHER INTERMEDIARIES

1. The Board of Directors maintains the effective interaction of the parent company with its shareholders – institutional investors, as well as with regulated markets of financial instruments and these markets' investment intermediaries.
2. The Board of Directors uses the services of investment intermediaries, whose advises, recommendations or activities have been based on market information and market principles. The same is valid for market operators where financial instruments issued by the parent company and/or other Group companies are traded.
3. The parent company encourages the engagement of its investment intermediaries and institutional investors in definition of the policy and practices for corporate governance.
4. The parent company requires disclosure and minimization of conflicts of interest cases, as well as their disclosure by its authorized advisors, analysts, brokers, rating agencies, and other parties, that offer analyses and consultations. This requirement is applied provided that these conflicts of interest can jeopardize the integrity and objectiveness of the analysis or advice they provide, or may serve as a basis for decision making on behalf of the investors.

Date: 30 March 2020

Signature:

