



**European Bank**  
for Reconstruction and Development

# **CORPORATE GOVERNANCE LEGISLATION ASSESSMENT PROJECT**

**2007 ASSESSMENT**

*based on legislation in force on 1 November 2007*

**BULGARIA**

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## Overall Country Information

No.	Checklist	Brief description
1.	What is the level of dialogue (e.g. conferences, working groups) between the Government (including governmental bodies or other authorities such as Securities Commissions) and the private sector in respect to the need to improve corporate governance in your country?	Dialogue between the Financial Supervision Commission (“FSC”) and the private sector has been active. FSC organizes conferences with local and foreign participants on the capital markets in dealing with corporate governance problems. This helped developing the transparency and the efficient organization of the capital markets.
2.	Please describe any ongoing process(es) to improve the level of corporate governance in your country?	The main purpose of the FSC is to improve the level of corporate governance by building an efficient capital market parallel to the European Union laws and system. According to this purpose the FSC works together with the Bulgarian Stock Exchange and Central Depository, the Bulgarian National Bank, the Ministry of Finances, the Ministry of Interior, the Financial Intelligence Agency, Tax Administration. It also exchanges information and implements initiatives with the International Organization of Securities Commissions. Bulgarian National Code for corporate governance was adopted in October 2007.
3.	Which bodies in the public and private sectors (both domestic and foreign) have initiated, supported and been active in promoting corporate governance reform? (For example, institutes of directors, centers/institutes of corporate governance, associations of shareholders, chambers of commerce, or IFIs).	Most active in promoting corporate governance reform have been the following bodies: The Financial Supervision Commission; The Bulgarian Stock Exchange and the Central Depository; The Ministry of Finances; The Bulgarian Association of the Licensed Investment Intermediaries; Some medias like <a href="http://www.investor.bg">www.investor.bg</a> , <a href="http://www.dnevnik.bg">www.dnevnik.bg</a> etc.
4.	Does a voluntary national code of corporate governance good practice exist? <i>[If yes, please specify the date of enactment, the latest amendments and if it is available on the web and include the link.]</i>	There is an existing National Code of Corporate Governance. Date of enactment: October 2007. It is available on the web at <a href="http://www.ecgi.org/codes/documents/Codeks_bg.pdf">http://www.ecgi.org/codes/documents/Codeks_bg.pdf</a> and the link in English <a href="http://download.bse-sofia.bg/pdf/CodeksEN.pdf">http://download.bse-sofia.bg/pdf/CodeksEN.pdf</a>
5.	If the code exists:	
	a.) was the voluntary code of corporate governance developed by the Government or the private sector?	For over a period of one year the Bulgarian Corporate Governance Code Task Force, including representatives of the regulator, the private sector, the stock exchanges, Bulgarian and foreign experts met on a monthly basis to develop and draft the National Corporate Governance Code. The initiative for drafting the Code was sponsored by the International Finance Corporation by submitting free of charge technical support and commentaries based on the best international practices.
	b.) to what extent is the code based on the OECD Principles?	The existing code is based on the OECD Principles.

No.	Checklist	Brief description
	c.) is it endorsed by the stock exchange or securities commission?	The code is endorsed by Bistra Ilkova – Executive director of the Bulgarian Stock Exchange and co-chairman of the Task Force. At the launch of the Code, the Chairman of the Financial Supervision Commission has publicly announced that it will base the planned revision of securities law on the Code and make certain of its provisions mandatory.
	d.) must companies/listed companies disclose their degree of compliance with the code (“comply or explain”)?	No, nevertheless the fact that the Preamble of the Code states that: “The National Corporate Governance Code is to be adopted and implemented according to the “comply or explain” principle”. The Code is a standard for best practice. As per its wording “Companies should post information about the implementation and compliance with the Code on their web sites and include it in their annual reports. However such provisions have not been incorporated in a law yet.
	e.) are compliance statements published and easily accessible by investors? <i>[If yes, please describe. Include, if available, the website where the compliance statements can be found.]</i>	Compliance statements (if any) may be found in the annual report of the management board.
6.	To what extent has the Government announced plans for updating and strengthening of:	
	a.) the legal and court system	Reform of the court system has been completed with the introduction of the three-instance court system and the legislation of some important laws like the Administrative Procedure Code, Code of Civil Procedure and Criminal Procedure Code.
	b.) the corporate tax system	The new Corporate Income Tax Act is in force as of January 1 <sup>st</sup> 2007. There are changes in it as of November 1 <sup>st</sup> , 2007 concerning the entering into force the new Market of Financial Instruments Act. In general the corporate tax system is changing regularly.
	c.) the educational system for business and legal professions	According to the Law of Judiciary Power, all young professionals who have graduated from law schools and have a Master’s degree in law are required to undertake a three-month legal training and to pass an exam. The reforms in the educational system as a whole are pending partly due to the resent teachers’ strikes.
	d.) the application of international accounting and auditing standards?	The application of international accounting and auditing standards has been introduced by the Accounting Act and the Independent Financial Audit Act.
7.	Which are the main laws and regulations addressing corporate governance in your country? [Please list titles and dates when they came into force.]	Commercial Act in force on 1 July 1991; Public Offering of Securities Act in force on 31 January 2000; Protection of Competition Act in force on 3 July 1998; Measures Against Market Abuse with Financial Instruments Act in force on 1 January 2007; Financial Supervision Commission Act in force on 28 January 2003; Special Investment Purpose Companies Act in force on 20 May 2003; Foreign Currency Act in force on 21 September 1999;

No.	Checklist	Brief description
		<p>Financial Collateral Agreements Act in force on 22 August 2006;  Additional Supervision of Financial Conglomerates Act in force on 21 July 2006;  Measures Against Money Act laundering in force on 24 July 1998;  Markets in Financial Instruments Act in force on 1 November 2007;  Measures against Terrorism Financing Act in force on 18 February 2003;  Regulation No.1 as of September 15<sup>th</sup>, 2003 on the Requirements to the Activity of the Investment Intermediaries in force in 10 October 2003;  Regulation No.2 as of September 17<sup>th</sup>, 2003 for the Prospectuses for Public Offering of Securities and for Disclosure of Information by the Public Companies and the Other Issuers of Securities in force in 10 October 2003;  Regulation No.11 as of December 3<sup>rd</sup>, 2003 on Licenses to Carry out Activity as a Stock Exchange, Organizer of Unofficial Securities Market, Investment Intermediary, Investment Company, Managing Company and a Special Investment Purpose Company in force on 16 December 2003;  The Regulation No.13 as of December 22<sup>nd</sup>, 2003 on Tender Offers for Purchase and Exchange of Shares in force on 16 January 2004;  Regulation No.16 as of July 7<sup>th</sup>, 2004 on the Conditions and Procedure for Execution of the Margin Trade, Short Sales and Securities Lending in force in 27 June 2004;  Regulation No.25 on the Requirements for the Activities of Investment Companies and Mutual Funds in force in 2 May 2006;  Regulation No.26 as of March 22<sup>nd</sup>, 2006 on the Requirements to the Activity of the Managing Companies in force in 2 May 2006</p>
8.	<p>Summarize recent significant legal developments affecting corporate governance.  <i>[Please indicate whether reviews are planned (and if so, where they stand in the legislative process). If reforms are pending, please provide a schedule of the main proposals which are relevant to corporate governance.]</i></p>	<p>The recent significant legal development affecting corporate governance is the adoption of the Law on Markets in Financial Instruments and Ordinance No.38 as of July 25<sup>th</sup>, 2007 for the recommendations for the activity of the investment intermediaries. These acts implement the MiFID regulations and influence the corporate governance in several basic manners:</p> <ul style="list-style-type: none"> <li>- the area of information which the investment intermediaries shall disclose is broadened;</li> <li>- the clients of the investment intermediaries are classified in three new categories (professional clients, retail clients and eligible counterparties;</li> </ul> <p>the investment intermediaries may organize Multilateral trading facilities and etc.</p>
9.	<p>Please list the different corporate forms which are allowed under the law (e.g. partnerships, limited liability, joint stock, public limited) and briefly explain the main differences.</p>	<ul style="list-style-type: none"> <li>▪ <b>Limited Liability Company (“OOD/EOOD”)</b>  The registered capital of an OOD is divided into stocks that are formally registered in the name of each respective holder. If the capital is possessed by only one shareholder the form of the company is EOOD. The transfer of stock in an OOD is made subject to the consent of the other stockholders holding more than ¾ of the OOD’s capital and after its execution is entered with the company register. Therefore the names of the stockholders in an OOD are known to the public.</li> </ul>

No.	Checklist	Brief description
		<ul style="list-style-type: none"> <li>▪ <b>Joint Stock Company (“AD/EAD”)</b> The AD is a business corporation whose registered capital is divided into shares and their transfer is not subject to court registration. If the shares are non-materialized (book entry) the law requires these shares to be registered also with a central clearing institution (“Central depository” AD), which manages all transfers and pledges over non-materialized shares. In such case each transfer of shares should be recorded by the Central depository AD in order to take effect. In case the shares are materialized they are transferred by virtue of endorsement and entry in the Register of Shareholders maintained by the management of the Company. The minimum amount of the share capital required by the Commercial Act for the establishment of an AD is BGN 50,000. The minimum par value of a share is set at BGN 1.</li> <li>▪ <b>Unlimited partnership (SD)</b> The unlimited partnership is an entity formed by two or more partners who are jointly and severally liable to the entity’s creditors. Their liability for the entity’s debts is unlimited. There is no capital requirement. A foreign individual must have a permanent residence permit for Bulgaria in order to participate in an unlimited partnership. The Bulgarian unlimited partnership is a separate corporate entity from its partners. Each partner is entitled to take part in the management of the partnership's business unless the Articles of Partnership have assigned the management to one or several of the partners or to a third party.</li> <li>▪ <b>Limited partnership (KD)</b> Limited partnerships include general and limited partners. General partners are fully liable for the company’s debts while the liability of limited partners does not exceed their contribution to the partnership. A foreign individual must have a permanent residence permit in Bulgaria in order to participate in a Limited Partnership as a general partner. General partners must manage and represent the entity.</li> <li>▪ <b>Limited partnership with shares (KDA)</b> Limited partnerships with shares are formed by at least 3 limited partners whose liability is limited to the amount of their contributions to the company’s capital, and general partners with unlimited liability. A foreign individual who intends to participate in such a company as an unlimited partner should have a permanent residence permit for Bulgaria. The formation of a KDA is initiated by the unlimited partners. They have the right to select the limited liability partners among the subscribers of the company’s capital. KDAs are managed by a General Meeting of Partners and a Board of Directors. The General Meeting of Partners consists of all partners. Only limited partners have voting rights.</li> </ul>
10.	Are joint stock companies managed under a(n) <i>[please briefly explain]</i> :	
	a.) Compulsory one-tier system (no supervisory board)	No, it is optional. The founders of a joint stock company can choose between a one-tier or two-tier system.
	b.) Compulsory two tier-system (management board and supervisory board)	Although it is not mandatory under the law some companies like banks more often have two-tier system of management due to practices established in the past by state-owned banks.

No.	Checklist	Brief description
	c.) Option to choose one-tier/two-tier system	<p>The Commercial Act does not provide for either compulsory one-tier or two tier system rather explains how the management bodies of a joint stock companies are composed in both cases. Therefore the general rule is that joint stock companies are entitled to choose between the two systems unless otherwise provided for in other applicable laws (for ex. Art. 8(1) of the Special Purpose Investment Companies Act stipulates that the special purpose investment company shall be managed by a board of directors, i.e to have a one-tier system of management).</p> <p>In the one-tier system the general shareholders meeting is the only body authorised to appoint members of board of directors (Art. 221(4) of the Commercial Act).</p> <p>In the two-tier system the general shareholders meeting appoints the member of the supervisory board (Art. 221(4) of the Commercial Act).</p> <p>In the two-tier system the supervisory board appoints the members of the board of directors. Art. 241 (2) Commercial Act).</p>

## ***Principle I: Ensuring the basis for an effective corporate governance framework***

***The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.***

***I.A. Corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity, and the incentives it creates for market participants and promotion of transparent and effective markets.***

No.	Checklist	Yes	No	Reference to the relevant law
11.	a.) Does your country have a functioning stock exchange? [Please include the stock exchange website, if available.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<a href="http://www.bse-sofia.bg">www.bse-sofia.bg</a>
	b.) Are there different listing segments on the stock exchange? [If yes, please describe, focusing on corporate governance.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>There are three types of markets on the Stock exchange: Official, Unofficial and Initial market.</p> <p>The Official market is divided in the following segments: Shares market (Segment A and Segment B) and Bonds market (Segment State bonds, Segment Municipal bonds and Segment corporate bonds);</p> <p>The Unofficial market is divided in the following segments: Unofficial shares' market "Segment A"; Unofficial shares market "Segment B"; Unofficial bonds' market; Unofficial market for other non-materialized securities.</p> <p>The most prestigious segment is Segment A of the Official market. The companies move from one segment to another on the basis of the financial results of their issues which has an indirect connection with corporate governance.</p>
12.	Are corporate bonds common in your country?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Increasingly getting common but not that popular for smaller companies.
13.	Are Depository Receipts (DRs) common in your country?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
14.	Does the country have a legislative or regulatory body in charge of assessing the implementation, reviewing and developing corporate governance laws?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
15.	Are there effective, ongoing consultations between regulatory authorities, the public and corporations regarding the development of corporate governance laws? Is the decision-making process used in the development of those laws made publicly available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There are such consultations but they concern only public companies.

No.	Checklist	Yes	No	Reference to the relevant law
16.	How transparent is the legal reform process? Does it allow all affected parties to fully understand the new laws and regulations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The legal reform process is not as transparent as it should be. There is a lack of public debate and understanding of the changes before their promulgation in the State Gazette.
17.	Can the securities market regulator intervene on behalf of shareholders in corporate disputes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	If there is a violation – Art. 15(1), Financial Supervision Commission Law
18.	Does commercial, corporate or securities arbitration exist? If yes, are arbitration decisions binding and final?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial arbitration – Art. 2, <a href="#">Rules for Conciliation of the Court of Arbitration at the Bulgarian Chamber of Commerce and Industry</a> Securities arbitration – Art. 130 (1), Rules of Bulgarian Stock Exchange - Sofia-
19.	Are state-owned companies subject to exactly the same corporate governance rules as other privately owned companies?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In general the state-owned companies are subject to the same corporate governance rules as the privately owned companies except for the state control and monitoring exercised by the State.

***I.B The legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with the rule of law, transparent and enforceable.***

No.	Checklist	Yes	No	Reference to the relevant law
20.	Are the legal and regulatory requirements on corporate governance:			
	a.) generally clear and well understood by economic participants?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	In general it may be stated that the regulatory requirements on corporate governance over the privately held companies are clear. Though the sector of public companies and all other parties such as investment intermediaries, management companies, mutual funds is in a process of fast development. Unclear situations such as; when the investment intermediary shall have the clients payments (at the moment of the order or this may happen during the settlement), rules for delisting of solely owned public companies and etc. - result to a different behaviour of the different parties – participants.
	b.) sufficiently enforced in an efficient, consistent manner so as to constitute a transparent system?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There are examples which show that requirements are not followed in the same way by the state bodies regarding different companies which are placed in similar positions. Such exceptions and omissions of the regulatory institutions lead to distrust in them.

No.	Checklist	Yes	No	Reference to the relevant law
21.	a.) Do special court/sections exist in the judiciary for corporate cases?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Companies are entered with the Companies' register which is currently maintained by the regional courts (however changes are expected to be enacted in the forthcoming year). Every regional court has company section which is responsible for all changes in the company's lot. Nevertheless all proceedings different than safeguarding proceedings are held before the civil sections.
	b.) Is there a significant percentage of corporate governance law that has never been tested in court?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	An example may be given with the cases for trading with inside information and market manipulation regarding the public companies. There are few cases in the first instance courts but still there is no final decision.
	c.) Does a comprehensive case law collection exist so that interpretation of corporate governance legislation by courts is reasonably foreseeable?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Very few courts publish decisions in Internet (among them is the Supreme Administrative Court). Usually access to cases is granted only to lawyers. This lack of transparency leads to difficulty for following a certain trend.
22.	Do the laws usually specify sanctions and liabilities for breach of corporate governance laws and regulations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Act, Public Offering Of Securities Act, Markets of Financial Instruments Act
23.	If yes, are the responsibilities and sanctions for breach of the law with reference to the following subjects, clearly defined:			
	a.) management board	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.192 (6), 240 (2), 240a of Commercial Act, Art. 212 (1), 118 (2) Public Offering of Securities Act
	b.) supervisory board (if applicable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 212 (1), 118 (2) Public Offering of Securities Act
	c.) corporate registry	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) corporate auditors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 41. Independent Financial Audit Act
e.) corporate evaluators/assessors (e.g., in case of contribution in kind)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.291 Criminal Code – they face 5 years of imprisonment for untrue evaluation	

**I.C. The division of responsibilities among different authorities in a jurisdiction should be clearly articulated and ensure that public interest is served.**

No.	Checklist	Yes	No	Reference to the relevant law
24.	Does the law designate a clear division of responsibilities between different authorities (e.g., banking regulator, securities market regulator, competition authority)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Credit Institutions Act Bulgarian National Bank Act Financial Supervision Commission Act

No.	Checklist	Yes	No	Reference to the relevant law
25.	Is there an effective system of cooperation in place between regulators?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
26.	Does the law address the issue of potential overlapping responsibilities or gaps in oversight between regulators?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
27.	Are the key laws perfectly harmonised without major inconsistencies, conflicts and discrepancies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	It could be stated that the key laws are harmonised with the European union law without major inconsistencies, conflicts and discrepancies. There are some gaps such as delisting of a solely owned public company but such problems shall be decided on a national but not on a European level.

***I.D. Supervisory, regulatory, and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner. Moreover, their ruling should be timely, transparent, and fully explained.***

No.	Checklist	Yes	No	Reference to the relevant law
28.	Is the market regulator in charge of corporate governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 15, Financial Supervision Commission Act
29.	Does the law assure the operational independence of the regulator from external political, commercial, or other interest interference when exercising its respective functions and powers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Financial Supervision Commission (“FSC”) is independent from the executive power and submits its reports to the Parliament – Art.2, Financial Supervision Commission Act. Basically the law assures such independence. It is an elaborate question whether it could be achieved in practice.
30.	Is the regulator accountable to the Parliament or any other government body on an ongoing basis?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 2 (4), Financial Supervision Commission Law. The budget of the Financial Supervision commission is a part of the state budget which may be downloaded here <a href="http://www.minfin.government.bg/bg/page/24">http://www.minfin.government.bg/bg/page/24</a>
31.	Is the budget of the regulator published and expenses transparently described?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 28, Financial Supervision Commission Law
32.	Does the law require that when developing new legislation, regulatory agencies should:			
	a.) understand in advance the effects, costs and consequences of such new legislation (e.g., by implementing a Regulatory Impact Analysis - RIA)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) take into account the availability of resources for the implementation and enforcement of those laws?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

No.	Checklist	Yes	No	Reference to the relevant law
33.	a.) Are the rulings of regulatory agencies documented and publicly available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Regulation No.15 as of May 5 <sup>th</sup> , 2004 on Keeping and Storing of the Registers by the Financial Supervision Commission and the Circumstances, Subject to Entry
	b.) If so, is that information easily accessible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<a href="http://www.fsc.bg/E_fsc_page.asp?v=27">http://www.fsc.bg/E_fsc_page.asp?v=27</a>
34.	After regulatory agencies render their decisions, must they also provide explanations for those decisions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Yes, the decisions must be motivated - Art. 92 (1), Public Offering of Securities Act.

## Principle II: The rights of shareholders

### The corporate governance framework should protect shareholders' rights

**II.A. Basic shareholder rights include the right to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect members of the board; and 6) share in the profits of the corporation.**

No.	Checklist	Yes	No	Reference to the relevant law
35.	Does the law require maintenance of a central or company share register where the shareholding of investors is recorded?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 179, Commercial Act - regarding the privately held companies Art. 2, Ordinance No.8 on the Central Depository of Securities – regarding the publicly held companies.
36.	Does the law require that the relevant share register be maintained by an external and independent organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Only regarding public companies Art. 2 (1), 127 (2), 136 Public Offering of Securities Act
37.	Under the law, does registration of shareholding in the central or company share register constitute proof of ownership? <i>[If not, please explain what is the legal evidence of share ownership.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	If the shares are non-materialized their transfer is effective as of its entering with the Central depository - Art. 127 (1), 136 (1), Public Offering of Securities Act. Materialized registered shares shall be entered with the company's book – Art.185 (2) Commercial Act and the bearer shares are transferred by physical transfer – Art.185 (1) Commercial Act.
38.	Under the law, can the parties (purchaser, seller or third parties) of shares require amendment of the register to record the change in shares' ownership? <i>[Please explain.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.46 (3), Ordinance No.8 on the Central Depository of Securities – regarding non-materialized shares.
39.	a.) Does the law require that all the shares be fully paid before they can be transferred?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Bearer shares cannot be transferred without being fully paid - Art. 178 (3), Commercial Act In terms of public companies Art.112 (4) of the Public Offering of Securities Act states that every increase of the capital of a public company shall be done after the issue value of the shares is fully paid. In this regard an issue of shares will not be registered at the FSC's register before the shares are fully paid and therefore they cannot be subsequently transferred. Only registered shares may be transferred without being fully paid – Art 178 (4) Commercial Act
	b.) Are shares of listed/public companies freely transferable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.87 (2), Markets of Financial Instruments Act

No.	Checklist	Yes	No	Reference to the relevant law
	c.) Can the free transferability of shares be restricted by specific provisions in company articles or by private contractual agreements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Shares of public companies are transferred freely Private companies' shares may have such restrictions - Art. 165 p.3, Commercial Act.
40.	a.) Is the law providing shareholders the right to obtain information about the company at no costs and without undue delay? <i>[If applicable, please state the time limit for providing information.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Regarding public companies - Art. 110c, 115 (6), Public Offering of Securities Act; Regarding private companies – Art. 123, 187e, 224, Commercial Act. There is a time limit related to the materials for the agenda of the general meeting of shareholders only, which shall be made available to the shareholder at the date of publication or submission of the invitation for the general meeting. At the general meeting of shareholders of public companies the board members are obliged to respond to all questions of shareholders raised at the general meetings unless they relate to circumstances which are inside information.
	b.) Does the law provide for sanctions in case such information is not provided by the company in due time?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Regarding private companies - Art. 71, Commercial Act; Regarding public companies – Art.221, i.2 – Public offering of securities Act.
41.	Under the law, is the shareholders' meeting the only body authorised to:			
	a.) elect/appoint members of the board? <i>[Please distinguish in case a two-tier system is in place.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	In the one-tier system the general shareholders meeting is the only body authorised to appoint members of board of directors (Art. 221(4) of the Commercial Act). In the two-tier system the general shareholders meeting appoints the member of the supervisory board (Art. 221(4) of the Commercial Act). In the two-tier system the supervisory board appoints the members of the board of directors. Art. 241 (2) Commercial Act).
	b.) dismiss members of the board? <i>[Please distinguish in case there is a two-tier system in place.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	In the one-tier system the general shareholders meeting is the only body authorised to dismiss members of the board of directors (Art. 221(4) of the Commercial Act) In the two-tier system the general shareholders meeting dismisses the member of the supervisory board (Art. 221(4) of the Commercial Act) In two-tier system the supervisory board dismisses the members of the board of directors. Art. 241 (2), Commercial Act
	c.) approve the company's audited annual report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, p.7, Commercial Act
	d.) approve dividends?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, p.7, Commercial Act

No.	Checklist	Yes	No	Reference to the relevant law
	e.) decide on the time frame within which approved dividends are paid out?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, p.7, Commercial Act
42.	Are minority shareholders able to pool their votes for certain board candidates (for example, through cumulative voting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	It is not prohibited
43.	Does the law give the shareholders' meeting the exclusive power to <i>[Please specify if the power can be delegated to the board by the charter]</i> :			
	a.) appoint auditors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221 (6), Commercial Act
	b.) approve the auditors' remuneration;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221 (6), Commercial Act
	c.) request additional information regarding the auditors' report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 251, Commercial Act
	d.) approve remuneration of (supervisory/management) board members	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221 (5), Commercial Act
44.	Does the law impose any conditions on a company to declare dividends?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 247a, Commercial Act
45.	Does the law require the distribution of dividends among holders of shares in proportion to their shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 181 (1), Commercial Act
46.	Does the law require the distribution of liquidated proceeds among holders of shares in proportion to their shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 181 (1), Commercial Act

**II.B Shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional shares; and 3) extraordinary transactions that in effect result in the sale of the company.**

No.	Checklist	Yes	No	Reference to the relevant law
47.	Does the law provide that shareholders should be notified of, and have the exclusive power to vote with respect to: <i>[Please specify if the power can be delegated to the board by the charter.]</i> :			
	a.) amendments to the company charter?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Commercial Act
	b.) issuance of additional shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Commercial Act
	c.) merger, take-over or reorganisation of the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221 (3), Commercial Act
	d.) winding up or voluntary liquidation of the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 252, Commercial Act

No.	Checklist	Yes	No	Reference to the relevant law
	e.) waiver of pre-emptive rights (in the event of capital increase)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 194 (1), Commercial Act
	f.) the amendment of the specific rights attached to any class of shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 182 (5), Commercial Act
48.	Does the law provide that existing shareholders have pre-emption rights to subscribe to newly issued shares in proportion to their relevant shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 112 (1), Public Offering of Securities Act
49.	a.) Does the law allow exceptions/restrictions to these pre-emption rights described in Question 48 above?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 112 (1), Public Offering of Securities Act
	b.) If yes, are these restrictions required to be approved on a case by case basis <i>and</i> by a super-majority vote of the shareholders (e.g. 75%)?	<input type="checkbox"/>	<input type="checkbox"/>	N/A
50.	Can shareholders delegate to boards the issuance of capital up to an authorized limit and within a specified time-frame?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In 5 years time as of the companies incorporation the General Assembly may authorize the Management board to raise the capital to a certain limit by issuing of new shares – Art.196 (1), Commercial Act – regarding both private and public companies.
51.	Does the law enable a shareholder who voted against any of the corporate changes in the company as referred to in Question 47 above to sell its shares to the company for not less than a price determined by an independent valuation entity (or the market)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

**II.C Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures that govern general shareholder meetings.**

No.	Checklist	Yes	No	Reference to the relevant law
52.	Does the law require a shareholder meeting to be held annually, and within a specified time frame (e.g., 6 months) of the end of the company's fiscal year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 115 (1), Public Offering of Securities Act
53.	Does the law empower the following people to request extraordinary shareholders' meetings:			
	a.) the chairman of the board of directors; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 223 (1), Commercial Act The board of directors is authorized to call the meeting of shareholders

No.	Checklist	Yes	No	Reference to the relevant law
	b.) any member of the board of directors/supervisory board [ <i>Please specify</i> ]; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 223 (1), Commercial Act The board of directors is authorized to call the meeting of shareholders
	c.) one or more shareholders whose aggregate shareholding represents at least 10% of the Company's issued shares? [ <i>Please specify the required shareholding.</i> ]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 223 (2), Commercial Act If one or more shareholders whose aggregate shareholding represents at least 10% of the Company's issued shares
54.	Does the law enable shareholders to participate in the shareholders' meeting not only in person, but also:			
	a.) by post	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 116(1), Public Offering of Securities Act
	b.) by voting instructions in writing or by substitutes other than directors on the basis of a power of attorney? If yes, should the power of attorney be notarised?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 116(1), Public Offering of Securities Act
55.	Does the law require that a shareholders' meeting be attended by a quorum of shareholders (presence quorum) representing an aggregate of at least 50% + 1 of the company's issued and outstanding common and preferred shares at the first call? [ <i>Please specify the quorum for the first, second and third call.</i> ]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 227, Commercial Act states that the quorum of the first call can be envisaged in the charter of the company. The quorum must be at least 50% of the capital if the decisions for changing the Statute, changing the capital or reorganizing or terminating the company are to be made. The quorum may be different if these decisions are not to be made. If the specified quorum is not met in the first call the next call is legitimate at every quorum. The law does not differ between second and third call. The second General assembly may be called not earlier than 14 days after the first call.
56.	Does the law require the adoption of ordinary resolutions by an affirmative vote of a majority (of 50% + 1) of all of the company's issued and outstanding voting shares (decision quorum)? [ <i>Please specify the quorum for the first, second and third call.</i> ]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 227, Commercial Act The quorum must be at least 50% of the capital if the decisions for changing the Statute, changing the capital or reorganizing or terminating the company are to be made. The quorum may be different if these decisions are not to be made. The second call is legitimate at every quorum.
57.	Does the law require a super-majority vote of at least 75% of all the company's issued and outstanding voting shares regarding resolutions for the following matters:			
	a.) any amendment to the company's charter [ <i>Please specify the quorum required at the second and third call.</i> ]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 230, Commercial Act The law requires a super-majority of at least 2/3 of the shares present at the meeting (the charter may stipulate higher majority). The majority is the same for every call and may not be decreased The quorum for the first call must be at least 50% of all shares and for the next calls the general assembly is legitimate at every quorum. The majority for this decision is always 2/3.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) any merger or reorganisation of the company [ <i>Please specify the quorum required at the second and third call.</i> ]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 230, Commercial Act The law requires a super-majority of at least 2/3 of the shares present at the meeting (the charter may stipulate higher majority). The quorum for the first call must be at least 50% of all shares and for the next calls the general assembly is legitimate at every quorum. The majority for this decision is always 2/3 or higher.
	c.) the winding up or voluntary liquidation of the company [ <i>Please specify the quorum required at the second and third call.</i> ]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 230, Commercial Act The law requires a super-majority of at least 2/3 (the charter may stipulate higher majority) of the shares present at the meeting. The quorum for the first call must be at least 50% of all shares and for the next calls the general assembly is legitimate at every quorum. The majority for this decision is always 2/3 or higher.
	d.) a waiver of shareholders' tender rights in case of voluntary redemption [ <i>Please specify the quorum required at the second and third call.</i> ]; and	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 112, Law of Public Offering of Securities Tender rights of the shareholders cannot be waived. The quorum for the first call must be at least 50% of all shares and for the next calls the general assembly is legitimate at every quorum.
	e.) any single transaction or series of transactions involving at least 25% of the company's assets? [ <i>Please specify the quorum required at the second and third call.</i> ]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 114, Law of Public Offering of Securities The General Assembly shall adopt a decision with a majority vote of at least 75% of the shares presented at the meeting in order to authorize the company's representatives to execute a transaction regarding the company's assets if the total amount of the assets is above: <ul style="list-style-type: none"> <li>- 1/3 of the lower amount of one of the two amounts: 1. the last audited balance sheet or 2. the last prepared balance sheet.</li> <li>- 2% of the lower amount of the assets as per the last audited or the last prepared balance sheet if there are interested parties involved in the transaction.</li> </ul> The quorum for the first call must be at least 50% of all shares and for the next calls the general assembly is legitimate at every quorum.
	In the case of any proposed restriction(s) on, or any amendment of, the specific rights attached to any class of shares, does the law require:			
58.	a.) the 50 % + 1 presence quorum and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 182 (5), Commercial Act
	b.) a super-majority vote of at least 75% of the company's issued and outstanding voting shares within each such class of shares which may be affected by the proposed restriction or amendment?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 182 (5), Commercial Act A super-majority vote of at least 75% of the shares present of the meeting is required.

No.	Checklist	Yes	No	Reference to the relevant law
59.	Is there a certain amount of time that must elapse between a first and second call?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 227 (3), Commercial Act
60.	In cases where the rules relating to the holding of shareholders' meetings have been violated, does the law provide for the right of shareholders to bring an action in order to set aside a shareholder's resolution? <i>[If yes, please specify what is the percentage required for such action.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 74, Commercial Act Every shareholder may file a claim before the court for a rescinding of a resolution of the general assembly when such resolution contradicts with the law or with the statute. The claim shall be filed against the company.

***II.C.1 Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.***

No.	Checklist	Yes	No	Reference to the relevant law
61.	a.) Does the law require that the company notify the shareholders of the agenda for a shareholders' meeting at least 20 calendar days in advance of the scheduled shareholders' meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 115 (2), Public Offering of Securities Act <i>The agenda for the meeting of shareholders has to be published in the State Gazette.</i>
	b.) Does the law allow that the notification of the general meeting be published in a newspaper or official gazette, without the need for individual notification to each shareholder? <i>[If yes, please specify if it is required that the newspaper must have national distribution.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 115 (3), Public Offering of Securities Act – regarding the public companies. The company shall publish the notification in a newspaper that is published every business day and is distributed on the territory of the state.
62.	Does the law require a power of attorney proxy form to be sent out at the same time when the notice convening the meeting is sent out?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 116(1), Public Offering of Securities Act
63.	In case of a proposed shareholders' meeting where any of the proposed resolutions require super-majority approval, does the law require that the company send a copy of the agenda, including any valuation reports and proposed resolutions and charter amendments to the shareholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art. 223 (4), Commercial Act The agenda for the meeting of shareholders has to be published on the State Gazette

**II.C.2. Opportunity should be provided for shareholders to ask questions to the board and to place items on the agenda at general meetings, subject to reasonable limitations.**

No.	Checklist	Yes	No	Reference to the relevant law
64.	Does the law require the agenda for a shareholders' meeting to be adopted by the board of directors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 223 (4), Commercial Act
65.	Does the law provide for additional items to be added to the agenda at the request of:			
	a.) the chairman of the board of directors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 231, Commercial Act The additional items can be added to the agenda only if all the shareholders are present at the meeting and there are no objection for these items to be discussed.
	b.) any 2 directors; or	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
c.) any one or more shareholders whose aggregate shareholding represents at least 10% of the company's issued and outstanding shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
66.	a.) Does the law allow shareholders to submit questions in advance of a shareholders' meeting to which management and board members are required to reply at such shareholders' meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Commercial Act
	b.) Does the law impose any penalties for not replying to such a shareholder request?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 74, Commercial Act
	c.) Does the law allow shareholders to ask questions at the shareholder meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

**II.D Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.**

No.	Checklist	Yes	No	Reference to the relevant law
67.	a.) Does the law regulate cross-shareholdings <sup>1</sup> ?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There is no specific regulation for cross-shareholdings as such. If the companies are connected parties they are subject to regulation as connected parties.

<sup>1</sup> A cross-shareholding is where the company owns shares in another company which is also one of its own shareholders.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) Is there a voting cap limiting the number of votes that a shareholder, who holds a cross-shareholding in another company, may exercise in dealings with that company (for example a voting cap of 10%)? <i>[If so, please specify the voting cap.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no voting cap limiting the number of votes. There is no specific regulation of the cross-holdings as such.
68.	a.) Are there rules that govern the disclosure by shareholders of ultimate beneficial ownership? If yes, please specify the thresholds for disclosure of ownership.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Ultimate beneficial ownership may be disclosed in a certain situations regarding almost only public companies or companies which want to be public. Such ownership exists when one party holds in a second party (through a third party inclusive) more than 50% of the capital. Such control shall be disclosed in a prospectus for example. The full name of the individual shall be disclosed.</p> <p>When the company is already public the disclosure of the information depends on the specific case, e.g.: if a company (through a third party inclusive) acquires more than 50% of the capital of a public company it shall make a tender offer for the shares of the rest of the shareholders. In the offer the data (names, capital, etc.) shall be disclosed. Indirectly in such disclosure the ultimate beneficial ownership is disclosed.</p> <p>If a company acquires through a company which the first company controls (owns more than 50% of the capital) 5% of the shares or number of shares which is divisible of 5% of the shares of the company the first company shall disclose this. Indirectly in such disclosure the ultimate beneficial ownership is disclosed</p> <p>Art. 145, Public Offering of Securities Act</p>
	b.) Do ownership disclosure rules enable shareholders to obtain a clear picture of a company's ultimate ownership and the identity of intermediaries?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The ultimate owner shall disclose information which is enough in order the rest of the shareholders to obtain a clear picture of the ultimate ownership. See 68(a) above.
69.	Does the law impose restrictions on transactions involving shareholders with a conflict of interest regarding the transaction in order to avoid disadvantageous transaction terms for the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The law does not impose restrictions but they could be provided for in the charter of the company.
70.	Are shareholders required to disclose shareholder agreements to the company, the authorities and/or to other shareholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 114, Public Offering of Securities Act

**II.E Changes of corporate control should be allowed to function in an efficient and transparent manner.**

*II.E.1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.*

No.	Checklist	Yes	No	Reference to the relevant law
71.	Does the law require notification to the company, the other shareholders, the securities commission, the stock exchange or anti-monopoly office if a shareholder builds up a significant shareholding in the company? <i>[Please briefly describe how the law define significant shareholding.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 145, Public Offering of Securities Act – every shareholder in a public company who acquires or transfers directly or indirectly 5% of the shares or number of shares which is divisible of 5% of the shares of the company shall inform the FSC and the public company Significant shareholding is different for the different types companies: a.) 20% of the capital regarding investment intermediaries, managing companies, investment companies; b.) 50% of the capital pubic companies In terms of tender procedures the thresholds are specific (e.g. 50%, 90%)
72.	Does the law impose any penalties for non-notification (e.g. a shareholder not being allowed to exercise the voting rights attached to the shares)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Public Offering of Securities Act.
73.	Are shareholders of the same class treated equally during changes of control? Is there a provision that minorities receive the same price as the controlling owner?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 151 (1), Public Offering of Securities Act.
74.	Does the law include a provision allowing an offeror to require the holders of the remaining securities to sell their securities at a fair price (the so-called minority squeezed out)? If yes, please specify the shareholding threshold.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.157a (1) (2), Public Offering of Securities Act – If the offeror acquires at least 95% of the public company’s shares as a result of a tender offer procedure the minority shareholders are obliged to sell their shares to the offeror. If the minority shareholders do not sell their shares in one month term as of the publication of the offer the shares are considered as an offeror’s possession (minority squeeze out).
75.	Does the law include a provision allowing the holders of remaining securities to require the offeror to buy their securities at a fair price (the so-called minority buy-out)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Regulation No.13 as of December 22 <sup>nd</sup> , 2003 on Tender Offers for Purchase and Exchange of Shares

*II.E.2. Anti-takeover devices should not be used to shield management from accountability.*

<b>No.</b>	<b>Checklist</b>	<b>Yes</b>	<b>No</b>	<b>Reference to the relevant law</b>
76.	Does the law require an authorisation by a shareholders' resolution with a majority of 75% of the company's issued shares, before the board of directors is entitled to enter into any transaction other than for full and valid consideration as a measure to prevent a change of control in the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

## Principle III: The equitable treatment of shareholders

*The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.*

### III.A. All shareholders of the same class should be treated equally.

III.A.1 Within any class, all shareholders should have the same voting rights. All investors should be able to obtain information about the voting rights attached to all classes of shares before they purchase. Any changes in voting rights should be subject to shareholder vote.

No.	Checklist	Yes	No	Reference to the relevant law
77.	Does the law require that within any class of shareholders all shareholders have the same voting rights? If yes, does the law implement the principle “one share-one vote”?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 181 (1) and (3), Commercial Act - the law implement the principle “one share-one vote”.
78.	Does the law allow investors to have access to information about the voting rights attached to all classes of shares before they purchase? If yes, where is this information available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 81, Public Offering of Securities Act. Such information is available in the respective prospectus. Companies' prospectuses may be found here: <a href="http://download.bse-sofia.bg/prospekt/">http://download.bse-sofia.bg/prospekt/</a> - this is subdirectory in the site of Bulgarian Stock Exchange

III.A.2 Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress

No.	Checklist	Yes	No	Reference to the relevant law
79.	Does the law provide for specific sanctions and/or liabilities in case of:			
	a.) violation of the rules on notification of shareholder meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Public Offering of Securities Act.
	b.) violation of rules allowing shareholders to place items on the agenda for the annual meeting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Public Offering of Securities Act.
	c.) delays or failure to pay dividends authorized by shareholder meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Public Offering of Securities Act.
	d.) failure to allow inspection of books and records	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Public Offering of Securities Act.

*III.A.3 Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares*

No.	Checklist	Yes	No	Reference to the relevant law
80.	Are financial institutions, holding shares in custody for investors, required by law to provide shareholders with information concerning their options in the use of their voting rights?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

*III.A.4 Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.*

No.	Checklist	Yes	No	Reference to the relevant law
81.	Can the general meeting be held abroad or in a place other than the company headquarters?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Public companies shall have their general meeting held at the place of their seat – Art.115 (1) – Public offering of securities Act; Private companies shall have their general meeting at the place of their seat unless another place in Bulgaria is specified in the Statute – Art.221 (1), Commercial Act.

*III.B. Insider trading and abusive self-dealing should be prohibited.*

No.	Checklist	Yes	No	Reference to the relevant law
82.	Does the law require company disclosure of information likely to affect stock exchange prices (in order to prevent insider dealing of shares), without undue delay?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Art.12 (1) and (3) – Measures Against Market Abuse and Financial Instruments Act</i>
83.	Are there any laws in place which prevent or punish insider trading?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Measures Against Market Abuse with Financial Instruments Act
84.	Are board members, senior managers or controlling shareholders required to disclose transactions involving their company's shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 114, 114a, 114b, Public Offering of Securities Act; Art.16 - Measures Against Market Abuse with Financial Instruments Act

**III.C. Members of the board and managers should be required to disclose any material interests in transactions or matters affecting the corporation.**

No.	Checklist	Yes	No	Reference to the relevant law
85.	Under the law, is a shareholder, director, officer or employee of the company who has conflicting interests in a deal between the company and another party, required to disclose such interests to the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.114 (1), i.2 in connection with (2) of Public Offering of Securities Act.
86.	Under the law, must the Board of Directors / Supervisory Board [ <i>please specify</i> ] ensure that the company pay a fair price for assets or services purchased from or sold to any shareholder, director, officer, employee, agent or representative or related entities of the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no requirement in the law but it could be provided for in the charter of the company. Art.114 of Public offering of securities Act provide some restrictions over such transactions.
87.	Can directors, officers or shareholders of a company who have conflicts of interests with the company, be legally prevented from voting at the meetings where those interest-related issues are discussed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no requirement in the law but it could be provided for in the charter of the company.
88.	a.) Does the law allow the company to give people including the company's directors, officers and employees the right to buy shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.79 (3) i.5 and i.6 of Public Offering of Securities Act.
	b.) Are there any restrictions imposed on such acts?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	If the shares are newly issued the Company shall draft a special document, not a prospectus, which reveals the information regarding these shares - Art.79 (3) i.5 and i.6 of Public Offering of Securities Act.
89.	Does the law require that all related party transactions be:			
	a.) specifically approved by the board (supervisory/management please specify)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As per Art.114 (2) of Public offering of securities Act the transactions between the Company and a related party different than the transactions specified in Art.114 (1) shall be preliminary approved by the Management body.
	b.) disclosed to shareholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.16, Measures Against Market Abuse with Financial Instruments Act – the FSC makes such transactions public.
	c.) registered in the company financial statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Annex 10, i.4 of the <a href="#">Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities</a>
90.	Does the law require disclosure of loans made by the company to related parties (e.g. parent companies, subsidiaries, directors, employees, their spouses, children or relatives of the company or related companies)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Annex 10, i.8 of the <a href="#">Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities</a>

No.	Checklist	Yes	No	Reference to the relevant law
91.	Under the law, can transactions made by companies, which are not based on fair market values, be invalidated and action be taken against the relevant parties?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Transactions made in violation of Art.114 (1)-(9) are void. The transactions on the stock exchange may differ with 30% of their opening price. Though as per Art.7 of Measures Against Market Abuse with Financial Instruments Act transactions which manipulate the market are not void. As per Art.40 of the same act the FSC may impose fines if the actions are not crimes.

## ***Principle IV: The role of stakeholders in corporate governance***

***The corporate governance framework should recognise the rights of the stakeholders as established by law and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.***

***IV.A. The corporate governance framework should assure that the rights of stakeholders (i.e. employees, suppliers, creditors) protected by law are respected.***

No.	Checklist	Yes	No	Reference to the relevant law
92.	Does the law contain clear provisions on:			
	a.) safety at work for employees?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.126, i.6, Art.127 (1), i.3 of Labour Code;
	b.) protection of suppliers as stakeholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) protection of creditors as stakeholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) environmental protection (e.g., implementation of the “polluter must pay” principle)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Environmental Protection Act

***IV.B. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.***

No.	Checklist	Yes	No	Reference to the relevant law
93.	Does the law incorporate effective and easily workable remedies for violations of:			
	a.) employees rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.344, 345, 346 of Labour Code. Always should be taken into account the big number of cases in the courts which slows down the procedure.
	b.) suppliers rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Those remedies may be derived from the contractual relations between the parties - Obligations and Contracts Act, Commercial Act
	c.) creditors rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.16a, 152, 158, 263k, 263 l, 267 of the Commercial Act; Art.65, 71 Obligations and Contracts Act – in terms of parties which are not traders
	d.) environmental regulations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.158, 170 Environmental Protection Act

**IV.C. The corporate governance framework should permit performance-enhancing mechanisms for stakeholder participation.**

No.	Checklist	Yes	No	Reference to the relevant law
94.	Does the law require employee representation on boards (supervisory/management- please specify)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
95.	Does the law permit employee stock ownership plans or other profit sharing mechanisms?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.79 (3), i.4, (4), i.5 of Public offering of Securities Act.
96.	Does the law permit creditor involvement during insolvency proceedings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	A creditor may initiate the insolvency procedure - Art.625 of the Commercial code, has certain rights in the procedure but the decision whether the company is insolvent or not is taken by the court – Art.710 of the Commercial code.

**IV.D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.**

No.	Checklist	Yes	No	Reference to the relevant law
97.	Do stakeholders have special access to corporate information?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 110c, Public Offering of Securities Act – regarding the public companies. The article states that the public company shall ensure all necessary conditions and information in order shareholders to exercise their rights; Art.86 of the Commercial act (regarding companies which are not stock corporations (OOD/EOOD) states that the partner who does not participate in the management of the company may get information personally, may check the company’s books and may ask the managers for explanations regarding company’s things 224 of the Commercial act (regarding privately held stock corporations) states that all written materials connected with the agenda of the general assembly shall be at the disposal of the shareholders not later than the date of sending notifications for the assembly or the date of publishing of the notification.

***IV.E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.***

No.	Checklist	Yes	No	Reference to the relevant law
98.	Are there any provisions protecting “whistleblowers” (employees and other stakeholders that file complaints/voice concerns regarding unethical or illegal practices by corporate officers)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There are no such certain provisions but under the Criminal code every crime included there shall be reported if there is information for such crime/illegal practice.

## ***Principle V: Disclosure and Transparency***

***The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.***

***Timely and accurate disclosure allows all potential investors and market participants to review publicly available information based on which investment decisions are made.***

### ***V.A. Disclosure should include but not be limited to, material information on:***

#### ***V.A.1 The financial and operating results of the company.***

<b>No.</b>	<b>Checklist</b>	<b>Yes</b>	<b>No</b>	<b>Reference to the relevant law</b>
99.	Does the law require all joint stock companies to prepare annual audited financial statements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 100(n), Public Offering of Securities Act
100.	Does the law require all joint stock companies to prepare quarterly financial reports?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 100(o), Public Offering of Securities Act
101.	Does the law require joint stock companies to prepare group accounts on consolidated basis?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.27 (2), Accountancy Act
102.	Do laws or regulations to include in their annual reports to shareholders that:			
	a.) The financial statements are their (board's) responsibility.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 247, Commercial Act and Art.33, Accountancy Act specify what shall include those statements. They are signed by the management bodies which means that the statements there are responsible for their statements.
	b.) The auditor is responsible for reporting on the financial statements.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) The financial statements fairly present the state of company affairs.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As per Art.33(1), i.1 the statements shall be presented fairly but there is no specific obligation to include such statement in the annual report.

V.A.2 *Members of the board and key executives, and their remuneration.*

No.	Checklist	Yes	No	Reference to the relevant law
103.	Is the company required by law to disclose board positions in other companies of individual board members and key executives?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This information shall be disclosed to the FSC as per Art.114b of Public Offering of Securities Act by every individual member. If a prospectus is drafted this information shall be made public in it.
104.	Does the law require the company to disclose the compensation of board members and key executives? [Please specify if the disclosure is on individual or aggregate basis.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attachment 10, item 17 of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> The disclosed information is on individual basis – for every board member.
105.	Under the law, do shareholders determine the remuneration of the board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 221, Commercial Act

V.A.3 *Material foreseeable risk factors*

No.	Checklist	Yes	No	Reference to the relevant law
106.	Is the company required by law to disclose to users of financial information and market participants information on reasonably foreseeable material risk such as the following:			
	a.) risks specific to the industry or geographic area;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.32 (1), i.6, letter “b” of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> the board’s report shall include all risks before the company.
	b.) dependence on commodities;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such specific obligation.
	c.) financial market risk, including interest rate or currency risk;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.32 (1), i.6, letter “b” of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> the board’s report shall include all risks before the company.

No.	Checklist	Yes	No	Reference to the relevant law
	d.) risk related to derivatives and off-shore;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.32 (1), i.6, letter “b” of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> the board’s report shall include all risks before the company.
	e.) environmental liabilities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.33 (2) – shall be included in the board’s report.

*V.A.4. Material issues regarding employees and other stakeholders.*

No.	Checklist	Yes	No	Reference to the relevant law
107.	Does the law require the company to disclose key issues relevant to employees and stakeholders that may materially affect the performance of the company (such as management/employee relations and relations with creditors suppliers and local communities)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attachment 10 of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> the board’s report shall include all risks before the company.

*V.A.5. Governance structures and policies.*

No.	Checklist	Yes	No	Reference to the relevant law
108.	Does the law require the company to appoint a responsible body/officer in charge of corporate governance issues (e.g., company secretary)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 116d, Public Offering of Securities Act The body is called “Investors’ relations director”. This person is the effective connection between the investors and the Management body of the company.
109.	Does the law require the company to disclose (e.g. in its annual report or a similar document) its corporate governance structures and policies, (for example, by providing information on the division of authority between shareholders, management and board members)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Attachment 10 of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> the board’s report shall include all risks before the company. This Attachment enumerates the information that shall be disclosed by a public company including changes in the management bodies e.g. which may affect the corporate governance of the Company. No specific references to corporate governance structures and policies.

**V.B. Information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure, and audit.**

No.	Checklist	Yes	No	Reference to the relevant law
110.	Does the law require the company to prepare and disclose financial and operating data in accordance with internationally recognised accounting standards?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.22a of Accountancy Act. National Accountancy Standards These standards are obligatory for certain types of companies because they are stated in the Accountancy Act. Not all countries in EU use these standards. They were introduced in the Accountancy Act before Bulgaria's joining of EU and it could not be stated that they are requirement of the EU.

**V.C. An annual audit should be conducted by an independent auditor in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.**

No.	Checklist	Yes	No	Reference to the relevant law
111.	Does the law require financial results to be annually audited by an independent auditor? Is the independence of the external auditor defined?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 100n (4), Law of Public Offering of Securities. The independence of the auditors is defined in Art.2, 3, 5 of the Independent Audit Act.
112.	Does the law provide a test to ensure that the auditor is truly independent from the influence of management?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art7 of the Independent Audit Act

**V.D. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users.**

No.	Checklist	Yes	No	Reference to the relevant law
113.	How often is the company required by law to disseminate information to shareholders?			
	a.) annually?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 100(n), Public Offering of Securities Act;
	b.) quarterly?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 100(o), Public Offering of Securities Act;
	c.) monthly?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.112(e) of Public Offering of Securities Act.

No.	Checklist	Yes	No	Reference to the relevant law
	d.) upon certain events (e.g. before the general meeting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.27 of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> .
114.	How often is the company required by law to disseminate information to the securities commission and the stock exchange?			
	a.) annually?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 100(n), Public Offering of Securities Act – the information is made public through the EXTRI system which sends it to the stock exchange and FSC firstly.
	b.) quarterly??	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 100(o), Public Offering of Securities Act – the information is made public through the EXTRI system which sends it to the stock exchange and FSC firstly.
	c.) monthly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Art.112(e) of Public Offering of Securities Act – the information is made public through the EXTRI system which sends it to the stock exchange and FSC firstly.
	d.) upon certain events (e.g. before the general meeting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.27 of Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> - the information is made public through the EXTRI system which sends it to the stock exchange and FSC firstly.
115.	Does the law require the company to make publicly available [ <i>Please describe how the law requires these documents to be made available/disclosed</i> ]			
	a.) minutes of the shareholders meetings;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.117 (1), Public Offering of Securities Act – through the EXTRI system
	b.) audited financial statements of the company, as approved by the shareholders' meeting;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	146 (4) of the Commercial Act – the report is submitted with the Commercial register – private companies; Art.100(n) of Public Offering of Securities Act.
	c.) any amendments to the company charter or other constitutional documents of similar nature (e.g., articles of association);	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attachment 9 of the Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> – for the public companies; Art.174 (2) in relevance with Art.231 (3) of the Commercial Act.
	d.) the names of any resigning or removed directors and of newly elected directors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attachment 9 of the Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> – for the public companies; Art.231 (4) of the Commercial Act
	e.) the name of the statutory auditor;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This information is included in the General Meeting's minutes which are made public

No.	Checklist	Yes	No	Reference to the relevant law
	f.) information on bankruptcy proceedings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attachment 9 of the Ordinance No.2 on the prospectuses in the case of public offering of securities and on the disclosure of information by the public companies and other issuers of securities at <a href="http://www.fsc.bg/e_down.asp?f=d&amp;n=170">http://www.fsc.bg/e_down.asp?f=d&amp;n=170</a> – for the public companies; For private companies this information is made public through the Commercial register.
116.	Does the law require that the following documentation be made available for shareholder inspection at the offices of the company:			
	a.) the company's charter or other constitutional documents of similar nature including all amendments;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such explicit provision. The company's charter with all amendments may be found in the commercial register.
	b.) financial statements and statutory auditor reports;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.100(n) (3), Public offering of the Securities Act – regarding the public companies
	c.) any report of an independent evaluation expert prepared in connection with a shareholders' meeting;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.100(n) (3), Public offering of the Securities Act – regarding the public companies
	d.) minutes of each shareholder meeting and of each board meeting and any sub-committee;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 239, Commercial Act
	e.) a list of shareholders owning 1% or more of the company's issued shares;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If the company's shares are dematerialized only the representative of the company may ask the Central depository for a book of the shareholders.
	f.) a list of shareholders who have not fully paid for their shares and the amounts due?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
117.	Is the company required by law to provide an annual report and/or monthly/quarterly reports to third parties upon request?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In case of investigations by the competent bodies.

## ***Principle VI: The Responsibilities of the Board***

***The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.***

***VI.A Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.***

<b>No.</b>	<b>Checklist</b>	<b>Yes</b>	<b>No</b>	<b>Reference to the relevant law</b>
118.	Does the law require the management/supervisory board [ <i>please specify</i> ] to act in the best interest of the company and its shareholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As per Art. 237 (2), Commercial Act members of both systems are required to act in a such a manner
119.	Does the law provide for shareholders to bring actions on behalf of the company against the board? (i.e., derivative suit) [ <i>If yes, please specify the shareholding necessary to start such action.</i> ]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 118 (1), Public Offering of Securities Act-regarding public companies
120.	a.) In discharging their duties, are board members personally liable for breaches of the law while they are in office?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 240 (2), Commercial Act
	b.) Are executives who sign the annual report and prospectus personally liable for the accuracy of information included therein?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 81 (3), Public Offering of Securities Act

**VI.B. The board should fulfil certain key functions, including:**

*VI.B.1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.*

No.	Checklist	Yes	No	Reference to the relevant law
121.	Under the law, do the responsibilities of the board [in case of a two tier system, please specify if it is the responsibility of the management or supervisory board]include:			
	a.) reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Their responsibilities are specified in the Charter. May be found also in the National Code of Corporate Governance
	b.) setting performance objectives;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Their responsibilities are specified in the Charter. May be found also in the National Code of Corporate Governance.
	c.) monitoring implementation and corporate performance; and	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Their responsibilities are specified in the Charter. May be found also in the National Code of Corporate Governance.
	d.) overseeing major capital expenditures, acquisitions and divestitures?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Their responsibilities are specified in the Charter. May be found also in the National Code of Corporate Governance.

*VI.B.2. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.*

No.	Checklist	Yes	No	Reference to the relevant law
122.	Under the law, do the responsibilities of the board [in case of a two tier system, please specify if it is the responsibility of the management or supervisory board]include:			
	a.) selecting, compensating, monitoring key executives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 241 (2), Commercial Act – Supervisory board elects the management board Art. 244 (4), Commercial Act – Board of directors elects one or more executive directors.
	b.) replacing key executives, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 241 (2), Commercial Act – Supervisory board dismisses the board of directors Art. 244 (4), Commercial Act – Board of Directors dismisses one or more executive directors.
	c.) overseeing succession planning?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

VI.B.3. *Reviewing key executive and board remuneration, and ensuring a formal and transparent board nomination process.*

No.	Checklist	Yes	No	Reference to the relevant law
123.	Under the law, do the responsibilities of the board [ <i>in case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i> ] include:			
	a.) reviewing key executive and board remuneration, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art.244 (4), Commercial Act - The Board of directors specifies the remuneration of the executive director
	b.) ensuring a formal and transparent nomination process for board members?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

VI.B.4. *Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.*

No.	Checklist	Yes	No	Reference to the relevant law
124.	Under the law, do the responsibilities of the board ( <i>in the case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i> ) include functions such as monitoring and managing potential conflicts of interest involving management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As representatives of a company the board of directors (one-tier system) and the management board (two-tier system) have to inform the respective bodies in case of conflict of interests, abuses, etc. E.g. regarding the public companies Art.116b (1), item 1, letter b of the Public offering of securities Act; Art.16 of Measures Against Market Abuse with Financial Instruments Act.

VI.B.5. *Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.*

No.	Checklist	Yes	No	Reference to the relevant law
125.	Under the law, do the responsibilities of the board [ <i>in case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i> ] include:			
	a.) ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such exact provision. As per Art.34 (3), Accountancy Act the financial reports shall be signed by the company's representatives.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) ensuring that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

*VI.B.6. Monitoring the effectiveness of the governance practices under which it operates and making changes as needed.*

No.	Checklist	Yes	No	Reference to the relevant law
126.	Does the law require that the responsibilities of the board include functions such as monitoring the effectiveness of the governance practices under which it operates and making changes as needed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

*VI.B.7. Overseeing the process of disclosure and communications.*

No.	Checklist	Yes	No	Reference to the relevant law
127.	Does the law require that the responsibilities of the board include functions such as overseeing the process of disclosure and communications?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
128.	Does the law require the board to review the annual report prior to submission to the shareholders' meeting for final approval?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 251, Commercial Act
129.	Does the law require the board to make recommendations regarding issues to be voted on at the shareholders' meetings?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The board shall convene the general assembly – Art.223 (1) commercial act – but not required to make recommendations on issues to be voted.

**VI.C. The board should be able to exercise objective judgement on corporate affairs independent, in particular, from management.**

VI.C.1. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination of executive, board and auditors' remuneration.

No.	Checklist	Yes	No	Reference to the relevant law
130.	Does the law require that the board include a sufficient number of non-executive and independent directors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 116a (2), Public Offering of Securities Act – regarding independent directors of public companies only
131.	Does the law determine board independence? <i>[If yes, please include the definition.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 116a (2), Public Offering of Securities Act - – regarding public companies only: "To qualify as independent, a member of the board may not be: 1. an employee of the public company; 2. a shareholder holding, whether directly or through related parties at least 25 per cent of the votes at the general meeting, or a person related to the public company; 3. a person who has established firm business relations with the public company; 4. a board member, procurator, or an employee of the companies/legal entities referred to in items 2 and 3 above; 5. a person related to other board members of the public company.
132.	Does the law require the board ( <i>management/supervisory – please specify</i> ) to have separate committees for dealing with:			
	a.) Auditing and financial reporting?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) Executive and board remuneration?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) Board nominations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) Corporate governance (i.e., to oversee compliance with company governance standards)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
133.	Are the board committees required to have a minimum number of non-executive board members or independent board members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Art. 116a (2), Public Offering of Securities Act – a board of a public company shall have at least 1/3 of its members independent.

VI.C.2. Board members should devote sufficient time to their responsibilities.

No.	Checklist	Yes	No	Reference to the relevant law
134.	Are there limitations imposed by law as to the number of board directorships that a director can hold? <i>[Please specify.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

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