

## ***Papers for extraordinary general meeting of shareholders of Gradus AD***

***27<sup>th</sup> of December 2024, 11 am, 8:00 UTC, town of Stara Zagora 6009, Park  
Hotel Stara Zagora, 50, Khan Asparuh Street, Tervel Hall***

### **Agenda**

**1.** Approval of a registered auditor to: a) perform an independent financial audit and certify the company's 2024 annual financial statements and b) perform a mandatory assurance engagement on the sustainability of the company's 2024 annual sustainability report.

**Draft resolution:** a) The General Assembly elects a registered auditor to carry out an independent financial audit and certification of the annual financial statements of the Company, according to the recommendation of the Audit Committee, included in the materials on the agenda; b) The Board of Directors elects a registered auditor to provide assurance on the sustainability of the Company's annual sustainability report for 2024, as proposed by the Board of Directors.

**2.** Update of the Working Rules /Statute/ of the Audit Committee of "Gradus" AD;

**Draft resolution:** The General Meeting of Shareholders approves the Rules for the work /Statute/ of the Audit Committee of "Gradus" JSC in accordance with the provisions of the Law on the Independent Financial Audit and Expression of Assurance on Sustainability and according to the presented project, included in the materials on the agenda.

### **Content**

1. Audit committee recommendation;
2. Proposal of the BoD;
3. Working Rules /Statute/ of the Audit Committee of "Gradus" AD;

*Translation from Bulgarian language*

TO: The shareholders of GRADUS AD

## **RECOMMENDATION**

On the grounds of the Independent Financial Audit and Assurance on Sustainability Act, Article 108, item 6, the Audit Committee recommends to the General Meeting of the shareholders of GRADUS AD to elect the Baker Tilly Klitou and Partners Ltd., Reg. #129, represented by the manager Galina Dimitrova Lokmadjieva-Nedkova, to perform an independent financial audit of the financial statements of Gradus AD for 2024.

The Audit Committee received a documented assessment pursuant to Art. 6 of Regulation EC #537/2014 (related to the specific requirements in regards to the mandatory audit of companies of public interest) by the Baker Tilly Klitou and Partners Ltd., Reg. #129, represented by the manager Galina Dimitrova Lokmadjieva-Nedkova.

This recommendation is related to the renewal of the audit engagement for the eighth consecutive year and it is not influenced by any third party. The Audit Committee has not been imposed a provision of the type defined in Art. 16, para. 6 of Regulation EC #537/2014 related to specific requirements in regards to the mandatory audit of companies of public interest.

Sofia,  
13.11.24

Chair of the Audit Committee: Hristina Filipova, signature (illegible)

To the shareholders of "Gradus AD"

## PROPOSAL

The Board of Directors of "Gradus" AD proposes to the shareholders for a registered sustainability auditor to perform a mandatory commitment to express assurance on the sustainability of the annual sustainability report for 2024. of Gradus AD to be elected Auditing company "Baker Tilly Klitou and Partners" EOOD, reg. number 129, represented by Galina Dimitrova Lokmadzhieva-Nedkova – Manager.

As of the date of the submitted proposal, the Auditing Company "Baker Tilly Klitou and Partners" EOOD, reg. number 129, submitted an application for entry in the register of registered auditors - auditing companies, pursuant to Art. 20 of the Law on the independent financial audit and the expression of sustainability assurance with legal capacity to perform sustainability assurance commitments.

Sofia, 15.11.2024 r.

Executive Director:\_\_\_\_\_

/Georgi Babev/

***RULES OF PROCEDURE /STATUTE/  
OF THE AUDIT COMMITTEE  
OF GRADUS AD***

**I. GENERAL PROVISIONS**

**Art. 1. (1)** These Rules of Procedure of the Audit Committee of GRADUS AD /hereinafter: the Statute/ have been adopted on the basis of and reflect the requirements of Art. 107, para. 7 of the Independent Financial Audit and Assurance on Sustainability Act (IFAASA).

**(2)** GRADUS AD is a public-interest entity within the meaning of §1, item 26 of the Independent Financial Audit and Assurance on Sustainability Act.

**(3)** In fulfillment of its obligations under the Independent Financial Audit and Assurance on Sustainability Act, the Company has established an Audit Committee - a specialized, monitoring, advisory body.

**II. COMPOSITION AND MANDATE  
OF THE AUDIT COMMITTEE**

**Art. 2.** The Audit Committee of GRADUS AD consists of 3 (three) members – natural persons, and one of them is the Chair of the Audit Committee.

**Art. 3. (1)** The members of the Audit Committee shall be elected and dismissed by the General Meeting of Shareholders at the proposal of the Board of Directors of GRADUS AD.

**(2)** The members of the Audit Committee of GRADUS AD shall be elected for a term of 4 (four) years. After the expiration of the term of office, the members of the Audit Committee of GRADUS AD shall continue to carry out their roles until the election of new members by the General Meeting of Shareholders.

**(3)** The members of the Audit Committee may be re-elected without restriction [in mandates].

**Art. 4. (1)** As members of the Audit Committee of GRADUS AD shall be elected persons who have a bachelor's degree of education, knowledge in the field the enterprise operates in, with at least one of the members having no less than 5 (five) years of professional experience in the field of accounting or auditing.

**(2)** Members of the Audit Committee of GRADUS AD may also be elected from members of the Board of Directors of the Company who are not executive members.

**(3)** The majority of the members of the Audit Committee are external and independent of GRADUS AD. An independent member of the Audit Committee of GRADUS AD may not be:

- 1.** an executive member of a management or control body, an executive member of the supervisory body or an employee of the company;
- 2.** a person who has a lasting commercial relationship with the company;
- 3.** a member of a management or control body, procurator or employee of an entity under item 2;
- 4.** a related party to another member of a management or control body or to a member of the Audit Committee of the public-interest entity/enterprise.

**(4)** The lack of circumstances under para. 3 shall be established by a written declaration to the General Assembly submitted before the election date by each nominee to be a member of the Audit Committee. When one or more of these circumstances arise after the election, the respective member of the Audit Committee shall immediately notify in writing the Board of Directors of GRADUS AD and terminate the performance of their role, and a new member shall be elected in their place at the next General Meeting.

**(5)** The Chair of the Audit Committee of GRADUS AD shall be elected by its members. The Chair must

also meet the requirements pursuant to para. 3.

**(6)** Any member of the Audit Committee may submit a written reasoned request to the Board of Directors of the company for their dismissal from the position they have been holding.

**(7)** Until an appropriate resolution is adopted by the General Meeting of Shareholders of the company on the dismissal of a member of the Audit Committee, the latter shall continue to carry out their obligations and responsibilities to the company, except in the cases under Art. 4, para. 4 of these Rules when the Audit Committee continues to operate with a reduced staff.

### **III. RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

**Art. 5.** The Audit Committee of GRADUS AD:

- 1.** Informs the Board of Directors of GRADUS AD about the results of the mandatory audit and clarifies how the mandatory audit contributed to the reliability of the financial statements and, when applicable, the reporting of sustainability, as well as the role of the Audit Committee in this process;
- 2.** Oversees the process of financial reporting and, where applicable, of sustainability reporting, and presents recommendations and suggestions to ensure the credibility of reports prepared and issued;
- 3.** Monitors the effectiveness of the internal control system, the risk management system and the internal audit activity with respect to financial reporting and, where applicable, in respect to sustainability reporting in the audited entity;
- 4.** Observes the mandatory audit of the annual financial statements, including its implementation, taking into account the findings and conclusions of the Commission for Public Oversight of the Statutory Auditors (CPOSA) on the application of Art. 26 (6) of Regulation (EU) No 537/2014;
- 5.** Checks and monitors the independence of the certified auditors in accordance with the requirements of Chapters Six and Seven of the IFAASA, as well as with Art. 6 of Regulation (EU) #537/2014, including the feasibility of providing services outside the audit of the audited entity under Art. 5 of the same regulation;
- 6.** Is responsible for the selection procedure of an certified auditor (a natural person or an audit company entered in the register referred to in Article 20 of the IFAASA, who is entitled to sign audit reports with an audit opinion on the financial statements and/or audit reports with an audit opinion, respectively an auditor's conclusion, on the information in the sustainability report to the management report) and recommends its appointment unless the audited entity has a selection committee;
- 7.** Notifies, through its Chairperson, the Commission for Public Oversight of the Statutory Auditors (CPOSA), as well as the Board of Directors of GRADUS AD for each approval given under Art. 64, para. 3 and Art. 66, para. 3 of the IFAASA within 7 days from the date of the decision;
- 8.** Reports annually to the General Meeting of the shareholders of GRADUS SA;
- 9.** Issues and submits, through its Chairperson, to the CPOSA an annual report on its activities – by the statutory deadline of 31 May;
- 10.** Discusses and resolves all other matters falling within its competence under these Rules and the legislation in force;
- 11.** Carries out all other obligations assigned to it by these Rules and the legislation in force;
- 12.** Notify in writing, through its Chairperson, the CPOSA of the occurrence or change in a circumstance subject to entry in the Register of Audit Committees under Article 109(2) of the IFAASA, within the statutory period.

**Art. 6.** The Audit Committee may:

1. Receive assistance from the Board of Directors of GRADUS AD, as well as from the employees of the Company, in performing its activity;
2. Require and receive documents, data, facts and other information related to financial reporting and, where appropriate, sustainability reporting, risk management and internal control within a reasonable time from the management of GRADUS AD or from authorized employees;
3. Attend meetings of the Board of Directors of GRADUS AD or working meetings on matters within the competence of the Audit Committee, if necessary;
4. Review the financial reporting processes and, where appropriate, sustainability reporting of the company, the internal control systems and risk management and submit recommendations and proposals to ensure their effectiveness;
5. Request and obtain access to any information and documents necessary for carrying out their tasks and duties;
6. Require the certified auditor / audit company be informed in writing without delay of any circumstances that have or would impair its independence in the performance of the audit engagement undertaken, as required by Art. 31, para. 2, item 1 of IFAASA;
7. Request to be informed in writing immediately by the certified auditor / audit company about identified and possible significant violations of the existing legislation, constituent and other internal acts of GRADUS SA, insofar as such have become known to the certified auditor / audit company while carrying out their audit commitment;
8. Demand clarification from the certified auditor / audit company on the nature and reasons for the modification of the audit opinion in the audit report, as well as on the paragraphs to be considered and other matters that did not modify the auditor's opinion;
9. Require a copy of the signed compulsory professional indemnity insurance of the certified auditor / audit company;
10. Receive an additional paper to the audit report according to Art. 59 and Art. 60 of the IFAASA;
11. Receive warnings/complaints from the employees and shareholders of the company about mistakes, wrong or illegal actions related to the financial reporting and, where appropriate, sustainability reporting processes in the company;
12. Investigate all warnings/complaints of irregularities related to the performance of its tasks and duties, receiving assistance from the management of the enterprise;
13. Keep confidentiality in receiving warnings/complaints about reported and closed irregularities related to the performance of its tasks and duties.
14. Receive remuneration for the service provided by them, resolved by a decision of the General Meeting of Shareholders of Gradus AD.
15. Require the Board of Directors of the company to pay the expenses related to the performance of its activity.

**Art. 7. (1)** The enterprise shall be obliged to cover the expenses incurred by the members of the Audit Committee related to the performance of their duties.

**(2)** The remuneration of the members of the Audit Committee shall be defined by the General Meeting of the shareholders and shall be consistent with the quantity and quality of the service provided and their participation in the meetings of the committee and shall not be less than BGN 250 (two hundred and fifty) per month.

**(3)** The expenses for business trips related to the activity of the members of the Audit Committee shall be borne by the company and shall not be part of the remuneration under para. 2.

**Art. 8.** The members of the Audit Committee shall have the following rights:

1. To attend the meetings of the Audit Committee in person or by giving written authorization to another member of the Audit Committee;
2. To request a meeting of the Audit Committee;
3. To propose for consideration items on the agenda and to propose solutions;
4. To vote in favor or against the proposed decisions.

**Art. 9.** The members of the Audit Committee shall have the following responsibilities:

1. To monitor the processes of financial reporting where applicable, of sustainability reporting, the effectiveness of internal control systems and the risk management systems;
2. To monitor the independent financial audit and, where applicable, the audit of sustainability reporting of the company;
3. To attend the meetings of the Audit Committee;
4. To inform immediately the other members of any circumstances of material importance to the company and would contribute to the prevention of errors, abuses or fraud and which have become known to them while carrying out their duties.

#### **IV. SESSIONS OF THE AUDIT COMMITTEE**

**Art. 10. (1)** The Audit Committee of GRADUS AD meets at least 3 (three) times a year.

**(2)** The Chair of the Audit Committee may schedule a meeting on his/he own initiative or at the request of a member of the Audit Committee. The Chair of the Audit Committee may not refuse to call a meeting.

**(3)** The meeting is regular if it is attended by more than half of the members of the Audit Committee, personally or represented by another member of the Audit Committee. No one present may represent more than one absentee. Meetings can also be held remotely.

**(4)** Members of the Board of Directors, the certified auditor, company employees, consultants or other external specialists relevant to the issues discussed may be invited to attend a meeting of the Audit Committee without having the right to vote.

**Art. 11. (1)** In exercising the powers conferred on it, the Audit Committee of GRADUS AD shall announce its decisions/resolutions.

**(2)** Decisions shall be taken by simple majority, except in cases where the law or these Rules provide otherwise.

**(3)** The Audit Committee may also take decisions in absentia if all members have given their written consent on the decision and have signed the Minutes.

**(4)** In the absence of a simple majority voting the weight shall be determined by the independent member of the Audit Committee.

**Art. 12. (1)** The Audit Committee shall carry out its activity promptly. Minutes shall be drawn up for each meeting of the Audit Committee, reflecting the agenda, the decisions taken and the manner of voting of the members. The Minutes shall be signed by all members of the Audit Committee present at the meeting.

**(2)** The decisions of the Audit Committee shall enter into force after the Minutes of the meeting have been signed.

**(3)** The Minutes of the Audit Committee meetings, as well as all reports and other papers issued by the Committee, shall be kept in the company for a minimum of 5 years from the end of the year they have been issued in.

## **V. RELATIONSHIPS OF THE AUDIT COMMITTEE WITH THE BOARD OF DIRECTORS**

**Art. 13. (1)** The Audit Committee of GRADUS AD:

1. Shall inform the Board of Directors of the company of the results of the mandatory audit and explain how the mandatory audit contributed to the reliability of the financial statements and, where applicable, sustainability reporting, and the role of the Audit Committee in this process;
2. Shall periodically report to the Board of Directors of the company on carrying out of its commitments and shall make recommendations for improving the effective functioning of the company's audit committee;
3. Shall notify the Board of Directors of the company, as well as the CPOSA, of any approval given under Art. 64, para. 3 and Art. 66, para. 3 of the Independent Financial Audit and Assurance on Sustainability Act within 7 days from the date of the decision;
4. Shall notify and make recommendations to the Board of Directors in cases provided by the law and at its own discretion;
5. Shall review and make proposals to the Board of Directors of the company for updating these Rules;
6. May attend meetings of the Board of Directors of the company to discuss matters within its competence.

**(2)** The Board of Directors of GRADUS AD:

1. Shall provide appropriate annual training for all members of the Audit Committee of the company and provide the necessary budget for carrying out its tasks within the company;
2. Shall provide the Audit Committee with sufficient resources for carrying out its duties effectively;
- (3)** The members of the Board of Directors and the employees of the company shall be obliged to assist the Audit Committee in the performance of its activity, including to provide the information requested by it within a reasonable time.

## **VI. REPORTING OF THE AUDIT COMMITTEE**

**Art. 14. (1)** The Audit Committee of GRADUS AD shall annually report its activities to the General Meeting of the Shareholders of the company and submit a Report on its activities during the respective financial year.

**(2)** The report of the Audit Committee of the company shall be submitted to the Board of Directors and shall be part of the written documents for the General Meeting of the shareholders to be considered at.

**(3)** The members of the Audit Committee may attend the session of the General Meeting of the shareholders, where the annual report of the committee for the respective financial year should be reviewed at, without any voting right, unless they are shareholders of the company.

## **VII. FINAL PROVISIONS**

§ 1. These Rules have been drawn up in compliance of the Independent Financial Audit and Assurance on Sustainability Act.

§ 2. Amendments and supplements to these Rules shall be made in the order of their adoption.

§ 3. Legislative changes repealing or amending a single provision of these Rules shall not invalidate the Rules as a whole.

§ 4. For matters not regulated in this Statute (Rules of Procedure), for which there are imperative

provisions in the Company's Statute, the latter, as well as all current normative acts, which regulate the relevant matter shall apply.

*These Rules are approved by Minutes of a meeting of the Audit Committee on 11 June 2019, approved by the Board of Directors of GRADUS AD by a resolution of 14 June 2019 and approved by the General Meeting of Shareholders of GRADUS AD held on 25 Oct 2019.*

*These Rules have been amended by minutes of the Audit Committee meeting on 24.03.2020 and approved by the Board of Directors of GRADUS AD by decision of 25.03.2020 and adopted by a General Meeting of Shareholders of GRADUS AD held on 05.06.2020.*

*These Rules have been amended by minutes of the Audit Committee meeting on 10.10.2024 and approved by the Board of Directors of GRADUS AD by decision of 15.11.2024.*

*The amendments will be proposed for approval at an Extraordinary General Meeting of Shareholders of GRADUS AD to be held on 27.12.2024.*