

In the attention
of shareholders of
Chimimport AD

REPORT of the Audit Committee of "CHEMIMPORT" AD

The current report of the Audit Committee of Chimimport AD for 2023 was prepared in compliance with the Law on Independent Financial Audit and the National Code of Good Corporate Governance.

Main functions of the Audit Committee, according to the requirements of Art. 108 of the IFAA:

- To monitor financial reporting processes;
- To monitor the effectiveness of internal control systems;
- To monitor the effectiveness of risk management systems;
- To supervise the independent financial audit of the Company;
- To observe the independence of the registered auditor of the Company in accordance with the requirements of the IFAA, as well as the monitoring of the provision of additional services by the registered auditor;
- Others

The 2023 report presents the work, observations and conclusions of the committee in relation to the performance of its main functions based on the primary information received and the professional analyzes carried out.

Findings, conclusions and recommendations for the activities of Chemimport AD for 2023:::

Financial reporting processes

Within the framework of 2023, the management of Chimimport AD applied a consistent accounting policy and exercised constant control over the company's financial reporting processes, in accordance with the current IAS and IFRS. The management is responsible for the correct accounting reporting, for the expedient management of the assets as well as for undertaking

necessary measures to avoid possible abuses and other irregularities.

The company prepares interim and annual individual and consolidated financial statements, according to IFRS, according to legal requirements and within the statutory deadlines.

In the financial statements presented by the Company on a consolidated and individual basis, all amendments to IFRS and IAS, as well as clarifications relevant to the activities of the Company and its group for 2023, have been disclosed.

During the tests carried out during the inspection, the following was found:

accounting documents from other enterprises, organizations and individuals that do not meet the following requirements are not accepted:

- are not written in Bulgarian or are not accompanied by a translation into Bulgarian
- do not contain all the details regulated in Article 6 of the Commercial Code and VAT
- in which there are corrections and additions

The responsibility for this is assigned to the accounting team of the company for all documents received.

- ✓ all accounting documents issued by the enterprise meet the requirements of the previous point.
- ✓ secondary accounting documents have evidentiary value, because they are accompanied by an inventory of the primary accounting documents on the basis of which they were compiled. The secondary accounting documents are signed by the persons authorized in this regard.
- ✓ invoice forms, special forms and the like are under report. A special register is kept for them.
- ✓ transcripts or copies of original accounting documents acquire the quality of an equivalent substitute after notarization when this is expressly required, or only with the issuer's signature and seal in all other cases.
- ✓ accounting documents addressed to other enterprises and organizations are signed by the person(s) authorized for this.
- ✓ for each primary and secondary document, the copies in which it is drawn up and where each of these copies is presented are determined.

In accordance with the requirements of the Public Procurement Act, accurate, reliable and thorough interim quarterly and annual financial reports on an individual and consolidated basis have been prepared and submitted by Chimimport AD to the Financial Conduct Authority and the regulated stock market in 2023. A delay has been reported in the presentation of annual financial statements on an individual and consolidated basis for 2022 and interim financial statements for the first quarter on an individual and consolidated basis for the first quarter of 2023.

The audit committee confirms the true and correct presentation of the reports.

Effectiveness of internal control systems

The audit committee monitored the effectiveness of the internal control system. He got acquainted with the Articles of Association of the joint-stock company, with the management structure and the distribution of responsibilities. He reviewed the control system related to the main activities of the company.

The audit committee found that the management of Chimimport AD has built an internal control system, through which activities are carried out on preliminary control for legality before assuming obligations, control over the execution of expenses, control for quality management, the environment and health and safety conditions at work.

The audit committee believes that the internal control system functions effectively and efficiently, ensures high quality of financial reporting and supports the activities of the management staff in making decisions for the management of financial resources.

Effectiveness of risk management systems

The audit committee monitored the effectiveness of the risk management system. The observation was carried out in the financial and accounting department, together with a representative of the commercial department. The company has a two-tier management system.

All members of both the Management Board and the Supervisory Board meet the legal requirements for holding their position. The functions and duties of corporate management, as well as their structure and competence, are in accordance with the following requirements:

- The Management Board manages according to the established vision, goals and strategy of Chimimport AD
- The members of the Management Board are guided in their activities by the generally accepted principles of integrity and managerial and professional competence.

The annual report of the Management discloses the remuneration of the members of the Management Board in accordance with the legal norms and organizational acts of the Group. The shareholders have easy access to the information on the remuneration.

The members of the Management Board avoid and do not allow real or potential conflicts of interest. Responsibilities are distributed by Orders of the Executive Directors, persons are authorized to sign. From the review of the supply and sales control system, the Audit Committee found that the approval of transactions was limited to specific employees. Transactions are properly documented in a pre-organized manner. Assets are stored and protected effectively. Checks were also carried out on cash availability.

The audit committee believes that the company's management implements an effective system for identifying, predicting and controlling risk. The functioning of the system gives confidence to the management that the risks are limited within the permissible limits and that the interests of the shareholders are protected to the maximum extent.

Monitoring the independent financial audit of the company. Conducting a review of the independence of the registered auditor, in accordance with the requirements of the Independent Financial Audit Act and the requirements of the Code of Ethics for Professional Accountants..

In accordance with the requirements of the Accounting Law and the Commercial Law, as well as with the requirements of the independent financial audit of enterprises performing activities of public interest of the Law on Independent Financial Audit, from the beginning of 2023 an independent financial audit of Chimimport AD was carried out by registered auditor, the specialized auditing company "RSM BG OOD, entered under number 173 in the register of the Institute of Certified Public Accountants, elected by the general meeting of the company's shareholders to verify and certify the annual financial report of Chimimport AD for 2023. The report of the independent auditor for 2023 prepared in accordance with IFRS was presented to the General Meeting of Shareholders.

In accordance with the provisions of Art. 108 of the Law on Independent Audit, the Audit Committee of Chimimport AD found that the independent financial audit was conducted in full accordance with the law, in strict compliance with the requirements for the independent financial audit of enterprises and in accordance with IFRS.

The review of the independence of the registered auditor of Chimimport AD in accordance with the requirements of the law and the code of ethics of professional accountants shows that the specialized auditing company "RSM BG OOD registered under number 173

fully meets the requirements for Independence of the registered auditor of Chimimport AD.

The independent auditor of Chimimport AD informed the Audit Committee of all other services provided outside the audit in 2023 and discussed with the Audit Committee the threats

to their independence and the safeguards implemented to mitigate these threats, as documented by the registered auditors in implementation of the Law on Independent Financial Audit.

Review of the independence of the registered auditor of the Company in accordance with the requirements of the FSA and the provision of additional services by the registered auditor

RSM BG Ltd. guarantees to us its independence and answers to the questions we put.
The audit committee considers that RSM BG OOD did not violate their independence.

Presentation to the Annual General Meeting of Shareholders of the recommendation regarding the selection of a registered auditor to perform the independent financial audit of Chimimport AD in 2024.

The Audit Committee recommends to the General Meeting of Shareholders of Chimimport AD to select the specialized auditing company "RSM BG OOD registered under number 173" for the verification and certification of the annual individual and consolidated financial statements for 2024.

AUDIT COMMITTEE:

Prof. Evgeni Evgeniev	
PhD. James Jolovski	
Magdalena Ilkova	