

**THE STAGE OF COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE
OF THE BUCHAREST STOCK EXCHANGE AS AT DECEMBER 31st, 2017**

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section A – Responsibilities			
A.1	All the companies must have an Internal Board Regulation that includes the reference terms/ the responsibilities of the Board and the company's key management positions and that applies, among others, the General principles in this section.	NO	Our company is considering the drafting of an Regulation of the Board of Administrators that would include clear and precise rules on the responsibilities of the Board as a collective management body, of the Board commissions, as well as the individual responsibilities of the Board members, and this regulation will be an integrant part of the company's Code of Governance. The completion deadline – the end of 2018.
A.2	The provisions on the management of conflicts of interests must be included in the Board Regulation.	NO	The company's Code of Governance includes criteria on conflict of interests, but the detailing of these rules, the actual modality for their application will be provided by the regulation of the Board of Administrators to be adopted by the end of 2018.
A.3	The Board of Administrators must be formed of at least five members.	YES	
A.4	Most of the members of the Board of Administrators must not hold an executive position. At least one member of the Board of Administrators must be independent in case of the companies from the Standard Category. Each independent member of the Board of Administrators must submit a statement at the time of his/ her appointment for election or re-election, as well as whenever a change in his/ her statute occurs, stating the elements based on which it is considered that he/ she is independent in terms of his/ her character and judgement.	YES	

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Section A – Responsibilities			
A.5	Other relatively permanent professional commitments and obligations of a member of the Board, including any executive and non-executive positions held within the Board of any companies and non-profit institutions, must be revealed to the shareholders and to the potential investors prior to his/ her appointment and during his/ her mandate.	NO	At a company level, these professional obligations that need to be declared by the members of the Board of Administrators are complied with, but there is no express regulation in this respect. These detailed provisions will be included in the regulation of the Board of Administrators to be adopted.
A.6	Any member of the Board of Administrators must submit to the Board information on any relation with a shareholder that holds, either directly or indirectly, shares representing over 5% of all the voting rights.	NO	This information is presented by the Board members, within the meetings of the Board of Administrators, but there is no express regulation in this respect. These detailed provisions will be included in the regulation of the Board of Administrators to be adopted.
A.7	The company must appoint a Secretary of the Board that shall have the responsibility to support the activity of the Board.	YES	
A.8	The statement on the corporate governance will state whether an evaluation of the Board took place under the management of the Chairman or of the appointment committee and, if yes, it will summarize the key actions and the changes arising out of it. The company must have a policy/ a guide on the evaluation of the Board, including the purpose, the criteria and the frequency of the evaluation process.	NO	The Board of Administrators submits on an annual basis the activity report for the previous year during the Ordinary General Meeting of the Shareholders, and the Board activity is analysed by the General Meeting of the Shareholders. The company intends to include additional specific provisions on the evaluation of the Board, that would include the purpose, the criteria and the regularity of the evaluation process, in the new Regulation of the Board of Administrators to be adopted by the end of 2018.

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Secțiunea A – Responsabilități			
A.9	The statement on the corporate governance must include information on the number of meetings of the Board and of the committees within the past year, on the attendance of the managers (personally and in their absence) and a report of the Board and of the committees on their activities.	YES	
A.10	The statement on corporate governance must include information on the exact number of independent members of the Board of Administrators.	YES	
A.11	The Board of Administrators of the companies in the Premium category must establish an appointment committee formed of non-executive members, that will perform the procedure for the appointment of new members of the Board and will make recommendations to the Board. Most of the members of the appointment committee must be independent.	N/A	This provision is recommended to be applied by the companies from the Premium category. Within Vrancart, the responsibilities of a nomination committee are undertaken by all the members of the Board of Administrators.
Section B – The risk management system and the Internal Control			
B.1	The Board must establish an Audit Committee where at least one member must be an independent non-executive manager. Most of the members, including the president, must have proven that they have a relevant adequate qualification for the functions and responsibilities of the Board. At least one member of the Audit Committee must have adequate and proven experience in audit and accounting.	YES	
B.2	The President of the Audit Committee must be an independent non-executive member.	YES	
B.3	Among its responsibilities, the Audit Committee must perform an annual evaluation of the Internal Control system.	YES	

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Section B – The risk management system and the Internal Control			
B.4	The evaluation must consider the effectiveness and the inclusion of the internal audit function, the degree of adequacy of the risk management and internal control reports submitted to the audit committee of the Board, the promptitude and the effectiveness that the executive management uses to settle deficiencies or weaknesses identified following the internal control and the submission of relevant reports for the attention of the Board.	YES	
B.5	The Audit Committee must evaluate the conflicts of interests related to the company's transactions and the transactions of its branches with affiliated parties.	YES	
B.6	The Audit Committee must evaluate the effectiveness of the internal control system and of the risk management system.	YES	
B.7	The Audit Committee must monitor the application of the generally accepted legal standards and of the internal audit standards.	YES	
B.8	Whenever the Code mentions any reports or analyses initiated by the Audit Committee, these must be followed by regular reports (at least on an annual basis) or ad-hoc reports that must be subsequently submitted to the Board.	YES	
B.9	None of the shareholders will benefit from any preferential treatment compared to other shareholders in relation to any transactions and agreements concluded by the company and their affiliates.	YES	
B.10	The Board must adopt a policy through which it will make sure that any transaction of the company with any of the companies with which it has close relations, the value of which is equal to or greater than 5% of the company's net assets (according to the last financial report) is approved by the Board following a mandatory opinion of the audit committee of the Board.	YES	

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Section B – The risk management system and the Internal Control			
B.11	The internal audits must be performed by a structurally separate division (the internal audit department) within the company or by employing an independent third party.	YES	
B.12	For the purpose of performing the main functions of the internal audit department, it must report from a functional point of view to the Board by means of the audit committee. For administrative purposes and within the management’s obligations to monitor and mitigate the risks, it must report directly to the general manager.	YES	
Section C – The fair compensation and motivation			
C.1	The company must post on its webpage its remuneration policy and must include in its annual report a statement on the implementation of the remuneration policy during the annual period subject to analysis. The remuneration policy must be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and of the General Manager. Any major changes occurred in the remuneration policy must be posted in due time on the company’s webpage.	NO	<p>The company did not post on its website a policy for the remuneration of the Board members and of the General Manager. Within the General Meetings of the Shareholders, the general limits of all additional remunerations of the Board members and of the General Manager for the current financial year are submitted to vote, and these limits have never been exceeded.</p> <p>The remuneration policy will also be regulated within the new regulation of the Board of Administrators.</p>

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Section D – Adding value through the relations with the investors			
D.1	<p>The company must organise a department for the Relations with the Investors – indicating to the public the responsible person/ persons or the organisational unit. Besides the information required by the legal provisions, the company must also include on its webpage a section dedicated to the Relations with the Investors, both in Romanian and English, with all the relevant information that is of interest for the investors, including:</p> <p>D.1.1. The main corporate regulations: the articles of incorporation, the procedures related to the general meetings of the shareholders;</p> <p>D.1.2. The professional resumés of the members of the company’s management bodies, other professional commitments of the members of the Board, including executive and non-executive positions held within management boards of companies or of non-profit institutions;</p> <p>D.1.3. The current reports and the regular reports (quarterly, half-yearly and annual reports);</p> <p>D.1.4. Information on the general meetings of the shareholders;</p> <p>D.1.5 Information on corporate events;</p> <p>D.1.6.The names and contact data of a person that can provide, upon request, any relevant information;</p> <p>D.1.7. The company’s presentations (e.g. presentatiosn for investors, presentations of the quarterly results, etc.), the financial statements (quarterly, half-yearly, annual financial statemenets), the audit reports and the annual reports.</p>	YES	
D.2	<p>The company will have a policy on the annual distribution of dividends or of other benefits to the shareholders.</p> <p>The principles of the annual policy for the distribution of dividends to the shareholders will be posted on the company’s webpage.</p>	NO	<p>The company does not have a distinct policy on the distribution of dividends, as this attribution falls under the responsibility of the General Meeting of the Shareholders, that aims at maintaining a balance between the distribution of dividends and the company’s retrofitting needs.</p>

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Section D – Adding value through the relations with the investors			
D.3	The company will adopt a policy in relation to forecasts, regardless of whether they are made public or not. The policy on the forecasts will be posted on the company's webpage.	NO	The company does not have a distinct policy on forecasts, but these are brought to the attention of shareholders and investors by means of the Revenues and Expenditures Budget and the Investment Plan, that are submitted for the approval of the General Meeting of the Shareholders every year, these are posted on the company's website.
D.4	The rules of the general meetings of the shareholders must not restrict the participation of the shareholders in the general meetings and the exercise of their rights. The changes of the rules will become effective no sooner than the following meeting of the shareholders.	YES	
D.5	The external auditors will be present at the general meeting of the shareholders when their reports are presented within these meetings.	NO	The company took the necessary measures for the attendance of the external auditors within the General Meetings of the Shareholders where the audit reports are presented.
D.6	The Board will submit to the annual general meeting of the shareholders a short assessment of the internal control systems and of the major risks management systems, as well as opinions on some issues subject to the decision of the general meeting.	YES	
D.7	Any specialist, consultant, expert or financial analyst may attend the meeting of the shareholders based on a prior invitation from the Board. Accredited journalists may also take part in the general meeting of the shareholders, except for the case when the Chairman of the Board decides otherwise.	YES	
D.8	The quarterly and half-yearly financial reports will include information both in Romanian and in English on the key factors that influence the changes in sales, operational profit, net profit and in other relevant financial indicators, both from one quarter to another, and from one year to another.	YES	

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Section D – Adding value through the relations with the investors			
D.9	A company will organise at least two meetings/ telephone conferences with the analysts and the investors each year. The information presented on these occasions will be posted in the Relations with the Investors section of the company's webpage on the date of the meetings/ telephone conferences.	YES	
D.10	If a company supports various forms of artistic and cultural events, sports events, educational or scientific activities and believes that their impact onto the company's innovative nature and competitiveness are part of its mission and development strategy, it will post the policy on its activity in this filed.	YES	

CHAIRMAN OF THE BOARD OF ADMINISTRATORS,
ec. Ciucioi Ionel-Marian

