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CORPORATE GOVERNANCE REGULATION

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PREAMBLE

The Financial Investments Company Oltenia S.A. (S.I.F. Oltenia S.A./"the company") is a company of closed financial investments, self-administered. The company is authorized and regulated by The Financial Supervisory Authority (FSA), being classified in the category "Other Authorities of Collective Placement (OACP) with a diversified investment policy". The shares issued by S.I.F. Oltenia S.A. are traded at the Premium category of the Bucharest Stock Exchange (BSE).

Starting with 2010, the company adhered voluntarily to The Corporate Governance Code of BSE (CGC) and has insured the implementation of corporate governance principles. Within the annual reports of the company, periodically, through the Statement "Apply Explain" the degree of conformity with the CGC has been presented.

As of January 2016, the company applies the provisions of The New Corporate Governance Code of the BSE (code launched in September 2015).

The main regulatory and normative documents considered at the issuance of this Corporate Governance Regulation, are the following:

- The Law no. 31/1990 of commercial companies, with further completions and amendments;
- The Law no. 297/2004 on the capital market, with further completions and amendments;
- The Law no. 24/2017 on the issuers of financial instruments and market operations;
- The Law no. 162/2017 on the statutory audit of yearly financial situations and the consolidated and the modifying yearly financial situations of some normative documents;

- The Articles of Incorporation of the company;
- The internal regulations of SIF Oltenia SA;
- The internal regulations of The Company's Administration Board;
- The regulation no. 2/2016 on the appliance of the corporate governance principles by the authorized, regulatory and FSA supervised entities;

The corporate governance regulation presents, synthetically, the structures of corporate governance, the rules, procedures and practices considered for the decision making within the company along with the standards which ensure the appliance of the general activity control principles and its transparency towards the investors.

The regulation will be reanalysed and reviewed periodically so that it should reflect the legislative modifications as well as the changes which will take place at the management and control structure level of the company.

S.I.F. Oltenia S.A., as a quoted issuer at the Premium category of B.S.E., is preoccupied permanently with the respect of corporate governance principles from the Corporate Governance Code of the B.S.E. and the regulation no. 2/2016 on the appliance of the corporate governance principles from the authorized, regulated and FSA supervised entities.

CHAPTER 1

CORPORATE GOVERNANCE STRUCTURES

S.I.F. Oltenia S.A. is administrated based upon an unitary system, according to the articles of incorporation provisions.

The corporate governance structures of S.I.F. Oltenia S.A. are represented in **The Board of Directors, The Consultancy Committees and in The Superior Leadership**, authorities for which the functions, complements and responsibilities are forwardly presented.

1.1. THE BOARD OF DIRECTORS

The company is administrated in a single system by an Administration Board composed of 7 members, natural persons, chosen by The Ordinary General Assembly on a period of 4 years with the possibility of being chosen again. The Board of Directors will have in its componence the majority of the non-executive members, from which no less than two members will be independent. The independence will be established in accordance with the applicable legislation and with the internal regulation of the company.

The members of The Board of Directors will fulfil cumulatively the minimum requirements regarding integrity, qualification and professional experience foreseen in the legal regulations and provisions.

- **The role and obligations of The Board of Directors**

The members of The Board of Directors are chosen by The Ordinary General Assembly of Shareholders. They will practice their attributions and obligations of the mandate only after their approval by The Financial Supervisory Authority and after the registration in The Trade Register Office, with the constitution of the warranty and the conclusion of the professional civil liability insurance.

In cases where The Board of Directors has a vacant place, The Ordinary General Assembly will choose a new administrator. The duration will be equal with the period remaining till the expiry of one's predecessor's mandate. Till the first general assembly adopting validly the decision to choose administrators on the vacant positions and their approval by the competent authority, the current administrators will proceed to the denomination of some temporary administrators, respecting the approval conditions of the co-opted person.

If the availability foreseen above determines the decrease of administrator number under the legal threshold, then the remaining administrators will summon immediately The Ordinary General Assembly of Shareholders to complete the number of members from The Board of Directors.

Failing to validate one or more members of The Board of Directors by the competent authority leads, for those in case, to the loss of administrator quality.

The administrators will be remunerated for the activity performed, the monthly remuneration and other rights due to the administrators which will be established by decisions of The Ordinary General Meeting of the Company's Shareholders.

Each administrator must conclude the professional liability insurance provided by the law of the companies, under the conditions and limits set by the Ordinary General Assembly of the Shareholders, mandatory for the performance of their position attributions.

The Board of Directors chooses from its members one **President** and one **Vice-President**.

Members of The Board of Directors will cumulatively meet the minimum requirements regarding integrity, qualification and professional experience as provided in the legal regulations and provisions.

In the performance of their mandate, the members of The Board of Directors have the possibility to be elected in the administration and management of the companies from the portfolio, applying the internal procedures to avoid conflicts of interests.

The members of The Board of Directors have the right to recover the expenses determined by the performance of their mandate.

Each administrator must expressly accept the mandate. By accepting this capacity, each administrator assumes the obligations provided by the articles of incorporation, internal regulations as well as the applicable legal provisions.

The Board of Directors meets at the headquarters of the company or in another place established by summoning with the meetings being convened and carried out in accordance with the applicable legal provisions as well as in accordance with the internal regulations of The Board of Directors. Members of The Board of Directors may be represented at Board meetings by other members based upon a power of attorney. A member of the Board may only represent only one another member at a meeting. The empowerment will be handed over to the

secretariat before the meeting begins. In urgent cases or in the impossibility of the administrators' participation in the proceedings, the President of the Board may decide to hold the meeting and transmit the vote by electronic means, according to the procedure established by the Internal Regulations of The Board of Directors.

The meetings are chaired by the President and in his absence by the Vice-President.

The Board of Directors has full powers in the interval between the general meetings regarding the administration of the company, except for those which the law or the articles of incorporation provides exclusively for the general meeting, being charged with the accomplishment of all the necessary and useful documents for the completion of the company objective.

The Board of Directors has, **the following basic competences:**

a) establishment of the main directives of activity and development for the company;

b) establishment of the accounting policies and the financial control system as well as the approval of the financial planning;

c) denomination and dismissal of directors within the acceptance of the Law no. 31/1990 and the establishment of their remuneration within the limits set by The Ordinary General Assembly of Shareholders;

d) supervision of director's activities;

e) drafting the yearly report, managing the general assembly of shareholders and implementing their decisions;

f) submitting the request for company insolvency procedure opening, according to the applicable legal provisions;

g) immediate fulfilment of all attributions set in the task of The Board of Directors by the general assembly of shareholders;

h) establishing/dismissing the branches and other secondary premises, without legal personality or changing their headquarters;

i) establishing and approving the voting procedures within the general assembly of shareholders;

j) decision for establishing other companies or legal/corporate entities, including the participation at the social capital of other companies, within the conditions foreseen by the legal regulations;

k) attribution documents, alienation, exchange or constitution under warranty of some assets from the company's intangible assets category of which value exceeds, individually or cumulated, during a financial exercise, 20% from the total of intangible assets, less the receivables, which are concluded by the administrators or directors of the company only after the previous approval by the extraordinary general assembly of shareholders, according to art. 90 (1) from The Law no. 24/2017, or of any current legal provision at the date of document establishment.

l) leases of tangible assets for a period of more than one year whose individual or aggregated value to the same co-contractor or persons involved or acting in concert exceeds 20% of the value of the fixed assets, less the receivables at the closing date of the legal act, as well as the associations over a period of more than one year, exceeding the same value, which shall be approved in advance by the extraordinary general assembly of the shareholders according to art. 90 (2) of The Law no. 24/2017, or any legal provisions in force at the establishment date.

m) conclusion of agreements with the depository, financial auditor and the entity which holds the shareholder's evidence;

n) approval of the internal regulations of the company, charts, internal regulation of The Board of Directors and policies/work procedures;

o) negotiating the collective labour agreement;

p) settlement of any other issues established by the general assembly of shareholders or by the regulations or legal provisions.

The competences foreseen at letters a)-f) are basic competences which cannot be commissioned.

The Board of Directors has the following **basic responsibilities regarding the appliance of the corporate governance principles:**

1. liable for the strategic management of the company and the completion of the established objectives.

2. establishes the business plan of the company and has the obligation to perform the assessment of its financial position.

3. liable to ensure that there is a proper verification framework of the specific legislation appliance method on FSA reporting as well as the FSA information sent upon request and regarding certain actions performed by the company.

4. obligated to establish the relevant monitoring criteria of the activity management results and the company integrally as well as the yearly assessment on the criteria appliance method.

5. analyse the fitness, efficiency and updating of the administration system regarding the risk of efficient management for company held assets, as well as the afferent risk management methods to which it is exposed.

6. the internal control system of the company is set up at an appropriate hierarchical level and reports directly to the Board or the Superior Leadership being independent of the operational and support organizational structures that they control and monitor.

7. ensures the compliance with the outsourcing/delegation requirements for operational activities or functions both before and during outsourcing/delegation;

8. analyses and establishes the company's remuneration policy so that it meets the business strategy, objectives and long-term interests and includes measures to prevent conflicts of interest. It also ensures that all remuneration commitments are structured correctly and responsibly and that remuneration policies allow and promote effective risk management without risk-taking that exceeds the company's risk tolerance.

9. The Board and the Leadership, as the case may be, have the obligation to communicate with the stakeholders on the basis of a communication strategy that ensures at least fair treatment for shareholders and stakeholders, timely

communication of information and ensuring a transparent communication framework.

10. approves the company's appetite and limits of risk tolerance as well as the procedure for identifying, evaluating, monitoring, managing and reporting the significant risks to which the company is or may be exposed.

11. The company develops clear action plans to ensure the continuity of the activity and emergency situations to eliminate risks or to minimize them, plans that are assessed on a half-yearly basis by the Board and the Superior Leadership.

12. has the responsibility to ensure the development and application of ethical and professional standards to determine professional and responsible behaviour at the company level in order to prevent the emergence of conflicts of interest.

The Board of Directors maintains the company's attribution in relation to directors.

- **The Structure of The Board of Directors**

Administrators of S.I.F. Oltenia S.A. must meet the requirements of integrity, qualification and professional experience provided by the regulations governing the functioning of the company as a joint stock company and as an entity regulated by the FSA.

Main incompatibilities for members of The Board of Directors:

- not be members of The Board of Directors/Supervisory Board or Directors/members of The Board of Directors of another A.I.F.A./investment management company/investment firm or of a credit institution that performs the depositary function for one of the collective investment undertakings;
- they must not be members of The Board of Directors/Supervisory Board of a S.S.I.F. with which A.F.I.A./S.A.I. has entered into a financial intermediation agreement;
- not to be employed or have any contractual relationship with another S.A.I. or with an investment company.

The independence criteria applicable to the directors of the company within the meaning of the provisions of art. 138² of The Law no. 31 / 1990R, with further completions and amendments to the Corporate Governance Code of the Bucharest Stock Exchange are:

- not to be a director of the company or of a company controlled by it and not to have performed such a position in the last 5 years;

- have not been employed by the company or a company controlled by it or have had such a work relationship for the last 5 years;

- not to receive or not have received from the company or from a company controlled by it an additional remuneration or other advantages other than those corresponding to its capacity as a non-executive administrator;

- not to be a significant shareholder of the company;

- hasn't or has not been an employee or has not had a previous contractual relationship with a significant shareholder of the company, a shareholder controlling more than 10% of the voting rights, or a company controlled by the employee.

- haven't or not have had business relations with the company or with a company controlled by it, either in person or as an associate, shareholder, manager, director or employee of a company having such relationships with the company, if, through their substantial character, they are likely to affect the objectivity;

- not be or not have been in the last 3 years a financial auditor or associate employee of the current financial auditor of the company or of a company controlled by it;

- to be a director in another company in which a director of the company is a non-executive director;

- have not been a non-executive manager of the company for more than three terms;

- have no family relationship with a person in one of the situations mentioned under a) and d);

- Each member of the Board must report to the Board on any report with a shareholder owning directly or indirectly shares representing more than 5% of all voting rights. This obligation refers to any kind of report that may affect the member's position on matters decided by the Board.

The Structure of The Board of Directors of the S.I.F. Oltenia S.A. ensures a balance between the executive and non-executive members.

Only non-executive directors can be considered independent.

The President of The Board of Directors is elected from among its members and also acts as a General Manager, the company's leader.

The President of the Board of Directors has, mainly, the following attributions:

- conducts the works of the general shareholders' meetings in accordance with the provisions of Law No. 31/1990R and the articles of incorporation;
- convenes and leads the meetings of The Board of Directors;
- proposes the Secretary of The Board of Directors;
- ensures the fulfilment of the decisions for The General Meeting of Shareholders and The Board of Directors;
- fulfils, in accordance with the legal provisions, any other attributions established by The General Meeting of Shareholders or by The Board of Directors.

The Vice-President of The Board of Directors is elected from among its members and also serves as Deputy General Manager of the company.

In the absence of the President/Chief Executive Officer, he/she performs his/her duties in the capacity of President of The Board of Directors and of the Company's General Manager.

- **The remuneration policy of the members of The Board of Directors**

The level of remuneration must be sufficient to attract, retain and motivate competent and experienced people within the Board.

The remuneration policy highlights how members of The Board of Directors are remunerated for their work within the company and includes a description of the fixed remuneration received by each member of the Board and additional remuneration as well.

The remuneration of the members of the Board of Directors is determined by the General Assembly.

At the Ordinary General Meeting of Shareholders of SIF Oltenia SA, held on 04.04.2017, the remuneration policy of the members of The Board of Directors and of The Superior Leadership was approved/maintained in the General Assembly of Shareholders on April 2013, as follows:

- The monthly remuneration of Board members was set at 2.0 gross average salaries per company per manager, 3.0 average gross salary per company for Vice-President and 4.0 gross average salary per company for President.

- The additional allowance for the members of The Board of Directors forming part of the board's advisory committees has been set at 5% of the monthly allowance for the concerned administrator. The members of The Board of Directors shall also be subject to the provisions of the Articles of Incorporation and the Collective Labour Agreement of the company, where applicable (travel, transport, accommodation, etc.).

In order to achieve the net profit indicator, administrators have the right to receive as a whole an additional incentive in the form of the annual profit for 0.5% of the net profit performed, subject to its approval in the OGSM for the approval of the annual financial statements. The Fund will be determined and recorded as a provision from the gross profit, so that the performance of the net profit established through the Income and Expense Budget is not jeopardized. Fund payments will be made after the approval of the annual financial statements.

If the Ordinary General Meeting of Shareholders decides to distribute dividends to shareholders, payment of the incentives is conditional upon the payment of dividends.

In accordance with the provisions of the Company's Articles of Incorporation, prior to the commencement of the term of the mandate, each

administrator must lodge a guarantee representing twice his monthly indemnity. The guarantee will be deposited in a separate bank account at the exclusive disposal of the company and will be refunded to the administrator only after the General Assembly has duly approved the discharge for the activity carried out in the last financial year.

Administrators are required to complete the professional indemnity insurance at the level of 10 monthly gross indemnities.

Administrator compensation is calculated in January for each financial year and is based on the average company wage as of December, 31st of the previous year. In the course of a financial year, the allowance for the administrators may be modified only if the indexation of the salaries for the employees of the company is due to the negotiation of the collective labour agreement or the application of some normative documents issued by the state authorities.

Note: The average salary per company is the sum of the monthly salary (basic salary) to which permanent salary increases are added to the company's employees in relation to the number of full-time employees, with a fulltime labour agreement, existing in the company at a specific date.

1.2. CONSULTANCY COMMITTEES

The Board of Directors may set up advisory committees in compliance with the relevant legal provisions.

Within the Board of Directors of SIF OLTENIA the following are created:
The Nomination Committee and The Audit Committee.

- **The Nomination Committee**

The Nomination Committee has an advisory role and is set up to assist The Board of Directors in fulfilling its roles and responsibilities for nominating and assessing the suitability of Board members and those holding key positions within the Company.

The Nomination Committee performs its duties under the supervision of The Board of Directors which approves and revokes among its members, the members of the Nomination Committee.

The Nomination Committee consists of 3 (three) administrators, respectively 2 (two) independent non-executive directors (who meet the conditions according to Law No. 31/1990) and the President of The Board of Directors.

The members of the Nomination Committee are appointed, in The Board of Directors meeting.

The President of the Nomination Committee will be an independent non-executive administrator.

Any member of The Board of Directors may participate in the sessions of the Nomination Committee without having the right to vote but having the right to participate in the discussion.

Depending on the agenda of the meeting, other persons within SIF Oltenia S.A. may attend the meeting without having the right to vote. The President will decide who will be invited to the meeting.

The Nomination Committee will have the following **general attributions and responsibilities**:

- assists The Board of Directors to identify successors in the selection process for the appointment of new directors;

- establishes the criteria for holding the position of a member of The Board of Directors in accordance with the requirements of the legal regulations and the applicable capital market, related to the activity developed by SIF Oltenia SA;

- assesses and proposes to The Board of Directors, candidates to appoint, reward or revoke them to/from The Board of Directors based upon the documentation prepared according to the policies and procedures of assessing the prior and continuing suitability of the members of the management structure and the persons holding key functions, along with the policies and procedures approved by The Board of Directors of SIF Oltenia SA pursuant to the FSA Regulation no. 14/2015. The Committee may reject candidates who do not meet the criteria for holding a position in The Board of Directors. The Nomination Committee has the competence to present to The Board of Directors a list of candidates fulfilling the requirements for the position of administrator of SIF Oltenia SA, both in the

situation of completing The Board of Directors for Vacancies by co-opting for temporary administrators, as well as in the situation of submission for approval of the GMS regarding the list of candidates for the election of the permanent administrators;

- ensure that candidates for membership of The Board of Directors have the necessary training and experience to carry out their duties. The new members of The Board of Directors will be provided with the necessary information to familiarize themselves with the company's operations and activities. If necessary, the Committee will take steps to ensure that they are further trained;

- prepares and recommends guidelines for the selection of the members of The Board of Directors, including the criteria for assessing their independence;

- annually, prepares the performance evaluation of the members of The Board of Directors, using a self-assessment process;

- assess, at least once a year, the independence of the members of The Board of Directors;

- verifies, at least once a year, the number of mandates held by the members of The Board of Directors in other companies;

- performs other tasks related to the appointment or revocation of the members of The Board of Directors at its instructions;

- **The Audit Committee**

The Audit Committee performs its duties under the supervision of The Board of Directors, who appoints and revokes its members and the members of the Audit Committee. The Audit Committee consists of three (3) non-executive directors and managers who meet the conditions established by Law no. 31/1990. The Audit Committee has an advisory role, it serves to assist the board of directors in order to ensure that the company maintains appropriate and proper systems for the purposes of financial reporting, internal audit, internal control/compliance, and risk management.

The Audit Committee meets as often as necessary, but at least four times a year. The meetings of The Audit Committee are convened by the President.

The Secretariat of The Audit Committee will be provided by a Secretary, usually the Secretary of The Board of Directors, who will ensure that all technical operations are carried out in order for the meetings to proceed smoothly.

Any member of The Board of Directors may attend The Audit Committee meetings without the right to vote, but with the right to participate in the discussion.

The Audit Committee has the following responsibilities and responsibilities:

- Notifies the members of The Board of Directors about the results of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and what role the audit committee played in the process;
- monitors the financial reporting process and transmits recommendations and proposals to ensure its integrity;
- monitors all aspects related to the effectiveness of internal control systems and risk management systems and, as the case may be, the internal audit of the financial reporting of the company, without violating its independence;
- monitors the statutory audit of the annual financial statements and the consolidated financial statements, in particular the performance of the financial statements, taking into account the findings and conclusions of the competent authority, in accordance with art. 26 p. (6) of the Regulation (EU) No. 537/2014;
- Evaluates and monitors the independence and objectivity of the financial auditors or audit firms in accordance with Art. 21-25, 28 and 29 of The Law no. 162/2017 and art. 6 of Regulation (EU) No. 537/2014 and, in particular, the opportunity to provide services that are not auditing to SIF Oltenia SA in accordance with art. 5 of Regulation (EU) No. 537/2014.
- is responsible with the selection procedure of the financial auditor or audit firm and recommends to the general meeting of the shareholders/members of the board of directors, the financial auditor or the audit firm that should be appointed in order to carry out the financial audit.
- supports The Board of Directors in fulfilling its tasks, in the efficient

management of the company's financial reporting, internal control and risk management;

- analyses the adequacy, efficiency and updating of the risk management system in order to effectively manage the assets held by the company, and the related risks to which it is exposed.

- advises The Board of Directors on the appreciation of the fact that the Annual Report and the Annual Financial Statements taken as a whole, are fair, balanced and provide all the information necessary for the shareholders to evaluate the company's performance, business model and strategy;

- performs an annual assessment of the internal control system. The assessment should take into account the effectiveness and the scope of the internal audit function, the adequacy of the risk management reports and internal control/compliance submitted to the Audit Committee, the promptness and effectiveness with which The Superior Leadership addresses the identified deficiencies following the internal/compliance and submission of relevant reports to The Board of Directors;

- assesses the conflicts of interest regarding the company's transactions;
- monitors the application of legal standards and internal audit standards, receives and evaluates the internal auditor's reports;

- approves the Internal Audit Charter, approves the Control Plan and the Independent Auditor's Statement of Independence;

- receives the internal audit reports, analyses and endorses the internal audit findings and recommendations and the plan of measures for their implementation;

- endorses the Internal Control/Compliance Investigation Plan;

- receives the reports of the internal control/compliance representative, analyses and endorses the findings and recommendations of internal control/compliance and the plan of measures for their implementation;

- analyses the independence and effectiveness of the Risk Manager and endorses the risk manager's risk monitoring plan;

- receives the risk manager reports, analyses and endorses the findings and

recommendations of the risk manager and the proposed measures plan for their implementation;

- monitors the process of reporting on the capital market of SIF Oltenia SA;
- assess annually the Annual Report of the Internal Auditor's Activity, Annual Report of the Compliance of Internal Control Compliance and Annual Report of the Risk Management System;
- analyses the annual report on the conditions under which the internal control/compliance activity is carried out;
- analyses and considers (at least once a year) the risk strategy, compliance risk policy and its implementation, status of compliance function and compliance program;
- analyses the company's classification within the limits of risk tolerance established according to the general risk of the specific requirements concerning the applicable legislation;
- the audit committee will prepare an Annual Report on the work carried out according to its attributions, which will also include the recommendations addressed to the board of directors on internal audit, internal control/compliance, risk management and financial audit;
- the annual report of the Audit Committee is signed by its members. The Board of Directors takes note of this report and forwards it to the F.S.A. within 6 months from the end of the financial year.

1.3. THE SUPERIOR LEADERSHIP

- **The Competence of The Superior Leadership**

The Superior Leadership of the company is assured, in accordance with the provisions of the Articles of Incorporation and the Internal Regulations in force, by two directors, namely: The General Manager and the Deputy General Manager.

The Board of Directors will delegate The Superior Leadership to two directors by appointing a General Manager or a Deputy General Manager.

Directors (of the superior leadership) will be appointed as Administrators.

The President of The Board of Directors will also act as General Manager and the Vice-President of The Board of Directors will also act as Deputy General Manager.

The General Manager and the Deputy General Manager will perform the duties of their mandates based on a mandate agreement having the ability to conclude them with the persons concerned belonging to The Board of Directors. The maximum remuneration limits for these positions will be set by The General Meeting of Shareholders.

The President/Chief Executive Officer and, in his / her absence, the Vice-President/Deputy General Manager represents the company in third party relationships.

The General Manager

The General Manager is appointed by The Board of Directors and in accordance with the Company's Articles of Incorporation may also be the President of the Council.

The General Manager has, mainly, the following duties:

- is responsible for the management and the smooth running of the company's activities, including for the implementation of policies, strategies and the achievement of objectives;
- ensures the effective management of the company;
- provides qualitative and quantitative information to the Board in a timely manner at the request of the Board or on its own initiative as a result of the task being performed efficiently;
- is responsible for the completeness and correctness of reports and other information regarding the company's activity and financial situation, in accordance with applicable law;
- ensures that the information transmitted to FSA, at its request, on certain actions undertaken by the company, is available under the specific

- legislation applicable to each category of regulated entities and that the reporting time of the information is respected;
- establishes and applies internal procedures for assessing good reputation and integrity both for its own staff from key functions and for outsourced key staff;
 - carries out legal documents and agreements for the achievement of the object of activity of the company within the limits stipulated in the normative documents, the articles of incorporation of the company, the present internal regulations and the mandate agreement;
 - coordinates the activity of executive directors of the company;
 - appoints and dismisses the employees of the company, while also setting the remuneration of the company's employees;
 - engages and represents the company in its relations with third parties;
 - approves the collection and payment operations of the company;
 - coordinates the activity of the Economic Department and the Legal Department directly;
 - negotiates, within the limits established by the Board of Directors, the Collective Labour Agreement of the company;
 - establishes and ensures the representation of SIF Oltenia SA in the general meetings, the boards of directors and the censors committees of the companies in the portfolio;
 - authorises the representatives of the company in the general shareholders' meetings, at the companies where SIF Oltenia SA is a shareholder;
 - advises the materials presented to the Board of Directors;
 - monitors and notifies the Board of Directors about the way in which the adopted decisions are taken;
 - arranges and approves the internal and external movements of the company's personnel, necessary for the realization of the object of the

- company's activity, professional training or participation in various events: conferences, symposiums, economic missions, etc.;
- checks and signs the reports, the economic and financial reports as well as those required by BSE and/or FSA;
 - proposes the Board of Directors with the application of disciplinary, administrative or other measures against the executive directors of the company;
 - disposes of administrative, disciplinary or other measures, within the limits of the law, against employees of the company;
 - ensures the smooth running of the general meetings of SIF Oltenia SA;
 - fulfils, under the law, any other attributions established by the General Meeting of Shareholders or the Board of Directors.

The Deputy General Manager

The Deputy General Manager is also the Vice-President of the Board and alone or together with the General Manager represents the company in relations with third parties.

The Deputy General Manager, mainly, has the following duties:

- ensures the management of the company, alone or together with the General Manager, being a member of the Superior Leadership;
- carries out legal documents and agreements for the achievement of the object of activity of the company within the limits stipulated in the normative documents, the company's articles of incorporation, the present internal regulations and the mandate agreement;
- coordinates the activity of the Legal Division, the Portfolio of the Monitoring Division and the Human Resources-Logistics Division and, in the absence of the General Manager, the activity of the other structures of the company;
- engages and represents the company in its relations with third parties;
- approves the collection and payment operations of the company in the absence of the general manager;

- establishes and ensures the representation of SIF Oltenia SA in the general meetings, the administrative boards and the censors commissions of the companies in the portfolio, in the absence of the general manager;
- proposes the Board of Directors with the application of disciplinary, administrative or other measures against the executive directors of the company;
- orders and aims to establish the attributions of all employees of the company in the absence of the General Manager;
- arranges and approves the internal and external travel of the company's personnel necessary for the realization of the company's activity objective, professional training or participation in different events: conferences, symposiums, economic missions, etc. in the absence of the General Manager;
- checks and signs the reports, the economic and financial reports as well as those required by BSE and/or FSA;
- proposes the Board of Directors with the application of disciplinary, administrative or other measures against the executive directors of the company;
- orders and aims to establish the attributions of all employees of the company in the absence of the General Manager;
- provides the application of administrative, disciplinary or other measures, within the limits of the law and the mandate entrusted, against the employees of the company, in the absence of the General Manager;
- approves individual awards to the employees of the company together with the General Manager;
- fulfils, under the law, any other attributions established by the General Meeting of Shareholders or the Board of Directors.

- **The remuneration policy of The Superior Leadership**

The General Manager and the Deputy General Manager will perform the duties of the mandates based on a mandate agreement having the competence to conclude them with the persons concerned belonging to the Board of Directors. The maximum remuneration limits for these positions will be set by the General Meeting of Shareholders. According to the OGMS Decision from 04.04.2017, the Superior Leadership Compensation is set at the level of 12 gross average salaries per company for the position of General Manager and a maximum of 9 gross average salaries per company for the position of Deputy General Manager. The effective level is established by the Board of Directors.

In the situation of achieving the net profit, established by the Incomes and Expenses Budget by the OGMS, the members of the Superior Leadership shall have the right to an additional individual stimulation in the amount of 0.1% for the General Manager and 0.075% for the Deputy General Manager of the capitalized value of the company calculated on the basis of the average share of the company on the Bucharest Stock Exchange registered during the respective financial year. The Fund will be determined and recorded as a provision from the gross profit, so that the performance of the net profit established through the Income and Expense Budget will not be jeopardized. The payment of the incentives will be made after the approval of the annual financial statements, conditionally upon the payment of the dividends to the shareholders of the company.

The mandate agreement of the Superior Leadership will also stipulate the obligation of the Company to create all the necessary conditions for the management document (work cabinet with all the necessary equipment, cars, access to the means of communication and information, etc.), the competence to establish them returning to the board of directors. The Superior Leadership shall also be subject to the provisions of the Articles of Incorporation and the Collective Labour Agreement of the Company, where applicable.

At the same time, Superior Leadership will benefit from legal assistance and representation from the company or paid by the company for its own legal

protection in disputes of any kind (civil, commercial, administrative, criminal) stemming from or in connection with the exercise of the mandate, except for conflicting interests (interests to the contrary) between it and the company. The superior leadership will decide on the defender to represent their interests, with the company having the obligation to fully bear the expenses, during all procedural phases. Any expense eventually won by the leader to the detriment of the adverse party will be returned to the company within 15 calendar days of receipt.

This provision also benefits for any litigation initiated against it for a period of 5 years from the date of mandate agreement termination, which is related to actions or facts arising from the exercise of the mandate.

The right to legal assistance and representation under the above described conditions also benefit the managers of the company in such situations.

CHAPTER 2

INTERNAL CONTROL/COMPLIANCE, RISK MANAGEMENT AND COMPANY AUDITORS

2.1. INTERNAL CONTROL/COMPLIANCE

The Internal Control/Compliance Division ensures the compliance of SIF Oltenia S.A. and its staff regarding the current legislation affecting the capital market, as well as the internal regulations and procedures.

Persons who are part of this division will be subject to FSA approval, being registered with the FSA Registry are required to participate in training sessions on knowledge of capital market legislation.

The competence of appointing and revoking the representative of the Internal Control Compliance Division belongs to the Board of Directors on a proposal from the General Manager. In fulfilling their attributions, the employees within this department report directly to the Board of Directors and the Superior Leadership.

For the cases of unavailability in the Internal Control/Compliance Representative, the General Manager, or in his/her absence the Deputy General Manager, shall exercise, on a temporary basis, the duties assigned to the position in accordance with the legal provisions regarding the period of exercise and with prior notification of the FSA.

The Internal Control/Compliance Division has the following duties:

- to periodically monitor and evaluate the adequacy and effectiveness of the measures, policies and procedures as well as the actions taken to repair the deficiencies in the company's compliance with its obligations;
- advising the relevant persons responsible for providing services and carrying out activities and assisting them to comply with the obligations of the company under the applicable legal provisions;
- act in accordance with its competencies to prevent and propose remedies to settle any breach of law, the applicable regulations on the capital market or the internal procedures of the company or its employees;
- ensure that the company and its employees are informed of the legal regime applicable to the capital market;
- to endorse the documents submitted by the company to the FSA in order to obtain the authorizations provided by the FSA regulations and to ensure that the reports of the company are transmitted to the FSA and to the capital market entities within the legal term stipulated by the regulations in force;
- analyse and advise information/advertising material of the company;
- keep in direct contact with FSA;
- to regularly monitor and verify the application of the legal provisions affecting the company's activity and internal rules and procedures, to keep track of the irregularities discovered;
- to verify compliance with prudential regulations;
- to verify the correct separation of assets from the entities under management;
- check the efficiency of the information system and internal procedures;

- check the effectiveness of the risk control system.
- to draw up, according to the investigation plan, verification notes concerning aspects of the activity carried out at the level of the company, which are submitted to the superior leadership and after their approval, to submit them to the Audit Committee for activity analysis and evaluation;
- to prepare the Annual Report and the Investigation Plan for the next year, which should be submitted to the Audit Committee for the analysis, evaluation and approval of the respective activity. Upon approval, within 60 days of the end of each year, the stated documents will be subject to the approval of the Board of Directors.

The Report and the Investigation Plan approved by the Board of Directors are forwarded to the Financial Supervisory Authority by March 15 of each year.

2.2. RISK MANAGEMENT

SIF Oltenia SA has established within the chart the permanent risk management function, which is hierarchically and functionally independent from the other departments of the company.

For the hierarchical and functional separation of the risk management function of the operational units, including the portfolio management function, the following rules were established within SIF Oltenia SA:

- the person involved in the risk management function is not supervised by the persons responsible for the performance of the operational units (departments), including the portfolio management function of SIF Oltenia;
- the person involved in the exercise of the risk management function is not engaged in other activities within the operational units or within the portfolio management function;
- the person involved in the exercise of the risk management function is remunerated in accordance with the objectives related to this function,

independent of the performance of the operational units, including the portfolio management function;

→ the performance of the risk management function is reviewed periodically by the internal auditor.

The appointment of the Risk Manager is made by the President/General Manager, with the approval of the Board of Directors of the company, and the person will exercise his/her attributions only after his/her approval by the Financial Supervision Authority under the conditions imposed by the legal regulations in force.

The permanent risk management function has the necessary authority and access to all relevant information necessary to perform the following duties:

→ implement effective risk management policies and procedures to identify, measure, manage and continuously monitor all risks relevant to the investment strategy of SIF Oltenia SA and to which the company is or may be exposed;

→ ensures that the risk profile of SIF Oltenia SA is notified to the investors with the quantitative and/or qualitative risk limits set by the management body of the company, taking into account all relevant risks;

→ monitors the compliance with established risk limits and notifies the Board of Directors and the President/Chief Executive Officer in due time if he/she considers that the risk profile of SIF Oltenia SA is inconsistent with these limits or if there is a significant risk that his/her risk profile becomes inconsistent with these limits;

→ notifies the members of the Board of Directors with a periodicity corresponding to the nature, size and complexity of the company's activity and the information on the following aspects:

- compliance by SIF Oltenia SA with the risk profile communicated to investors of the established risk limits and coherence between these limits;

- the adequacy and effectiveness of the risk management process, indicating in particular whether adequate corrective action has been or will be taken in case there are anticipated deficiencies;
- performs a periodical report with up-to-date information on the current level of risks to which the company is exposed as well as any existing or foreseeable breaches of the established risk limits to ensure that appropriate and timely action that should be taken.

2.3. COMPANY AUDITORS

- **The financial auditor**

The financial statements as well as those regarding the operations of the company will be audited by the financial auditors appointed by the General Meeting of Shareholders under the conditions stipulated by the legal regulations and provisions, which will be performed on a contractual basis, approved by the Board of Directors.

- **The internal auditor**

The internal audit is organized within SIF Oltenia SA at the department level and operates under the direct subordination of the Board of Directors of the company.

The internal audit exerts a distinct and independent function from the other activities of the company, which assures the administrators of the company with regard to the good administration of the incomes and expenditures, while also conducting the management of the company in order to observe the legal regulations in force of the internal audit.

The appointment and revocation of the internal auditor shall be made by the Board of Directors on a proposal from the General Manager. The internal auditor shall be notified to the competent authority upon prior checking and assumption by the management of the company regarding the fulfilment by that person of the requirements stipulated in the regulations in force.

The internal auditor will not be involved in any other activity or relationship that affects an objective assessment. The internal audit activity will not be influenced by the superior leadership and the person who will perform the duties of this position will have to objectively present the issues that are subjected to the audit.

The internal auditor has access to all data and information of the company, including those existing in electronic format.

The internal audit aims for:

- checking the compliance of the company's activities with its policies, programs and management, respecting the legal provisions;
- assessing the adequacy and application of financial and non-financial controls, arranged and conducted by the management of the company in order to increase the efficiency of the activity;
- assessing the suitability of data, financial and non-financial information for the management to know the reality within the company;
- protecting patrimonial, balance sheet and off-balance sheet items and identifying methods to prevent fraud and losses of any kind;
- verifying the effectiveness of internal control systems and SAI procedures;
- periodically examines the fulfilment of the risk management position. The results of the examination will be brought to the attention of the Leadership and the Audit Committee.

CHAPTER 3

SHAREHOLDERS RELATION

S.I.F. Oltenia S.A. has a very large number of shareholders (over 5 million natural and legal persons) as a result of the way in which the company is founded and its quality as a collective investment institution.

The main objective of the shareholder policy is to respect the rights of shareholders by ensuring fair treatment. The Company makes effort to ensure effective, active and transparent communication so that shareholders can exercise their rights knowingly.

The rights of the shareholders regarding the General Shareholders' Meeting are those conferred by the legal regulations in force, namely The Law no. 31/1990 on commercial companies, The Law no. 297/2004 on the capital market, The Law no. 24/2017 on issuers of financial instruments and market operations, the relevant FSA regulations/guidelines in the matter.

Thus, shareholders have the right to participate and vote in the General Shareholders' Meetings and to access all information about the subject matter with the approval of the General Assembly.

The General Meeting of Shareholders (GMS), the supreme governing body of S.I.F. Oltenia S.A., is convened by the Board of Directors in accordance with the legal and statutory provisions. The proceedings of the meetings are recorded by the secretariat elected by the GMS; the minutes are written in the special register.

For the General Shareholders' Meetings, on the company's website www.sifolt.ro, in a dedicated section, details about the organization of the assembly are published: summoning of the general assembly; agenda items as well as any other information related to the agenda items; the forms of voting by special power of attorney and vote bulletin; participation and voting procedures that ensure the orderly and efficient conduct of the works of the General Meeting

of Shareholders and which confers the right of any shareholder to express his/her opinion freely on the issues under discussion.

The General Meeting of Shareholders adopts decisions based on projects proposed by the Board of Directors and/or shareholders.

The decisions taken at the General Meeting of the Shareholders and those on the detailed voting result (document issued in the form of "GMS decisions", signed by the meeting president) are reported to the FSA, BSE, notified in the media, in the Official Gazette Part IV and posted on the official website www.sifolt.ro.

For each financial year, information on the financial calendar and the contents of the regular (annual, half-yearly and quarterly) reports and current reports on important events of the company's activity are posted on-site.

Correspondence with the shareholders is ensured by all means at their disposal, as follows: written correspondence, electronic and telephone correspondence. In most cases, correspondence is about dividend payment information (amounts, methods, procedures, deadlines, etc.), share transfers in case of inheritance, personal data updates, trading methods, financial reporting data (periodical reports, net assets etc.), tax information, tax regime for non-residents (direct correspondence, custodians or other intermediaries) etc.

The company has nominated a person responsible for Investor Relations to provide and respond to the notifications between the company and the exterior (investors, FSA, BSE).

CHAPTER 4

TRANSPARENCY, FINANCIAL REPORTING

S.I.F. Oltenia S.A. shall comply with the transparency and reporting requirements and obligations laid down by the regulations issued by the competent authority and those applicable to the capital market on which securities are traded.

S.I.F. Oltenia S.A. provides relevant periodic and continuous information in accordance with financial reporting standards.

The main information that the Company notifies to investors on a regular basis are:

- information regarding the General Shareholders' Meetings: the summoning of the meeting containing the agenda, the materials to be submitted to its approval, the manner of holding the assembly, the procedures for exercising the right to vote, the preamble and the decisions taken;
- the annual, half-yearly and quarterly financial statements;
- notification on the payment of dividends;
- other information about any event occurring in the Company's business and which may lead to changes in the price of shares traded on the regulated market;
- information about other corporate events;

This information is communicated as soon as possible to the Bucharest Stock Exchange and the Financial Supervisory Authority to be disseminated, published in a national circulation newspaper and posted on the website of the company.

S.I.F. Oltenia S.A. disseminates in English the information that is the subject of the reporting requirements: regular information, continuous information, financial reporting by publishing on the www.sifolt.ro website.

Annually, by the end of January of each year, the Company sends to the Bucharest Stock Exchange and publishes and maintains on its own website the financial notification schedule for the current financial year containing the data set for the following events.

- presentation of preliminary financial results
- The General Meeting of Shareholders approving the annual financial results;
- presentation of the annual report and annual financial results;
- presentation of half-yearly report and half-year financial results;

- telephone conferences and/or meetings with investors or analysts, if applicable;

CHAPTER 5

CONFLICT OF INTERESTS AND TRADES WITH INVOLVED PERSONS ("SELF-TRADES")

Members of the Board of Directors shall ensure that their personal and the direct or indirect interests are not in conflict with the interests of the company.

Administrators have a loyalty to the company and must avoid any conflicts of interest.

In the exercise of their duties, the members of the board of directors who have, in a particular operation, directly or indirectly, material interests, or in the situation in which the agenda of the council is debated and it is subjected to approval for the issues on conflict of interests, they have the obligation to notify the other members of the board about this and not to take part in any deliberations regarding the operation.

The conflict of interest may be referred to the President of the Board of Directors by any member of the Board who is aware of such a case, stating the reasons for the referral. In this case, the Board of Directors will, with the vote of the majority of its members, state the existence of a conflict of interest.

In the situation of conflict of interests of the President of the Board of Directors and the meeting, will be led by the Vice-President of the Board.

The conflicts of interest identified will be mentioned in the minutes of the Board meeting where such an operation is being discussed.

The members of the superior leadership of the company, who are in a situation of conflict of interests in a certain operation, will notify the members of the Board of Directors about this.

In order to avoid conflicts of interests, in organizing and unfolding the activity of the company, the following rules will be observed:

→ avoiding the exchange of information between relevant persons conducting an activity involving the risk of a conflict of interest in the situation where the transmission of that information could harm the interests of the company;

In the case of personal transactions, the members of the Board of Directors are forbidden to:

- a) to use the privileged information related to the investment policy of the company when dealing with financial instruments in its own portfolio;
- b) to conclude transactions with shares of SIF Oltenia SA over the limit of 5% of the share capital stipulated in the articles of incorporation and the legal regulations in force;
- c) to enter into transactions with securities and/or financial instruments, which would have the purpose of concealing the identity of their owner;
- d) disclosing privileged information to a person who could benefit from trading on this basis;
- e) to perform transactions in securities/financial instruments with bad faith, manipulation or fraudulent practices;
- f) to acquire in its own name securities issued by a commercial company to which SIF Oltenia SA initiated the public offer before the moment when the offer is brought to the attention of the public.
- g) to disseminate information on the transactions that SIF Oltenia SA intends to carry out with the financial instruments in the portfolio.

In performing transactions with securities and financial instruments, the transparency and publicity obligations imposed by the applicable legal regulations will be taken into account.

The list of persons with access to privileged information is permanently updated, the situation being transmitted to C.N.V.M. The obligation to notify transactions initiated by individuals is both personal and intermediary, and the information is disseminated through the BSE website

It is forbidden to conclude transactions with S.I.F. Oltenia S.A. beyond the limit set in the articles of incorporation and the legal regulations in force.

It is forbidden to conclude transactions in securities and/or financial instruments, which would have the purpose of concealing the identity of their owner.

Transactions in securities/financial instruments with bad faith, manipulation or fraudulent practices are prohibited.

It is forbidden to acquire in one's name securities issued by a trading company to which S.I.F. Oltenia S.A. has initiated a public bid before the moment the offer is made public.

It is forbidden to carry out transactions with a certain security/financial instrument based on inside information or to disclose such information to a person who could benefit from trading on this information;

The Company fulfils its institutional reporting and information obligations in the manner specified by FSA and BSE regulations, including by posting on the site and publishing in the press.

CHAPTER 6

CORPORATE INFORMATION REGIME

With a view to internal regulation of the corporate information regime, the Company adopted a procedure to ensure the security, integrity and confidentiality of information, with the aim to:

- ensure the security, integrity and confidentiality of data and information communicated within the Company;
- guarantee the compliance with the internal circuit and disclosure to third parties of documents and information relating to the Company's activity.

It is forbidden to all employees, members of the Executive Board and to the Superior Leadership as well as to the members of the Board of Directors of the company to disclose to third parties confidential information related to the company that they have learned in the exercise of their job duties or accidentally

stumble upon or to carry out or disclose to relatives till the IV degree, transactions based on such information.

The Board of Directors ensures through the procedures adopted that the dissemination of information complies with the legal provisions in force and that it allows equal access to information to shareholders and investors, never allowing abuses of confidential information or information on "transactions with oneself". The Board of Directors shall ensure that the information disseminated to the public is complete, accurate and timely so as to enable objective investment decisions. SIF Oltenia S.A. ensures the ongoing update of the section on our own dedicated investor's website. SIF Oltenia S.A. disseminates information about its corporate governance policy, implicitly the degree of compliance with the recommendations of the Corporate Governance Code of the BSE, based on the Apply or Explain principle.

CHAPTER 7

SOCIAL RESPONSIBILITY

S.I.F. Oltenia S.A. continuously carries out social responsibility activities of the company, annually supporting directly or through specialized foundations/associations, the disadvantaged categories in the community where they operate.

The company is involved in solving the social problems of the community in which it operates and takes into account the interests of society, being accountable to employees, shareholders, the community and the environment. S.I.F. Oltenia S.A. is the promotion of national values and engages in art and culture, education, humanitarian actions and the development of society.

Associate Prof. PhD. Ec. Tudor CIUREZU

President / General Manager