

# CORPORATE GOVERNANCE REGULATION



**compa**  
*beyond expectations*

**2019**

## **C O N T E N T S**

- 1. PURPOSE**
- 2. AREA OF APPLICATION**
- 3. REFERENCE DOCUMENTS**
- 4. DEFINITIONS AND ABBREVIATIONS**
- 5. RESPONSIBILITIES**
- 6. PRELIMINARY CONDITIONS**
- 7. CORPORATE GOVERNANCE STRUCTURE OBJECTIVES**
- 8. FINAL PROVISIONS**

This is a free translation from Romanian, which is the official and binding version.

---

**1. PURPOSE**

- 1.1. Compliance with the Corporate Governance Code of the Bucharest Stock Exchange, updated edition:
- 1.2. This regulation describes how COMPA understands to adopt and apply the best corporate governance principles as well as the express recommendations of the Corporate Governance Code of the BSE. In the strategic objectives and specific activity of the company, developing and implementing corporate governance principles is a measure to ensure a rigorous sizing and regulatory framework of corporate governance in society COMPA.

**2. AREA OF APPLICATION**

- 2.1. Applies in society COMPA S.A. Sibiu (hereinafter referred to as the Company or COMPA)

**3. REFERENCE DOCUMENTS**

- 3.1. BSE Corporate Governance Code.
- 3.2. Law 31/1990 regarding companies updated amended and supplemented.
- 3.3. Law 297/2004 on the capital market
- 3.4. Law 162/2017 on Statutory Audit of Annual Financial Statements and Consolidated Annual Financial Statements and amending certain legal acts
- 3.5. FSA Regulation No.5 / 2018 on issuers of financial instruments and market operations

**4. DEFINITIONS AND ABBREVIATIONS**

- 4.1. BSE - Bucharest Stock Exchange
- 4.2. CGC - Corporate Governance Code
- 4.3. GMS - General Meeting Shareholders
- 4.4. BoD - Board of Directors

**5. RESPONSIBILITIES**

**5.1. BoD and CEOs**

- 5.1.1. The BoD makes decisions that allow you to fulfill their duties in an effective and efficient manner.
- 5.1.2. The BoD is responsible for managing the company and COMPA acting in the interests of safeguarding the interests of general shareholders for ensuring sustainable development of the company.
- 5.1.3. The BoD manages and monitors the CEOs / the functions in accordance with the current provisions.
- 5.1.4. The main duties / responsibilities of BoD established in Law 31/1990 on, updated with the changes and additions are:
  - (1) establishing main directions of activity and development of the company;
  - (2) deposit of annually for approval by the AGM, (within four months after the end of the fiscal year), the annual activity report, the financial statements for the previous year and the project activities and the draft budget for the current year
  - (3) appointment and removal directors, overseeing their work under Law 31/1990 regarding updated with subsequent amendments and determine their remuneration;
  - (4) completion of legal acts in the name and on behalf company respecting matters reserved to the General Meetings of Shareholders and BoD.

(5) making all measures necessary and useful for managing COMPA implicated in the daily management or delegated by the General Shareholders Meeting or by the Board of Directors, except GMS or BoD reserved by law or in the Constitutive Act;

5.1.5. BoD and CEOs have an obligation to carry out their responsibilities and perform their duties in the interest of the company and its shareholders COMPA.

5.1.6. CEOs monitor the strategic objectives, report progress in achieving them and take measures to achieve the targets set

## **6. PRELIMINARY CONDITIONS**

- 6.1. CGC guide implementation of BSE
- 6.2. Handbook on Corporate Governance Reporting
- 6.3. Statement of compliance with Corporate Governance Code BSE
- 6.4. Compendium of good corporate governance practices

## **7. CORPORATE GOVERNANCE STRUCTURE OBJECTIVES**

- a) Corporate governance structure aims to enable BoD to offer strategic advice and oversee management, clarify roles and responsibilities of board members and executive management, so as to facilitate their responsibility towards society and shareholders.
- b) BoD decides on the values and strategy, risk management policy, other key policies and ensure that the necessary resources leadership, human and financial resources are available to achieve objectives.
- c) The process of transforming values and key policy strategy for the operation of the company, taking account of corporate social responsibility and diversity without discrimination.
- d) New members of the executive management are initiated so that they can actively participate to the full decision-making process as soon as possible after taking office.

### **7.1. Board of Directors**

7.1.1. COMPA Company is managed by a BoD, which is responsible for carrying out all the provisions necessary for achieving the object of the company, except as provided by law for the General Meeting of Shareholders.

7.1.2. BoD is consist of five members, who supervises, analyzes and assesses the work of directors and the fair treatment of shareholders. Board members are appointed for a period of 4 years and can be revoked at any time by the Ordinary General Meeting of Shareholders.

7.1.3. Board members can have shareholder

7.1.4. BoD is headed by a president; it shall ensure the proper functioning of society.

7.1.5. Board members will exercise their mandate with prudence and diligence of a good manager, loyalty, social interest; not disclose confidential information and trade secrets of the company, they have access in their capacity as administrator, even after leaving office administrator; will attend all General Meetings of Shareholders.

7.1.6. The BoD represents the company towards third parties and in court by the President. If the board of directors delegates to the directors the powers of management of the company, the power to represent the company belongs to the general manager.

7.1.7. Duties responsibilities, competences and obligations of board directors are detailed in the Articles of Status and management contracts

---

## **7.2. Advisory committees**

7.2.1. BoD established the Audit Committee - advisory committee composed of two members of CA, directly subordinate BoD, set up to assist management structures of society COMPA, in internal control and financial reporting.

7.2.2. According to Law 31/1990 on, the Audit Committee includes members who have the necessary expertise in financial audit and accounting.

7.2.3. Audit Committee Chairman is non-executive member of the BoD.

7.2.4. Some of the duties and responsibilities of the Audit Committee include overseeing the financial reporting process and monitoring of accounting and tax policies

## **7.3. Executive officers - CEO**

7.3.1. The CEO of the company is ensured by heads functions in the organization, of which one is CEO & chairman, and an economic director (CFO) both appointed and confirmed by the Council.

7.3.2. BoD keeps the duty of representation in relations with the directors in charge.

## **7.4. Code of business conduct**

7.4.1. Code of business Conduct presents ethical standards of conduct that establishes and regulates the responsibilities, duties and conduct of business of the company COMPA

7.4.2. The Code does not substitute and does not replace the other regulations such as internal regulations, procedures, instructions, etc., but complements them, putting into fore the awareness of ethical value.

## **7.5. Shareholders' rights to COMPA**

7.5.1. COMPA respect the rights of securities holders and ensures equal treatment for all holders of securities of the same type and class, providing them with all relevant information so that they can exercise all rights in a fair manner.

7.5.2. The securities holders must exercise their rights in good faith, respecting the rights and legitimate interests of other holders and the priority interest of society otherwise they are liable for damages.

## **7.6. The treatment of shareholders**

7.6.1. All holders of shares issued by COMPA are treated fairly. All issued shares confer equal rights to holders; any modification to the rights of these shares subjects the approval of directly affected shareholders.

7.6.2. COMPA facilitates and encourages shareholders to participate at the work of the General Shareholder Meetings (AGM), as well as the full pursuit of their rights. The shareholders, who cannot attend the meeting, have the opportunity to exercise their vote in absence, through a **Special / General Empowerment**, as well as through correspondence by using the form **Correspondence Voting Bulletin**.

7.6.3. In order to provide shareholders with relevant information in real time, COMPA created a special section on [www.compa.ro](http://www.compa.ro), constantly updated, named **Investor Relations**.

7.6.4. The webpage is structured in way that it contains all necessary information for shareholders: information related to AGA, financial calendar, financial data, periodic and current reports, etc. .

---

### **7.7. The role and duties of the Board of Directors**

7.7.1. The BoD meets once per quarter at the company headquarters, or whenever necessary, convened by the president or by reasoned request by at least two of its members, to supervise the activity of the company to fulfill its responsibilities efficiently.

7.7.2. The BoD accepts decisions which permit the fulfillment of its activities in an efficient and effective manner.

7.7.3. The BoD is responsible for the administration of COMPA. The BoD will act in the interest of the company and will protect the general interest of the shareholders by assuring a sustainable development of the company. The Board will operate as a collective body on the basis of accurate and complete briefings.

7.7.4. The most important responsibilities of the Administration Council, according to CGC, are as follows:

- (1) the examination and approval of the strategic, operational, and financial plan of the firm;
- (2) assessing the adequacy of the organizational, administrative, and accounting structure;
- (3) evaluating the overall performance of the company and periodically comparing the obtained results with the planned outcomes;
- (4) examination and prior approval of contracts with significant impact on profitability, on assets or liabilities, or on the financial situation, paying particular attention to the transactions with involved parties ("transactions with self");
- (5) assessing the size, composition and performance of the Board and its committees;
- (6) the introduction of information in the Corporate Governance Chapter of the annual report, on the application of the CGC on the Stock Exchange, taking in account the number of Board and committees meetings held in the respective financial year.

### **7.8. The Board of Directors Structure**

7.8.1. COMPA adopted a unified management system. The BoD assures a balance between executive and non-executive members. The decision-making process remains a collective responsibility of the BoD, which is jointly responsible for all decisions taken while exercising its powers.

7.8.2. Administrators will constantly improve their skills and knowledge of the company's activity as well as the best corporate governance practices in order to fulfill their role.

### **7.9. Appointment of members**

7.9.1. The election of Board members is done through a formal, rigorous and transparent procedure.

7.9.2. The list of candidates for the administrator position, accompanied by detailed information, must be filed at the company at least 15 days prior to the fixed AGM date, and will be published on the company's website [www.compa.ro](http://www.compa.ro).

### **7.10. Members remuneration**

7.10.1. COMPA does not have an established remuneration committee. Proposals on remuneration of executive directors and administrators are in accordance with the remuneration policy adopted by COMPA.

7.10.2. Remuneration of non-executive members is proportional with their responsibilities and the time devoted to their duties. The total sum of direct and indirect remuneration of directors and administrators, results from the quality they present.

### **7.11. Transparency**

7.11.1. COMPA assures the current and periodic reports in accordance with existing regulations, on all major events, including the financial situation and other relevant information on the situation of the company.

7.11.2. COMPA prepares and disseminates current and periodic relevant information in accordance with market implementations, as well as with International Financing Reporting Standards (IFRS) and other reporting or environmental standards, information in accordance with the requirements of the regulated market operator on continuous and periodic reporting issuers.

7.11.3. Information are first sent to the market operator, than publicly disclosed. They are presented in Romanian.

### **7.12. Financial Reporting**

According to Law 162/2017, Art.65, par. (6) "... the audit committee shall, inter alia, have the following tasks:

- a) *informs the entity's administrator or board members of the audited entity, as appropriate, of the results of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and the role of the audit committee in that process;*
- b) *monitors the financial reporting process and delivers recommendations or proposals to ensure its integrity;*
- c) *monitor the effectiveness of the entity's internal quality control systems and risk management systems and, where appropriate, internal auditing of the financial reporting of the audited entity without prejudice to its independence;*
- d) *monitor the statutory audit of the annual financial statements and the consolidated annual financial statements, in particular the performance of the annual financial statements, taking into account the findings and conclusions of the competent authority;*
- e) *evaluates and monitors the independence of financial auditors or audit firm;*
- f) *is responsible for the selection procedure of the financial auditor or the audit firm and recommends to the general meeting of the shareholders the financial auditor or the firm (s) to be designated / designated;*
- g) *Entities whose annual financial statements are subject, according to the law, to the statutory audit are obliged to organize and ensure the performance of the internal audit activity, according to the legal framework. "*

### **7.13. Conflict of interest**

BoD members will make decisions in the benefit of COMPA and will not take part in the discussions or decisions that create a conflict between their personal interests and those of the company or subsidiaries controlled by the company.

### **7.14 Transactions with related parties**

7.14.1. Each administrator will ensure the avoidance of any direct or indirect conflict of interest with COMPA and will inform the BoD of conflicts of interest as they arise and refrain from deliberating and voting on such matters in accordance with the appropriate legal provisions.

7.14.2. To ensure procedural fairness of related-party transactions ("transactions with self"), the BoD is using the following criteria:

- a. the preservation of BoD or EGM competence, as appropriate, to approve the most important transactions;
- b. request of a preliminary opinion on the most important transactions of the audit committee;

- c. entrusting negotiations regarding these transactions to one or more independent administrators or directors having no links to the concerned parties;
- d. recourse to independent experts.

#### **7.15. Corporate Information regime**

7.15.1. Executive directors and administrators who have information that may influence the market price of issued securities, shall maintain the confidentiality of documents and information received during the mandate, complying with COMPA procedures concerning the circuit and dissemination of information.

#### **7.16. Social responsibility**

7.16.1. COMPA continuously identifies interested parties (stakeholders) of its activities; it recognizes their legal rights and encourages their cooperation in order to create prosperity, jobs and to assure a sustainable, financially sound business.

7.16.2. Social responsibility is an integral part in the management of the business strategy, which COMPA wishes to contribute to by building a sustainable and performing Romanian society.

7.16.3. COMPA is committed to solving the social problems of the community in which it operates and considers that the interests of the society are responsible and accountable to employees, shareholders, community and environment.

#### **7.17. Management system**

7.17.1. The current management system of COMPA is unitary.

7.17.2. In the situation that a new system of management will be proposed, shareholders and BSE will be informed regarding how and the reasons that led to this option, and will present how the new system of administration will implement the principles of the Code of Corporate Governance.

7.17.3. If a dual management system is adopted, the current Regulations will suffer modifications, articles will have to be adapted in accordance with the objectives a good corporate governance, transparency of information and the protection of investors.

### **8. FINAL PROVISIONS**

8.1. COMPA joined the Corporate Governance Code of the Bucharest Stock Exchange and the principles and recommendations of this code

8.2. This Corporate Governance Regulation will be updated as necessary, depending on the amendments normative acts that constitute its legal basis, each update will be made known on the website: [www.compa.ro](http://www.compa.ro)

8.3. The regulation was updated and adopted at the BoD meeting of August, 9 2019.

Ioan DEAC

Chairman & CEO



---

**COMP A S.A.**

**Romania Sibiu 550234, no.8, Henri Coandă Street**

Phone: +40 269 239 400; Fax: +40 269 237 770; [http:// www.compa.ro](http://www.compa.ro)

---