

REMUNERATION POLICY OF BIOFARM S.A. COMPANY



Foreword

Biofarm is one of the first Romanian manufacturers of drugs and food supplements, being established in 1921. Currently, Biofarm is the most important Romanian manufacturer of softgel capsules, among the top 3 Romanian manufacturers of solutions and suspensions for oral administration and one of the largest manufacturers of tablets and sugar-coated tablets in Romania, with over 200 products in the portfolio, covering over 60 years of therapeutic areas (on 9 of them, Biofarm[®] being a market leader).

100 years of life have taught us a lot of things: responsibility, performance, innovation, care and, above all, the fact that these values only make sense if they are put at the service of people.



TABLE OF CONTENTS

PREAMBLE	1
I. Reference documents	1
II. General aspects.....	1
1. Purpose - General principles of remuneration	1
2. Approval and review method.....	1
3. Duration	2
4. Applicability	2
III. Remuneration Committee	2
IV. Avoiding the conflict of interests at the level of the Board of Directors.....	3
V. Remuneration components.....	4
1. Board of Directors	5
a. Fixed (basic) remuneration allocated to directors.....	5
b. Variable remuneration allocated to directors	5
c. Performance assessment criteria	6
Partial payments.....	6
Right of recovery	7
2. Company Managers.....	7
a. Fixed (basic) remuneration	7
b. Variable remuneration.....	7
c. Other benefits	8
3. Other benefits applicable to leaders	8
Table – remuneration afferent to the members of the Board of Directors.....	9
Table – remuneration afferent to the General Manager	10



PREAMBLE

BIOFARM S.A. company, with registered office in Bucharest, 99 Logofatul Tautu street, 3rd District, having the unique registration code with the Trade Register Office 341563, order No. with the Trade Register J40/199/1991, organised in the legal form of a joint stock company, having a unitary management system, being publicly traded on the main market of the Bucharest Stock Exchange, Premium Category, BIO symbol, considering the applicable legal provisions, issues this Remuneration Policy, which highlights the way in which the Company's leaders are remunerated for their activity carried out within the organisation.

I. Reference documents

The basic principles underlying the remuneration of leaders are provided in the company's Articles of Incorporation and in the applicable legislation, among which, but without limitation to:

- Law 24/2017 concerning the issuers of financial instruments and market operations
- Companies Law 31/1990, republished
- The Corporate Governance Code of the B.S.E.
- Any other normative acts that regulate the Issuer's activity

II. General aspects

1. Purpose - General principles of remuneration

The remuneration policy aims at ensuring a transparent framework regarding the Issuer's activity, the fair reward and motivation of leaders, as well as the creation of a binder with the long-term strategy and performance of the Company. The level of remuneration ensures the favourable framework for attracting competent and experienced people within the Company management, their retention and motivation, this representing an extremely important factor in the sustainable development of any Company.

Specifically, by the application of the Remuneration Policy, one aims at the coherence between the remuneration and business strategy, the alignment with corporate values, interests and long-term objectives of Biofarm, as well as its compatibility with the interests of all involved parties (investors, shareholders, employees, the public in general) including measures to avoid conflicts of interest and encouraging decision-making without taking excessive risks.

The Board of Directors (management body) of Biofarm S.A., within its supervisory function, periodically adopts and reviews the general principles of the remuneration policy and is responsible for its application.

The company must comply with the remuneration principles set out in the applicable legal regulations, taking into account and to the extent that they are appropriate to its size, to the internal organisation and to the nature and complexity of its activities. The company shows a permanent concern and participates in annual studies made by reputable companies in the field, which serve as a guide and which the company takes into account when establishing the remuneration of all its employees but also of its leaders.

2. Approval and review method

Shareholders are entitled to cast their vote within the Ordinary General Meeting of Shareholders on whose agenda it was included, on this Remuneration Policy based on the legislation in force, as well as the provisions of the Company's Articles of Incorporation.

The points of view of shareholders, as they were recorded in writing in the minutes of the General Meeting of Shareholders shall be taken into consideration on the subsequent review and re-approval of the Remuneration Policy.



The company pays the remuneration of the leaders in accordance with the approved Remuneration Policy.*

** Until the approval of the Policy by the General Meeting of Shareholders, the company pays the remunerations according to the Articles of Incorporation, the Decisions of the General Meetings of Shareholders, as well as the Remuneration Policy approved by the Board of Directors of the Company, valid starting with 07.01.2016.*

The company has the legal obligation that, if the Policy is not approved by the GMS, to present a new revised Policy within the next held GMS, even if it is not the annual OGMS.

3. Duration

If the approved Policy does not undergo significant changes (in which case the approval of the GMS is required), it will be subject to the vote of the General Meeting of Shareholders at intervals of no more than 4 (four) years.

4. Applicability

The persons to whom the provisions of this Policy apply are the leaders of the Company, as they are defined by Art. 91² of Law 24/2017, namely: any member of the Board of Directors, as well as any Manager (including, in all cases in which it was appointed, the General Manager and, if there is such a position, the Deputy General Manager)¹.

If there will be inaccuracies between the legal provisions in force and this Policy, the first legal requirement will be observed. If the requirement significantly changes the Policy, it will be subject to GMS approval.

III. Remuneration Committee

According to Art. 14.1. letter c) from the Articles of Incorporation of the Company, the Board of Directors has, among its attributions, the establishment of the additional remuneration of the members of the Board of Directors in charge of specific functions within the general limits established by the General Meeting of Shareholders.

The Board of Directors will ensure that the limits set for remunerations are complied with and that, in the absence of a Remuneration Committee set up, it will replace all and any of the duties that the Committee in question would have been entitled to perform.

There is currently no Remuneration Committee set up at the level of the Board of Directors, however, to the extent deemed necessary and possible, the Board may establish a Remuneration Committee consisting of non-executive members and at least one independent non-executive member, in accordance with Art. 140² of Law 31/1990.

The Board of Directors (in the absence of a Remuneration Committee) elaborates recommendations in what concerns:

- (a) the Remuneration Policy and the modifications thereto;
- (b) the proposal on maximum annual remuneration limits for the Leaders;
- (d) verifying the fulfilment of the conditions for derogation from the Remuneration Policy, if applicable;
- (e) evaluating the fulfilment of key performance indicators and calculating the additional/variable remuneration within the general limits established by the GMS
- (f) Remuneration report.

¹ In this Policy, the name Manager has the definition given by Art. 143 Law 31/1990 republished, and namely that person to whom the management responsibilities of the company have been delegated by the Board of Directors. Any other person, regardless of the technical name of the position held within the company, is excluded from the application of the applicable provisions.



IV. Avoiding the conflict of interests at the level of the Board of Directors

The competitive power on the market of Biofarm depends, to a large extent, on the integrity and legitimate conduct of the members of the Board of Directors, Managers and company's personnel in carrying out the business activity. The honest and legitimate behaviour represents the main element in maintaining the trust of end consumers and of business partners, defending the reputation of Biofarm and, thus, contributing to the long-term business success. Acting legitimately and with integrity is an essential requirement. A key condition for an honest and legitimate conduct of employees is to avoid situations in which business interests could conflict with personal interests during the performance of the professional activity. These guidelines are supplemented, on a case-by-case basis, with the specific legislation.

According to Art. 144¹ of the Companies Law No. 31/1990, republished, the members of the Board of Directors shall exercise their term of office with the care and diligence of a good director. The director does not violate this obligation if, at the time of making a business decision, it is reasonably entitled to consider that it is acting in the interest of the company and on the basis of adequate information. The business decision, within the meaning of Law no. 31/1990, is any decision to take or not to take certain steps regarding company administration.

The members of the Board of Directors shall exercise their term of office with loyalty, in the company's interest.

The members of the Board of Directors shall not disclose the confidential information and trade secrets of the company, to which they have access as directors. This obligation falls on them even after termination of the director's term of office.

Also, according to the provisions of Art. 144³ of the Companies Law No. 31/1990 republished, the director who has, in a certain operation, directly or indirectly, interests that are contrary to the company's interests, shall notify the other directors and the internal auditors in this regard and shall not take part in any deliberation regarding this operation. The director has the same obligation if, in a certain operation, he knows that his spouse, relatives or in-laws until the IVth degree, inclusively, are interested. The director who has not complied with the above provisions is liable for damages that resulted for the company.²

Art. 144⁴ of the same law imposes the prohibition of lending by the company of its directors, through operations such as³:

- a) granting loans to directors;
- b) granting financial advantages to directors on the occasion or after the conclusion by the company with them of goods delivery operations, provision of services or performance of works;
- c) the direct or indirect guarantee, in whole or in part, of any loans granted to directors, concomitantly or subsequent to the granting of the loan;
- d) the direct or indirect guarantee, in whole or in part, of the execution by the directors of any other personal obligations of theirs towards third parties;
- e) acquiring for consideration or payment, in whole or in part, of a receivable that has as object a loan granted by a third party to the directors or another personal benefit of theirs.

The above provisions, regarding the prohibition of lending by the company of the directors, shall not apply:

- a) in the case of operations whose cumulative due value is lower than the equivalent in lei of the amount of EUR 5,000;
- b) if the operation is concluded by the company under the conditions of the current exercise of its activity, and the operation clauses are not more favourable to the persons provided

² Unless otherwise stipulated by the provisions of the articles of incorporation, the prohibitions on the participation, deliberation and voting of directors shall not apply if the object of the vote is:

- a) offering for subscription, to a director or to his spouse, relatives or in-laws until the IVth degree inclusively, company shares or bonds;
- b) granting by the director or by his spouse, relatives or in-laws until the IVth degree inclusively a loan or the establishment of a guarantee in favour of the company.

³ These provisions are also applicable to the operations in which the director's spouse, relatives or in-laws until the IVth degree inclusively, are interested. Also, if the operation concerns a civil or commercial company in which one of the aforementioned persons is a director or holds, individually or together with one of the persons abovementioned, a share of at least 20% from the value of the subscribed share capital.



in para. (1) and (2) of Art. 144⁴ of Law 31/1990 (respectively the directors, the director's spouse, relatives or in-laws until the IVth degree inclusively) than those which, normally, the company practices towards third parties.

Art. 150 of the same law provides that, if the Articles of Incorporation do not provide otherwise and subject to the provisions⁴ of art. 44¹, under the nullity sanction, the director will be able, in his own name, to alienate, respectively to acquire, goods to or from the company, having a value of over 10% from the value of the company's net assets, only after obtaining the approval of the extraordinary general meeting. These provisions apply to rental or leasing operations as well. The value will be calculated by reference to the financial statement approved for the financial year preceding the one in which the operation takes place or, as the case may be, to the value of the subscribed share capital, if such financial statement has not yet been presented and approved.

The provisions of Art. 150 are also applicable to operations in which one of the parties is the director's spouse or relative or in-law, until the IVth degree inclusively. At the same time, if the operation is concluded with a civil or commercial company to which one of the persons previously mentioned is a director or manager or holds, individually or jointly, a share of at least 20% from the value of the subscribed capital, unless one of the respective commercial companies is a subsidiary of the other.

To these requirements, the provisions of the "Policy on related party transactions and significant transactions" – available on the website in the Corporate Governance section as well – Policies subsection, supplemented by the applicable legal provisions in this field, shall be added.

Conflict of interests regarding remuneration

The members of the Board of Directors that have an executive position within the Company shall not participate in the decisions regarding their remuneration.

Any situation that may cause a conflict of interest in the remuneration process will immediately be brought to the attention of the Board of Directors.

The members of the Board of Directors/Management Board who also have the capacity of shareholders of the Company shall abstain from voting within the General Meeting of Shareholders in which the Remuneration Policy will be submitted for approval, in accordance with the provisions of Art. 126 para. 1 of the Companies Law 31/1990.

V. Remuneration components

The level of remuneration is sufficient to attract, retain and motivate competent and experienced persons within the Board of Directors and Managers.

Pursuant to Art. 11.1 letter e) from the Articles of Incorporation, the Ordinary General Meeting of Shareholders has, among its attributions, the fixing of "*the general limits of all the remunerations of the members of the Board of Directors, managers, as well as additional remunerations of the BD members and any other advantages*".

⁴ Respectively, the acquirement by the company, within an interval of maximum 2 years from incorporation or from the authorisation for beginning the company's activity, of an asset from a founder or shareholder, against an amount or other equivalent value representing at least one tenth of the value of the subscribed share capital will be subject to prior approval of the general meeting of shareholders, except for the acquirement operations carried out within the current activity of the company, those made from the order of an administrative authority or of a court of law or those made during stock exchange operations.



Remuneration and remuneration criteria⁵

The remunerations granted will be in accordance with the activities, competencies and performances obtained as follows:

1. Board of Directors

The Board of Directors of Biofarm S.A. consists of 5 (five) members, jointly and severally liable to the Company, regardless of their citizenship or nationality, Romanian or foreign, in compliance with the requirements of the Articles of Incorporation and those of the Corporate Governance established for the Premium Category companies.

Pursuant to Art. 12.1 from the Articles of Incorporation "the directors will be elected by the Ordinary General Meeting of Shareholders for a period of 4 years and their term of office may be renewed for a period decided by the Ordinary General Meeting of Shareholders".

The company has not concluded contracts (of mandate/adhesion) with the administrators, they expressly accepting the term of office by statement at the time of election by the General Meeting of Shareholders.

Directors may be revoked at any time by the decision of the Ordinary General Meeting of Shareholders, as there is no established notice period.

The remuneration package is structured in such a way that there is an appropriate balance between fixed and variable components. The right balance may vary depending on market conditions and the specific context in which the company operates. The various components of remuneration are combined to ensure an appropriate and balanced remuneration package that reflects the unity of the business, the rank in the company, the professional activity of the data subjects, as well as market practices.

a. Fixed (basic) remuneration allocated to directors

In case of Biofarm S.A., the remuneration level of the members of the Board of Directors is established by Art. 12.3 from the Articles of Incorporation.

The members of the Board of Directors receive for the activity carried out a fixed allowance granted monthly, in cash. The directors' remuneration represents 15% from the monthly remuneration established by the mandate contract for the General Manager.

The fixed monthly remuneration is granted on non-discretionary criteria, reflecting the level of professional experience and the responsibilities of the position, it cannot be reduced, suspended or cancelled without a decision of the General Meeting to modify the Articles of Incorporation of the Company.

b. Variable remuneration allocated to directors

The additional remuneration is a variable component of the remuneration, by which performance can be rewarded in meeting performance objectives.

Pursuant to the Company's Articles of Incorporation, the general limit of all additional remunerations of the members of the Board of Directors and Managers shall be approved on an annual basis by the General Meeting of Shareholders, upon establishing the income and expenses budget.

⁵ Presentation also in tabular format in the final part of the Policy



c. Performance assessment criteria

Performance assessment shall be realised within an appropriate environment to guarantee that the assessment process is based on performance and that the actual payment of the performance-dependent remuneration components is made over a period that takes into account the applicable Company policies.

The assessment of performance indicators considers both quantitative (financial indicators) and qualitative (non-financial indicators) approaches.

Regarding the financial performance, the following are taken into account:

- meeting the objectives/global performance of the company;
- establishing/getting involved in fulfilling the business strategy;
- reaching the net profit target, as well as the budget achieved during the respective

fiscal year;

- the general limits approved by the General Meeting of Shareholders;
- the special conditions of the relevant market for the Company's activity;
- avoiding taking risks considered excessive.

Regarding the non-financial performance, the following are taken into account:

- setting long-term goals;
- ensuring activity continuity;
- implementation and continuous improvement of the applicable policies at the company level;
- contribution to the company's performance through the decisions made;

The allocation of amounts representing variable remuneration takes into account present and future risks.

Upon establishing the general limit of all additional remunerations of the members of the Board of Directors and Managers, the General Meeting of Shareholders shall take into account, based on the information presented in the Annual Reports, the fulfilment of the duties of the position, the fulfilment of the annual budget, the degree of participation in the meetings of the Board of Directors and the overall performance of the Issuer.

The allocation of the amounts may be delegated to the Board of Directors in compliance with the general limit of all additional remunerations annually approved by the decision of the General Meeting of Shareholders/by the Articles of Incorporation.

** No cases were identified in which the additional remuneration could not be paid due to the lack of fulfilment of the vesting criteria.*

Partial payments

If the term of office of a director does not extend during an entire financial year (e.g.: temporary appointment on a vacancy or termination of the term of office from waiver/resignation or with the parties' agreement), the additional remuneration will take into account the principle of proportionality with the period during which the person worked within the Company and the fulfilment of the established objectives, the director being entitled to the payment of an additional remuneration, considering the general limit established by the General Meeting of Shareholders.

The persons revoked from office, for whom the Company may request personal liability, shall not benefit from additional remuneration for the period between the last discharge and the time of revocation of the term of office, and if it has been paid, the Company reserves the right of recovery.

In exceptional circumstances, the Board of Directors may request the General Meeting of Shareholders to approve the postponement of the payment of additional remuneration, if this has already been approved.



Right of recovery

The company reserves the right to request the recovery (by refund or reduction) of the amounts paid as additional remuneration already allocated if they have been paid, if the general limits established by the General Assembly have been violated.

The Company may also exercise this right if it suffers significant reputational damage or a significant decrease in the financial performance, as well as if the additional remuneration was granted on the basis of erroneous or false data, misstatement of accounts, material errors etc. The amounts are subject to recovery if the Company proves that the irregularities were known or, in the existing circumstances, should have been known by the leaders at the time of payment of the additional remuneration.

The company may exercise the right of recovery of additional remunerations within the legal term, and if it is not provided, within the general statute of limitations applicable in Romania.

2. Company Managers

Currently, the only Manager appointed within the meaning given by Art. 143 of Law 31/1990 republished, and namely, the person to whom the management responsibilities of the company have been delegated by the Board of Directors, is the General Manager.

If the Company will also appoint a Deputy General Manager, the provisions of this Policy shall apply to it accordingly.

The Board of Directors has, among its attributions, the appointment and revocation of the General Manager, as well as the establishment of his remuneration and any other advantages thereof.

a. Fixed (basic) remuneration

The General Manager carries out its activity based on a mandate contract concluded with the Company and approved by the Board of Directors, whose duration is of 3 (three) years, with the possibility of extension by addendum.

Upon establishing the fixed remuneration, the value related to the work and the professional experience specific to the position were taken into account, so as to ensure an adequate and responsible remuneration, which would ensure the increase of performances, for the purpose of increasing the company's value.

The level of remunerations practiced in the pharmaceutical industry field may also be taken into account in determining remunerations, in order to ensure competitiveness in the labour market and to be able to attract and retain highly qualified personnel.

The fixed component of the remuneration is established by considering sound economic principles, taking into account the nature and complexity of the activities carried out by the respective person, as well as the competencies and responsibilities assumed by holding that management position.

b. Variable remuneration

The General Manager may also receive a variable remuneration, granted depending on the fulfilment and/or exceeding the performance criteria and the indicators established by the business plan, which reflects both the individual performance and the general results of the Company.

The evaluation of individual performances is based on an annual analysis/examination of the fulfilment of the performance objectives assumed by the Board of Directors.

The allocation of the amounts may be delegated to the Board of Directors in compliance with the general limit of all additional remunerations annually approved by the decision of the General Meeting of Shareholders/by the Articles of Incorporation.



c. Other benefits

The mandate contract contains provisions regarding the termination conditions, exclusivity and non-compete clauses.

The General Manager shall conclude a professional civil liability insurance contract.

Payments or ancillary allowances that are part of the Company's overall, general and non-discretionary policy and which do not have any incentive effects in terms of risk-taking (e.g. access to mobile telephony, medical service subscriptions, holiday bonuses and the like), are excluded from the definition of remuneration in this Policy.

3. Other benefits applicable to leaders⁶

Pursuant to the provisions of the Articles of Incorporation, the company is entitled to insure directors and managers by the registration of expenses of up to Eur 20,000 per year.

The company does not have a set plan regarding the granting of shares or other financial instruments to the Management or employees.

In cases where the persons covered by this Policy also hold shares issued by the Company, the payment of their rights arising from the status of shareholder are not considered remuneration and are not subject to the rules regarding the remuneration of leaders.

⁶ Pursuant to art. 92¹ para. 8 of Law 24/2017 other benefits are "all bonuses and other benefits in any form that may be granted to leaders"



Table – remuneration afferent to the members of the Board of Directors

Type of remuneration	Component	Purpose	Implementation	Form	Opportunities and refund
Fixed remuneration	Remuneration	Attraction and retention	Based on the Leader's role and abilities	Cash (monthly payment)	-
Variable remuneration	Short-term incentive plan	To align management interest with the short-term performance of the company and the interests of shareholders	<p>Maximum threshold established by the decision of the General Meeting of Shareholders, depending on the achievements. It will be established by the GMS in relation to the profit before tax.</p> <p>To meet the net profit target (versus budget):</p> <ol style="list-style-type: none"> 100% payment if the indicator is met in a proportion of $\geq 95\%$ <i>Pro rata</i> payment if the indicator is met in proportion of 85% - 94.99% 75% payment if the indicator is met in proportion of $<85\%$ 	Cash (monthly payment)	<p>Within the general limits approved by the GMS.</p> <p><i>The company reserves the right to recover the amounts in the cases provided in this Policy</i></p>
Other forms of remunerations	The company has the right to insure administrators, directors and managers by recording expenses of up to 20,000 Euro per year	Risk reduction	Insurance concluded by the company	Insurance and other benefits	-



Table – remuneration afferent to the General Manager

Type of remuneration	Component	Purpose	Implementation	Form	Opportunities and refund
Fixed remuneration	Remuneration	Attraction and retention	Based on the Manager's role and abilities	Cash (monthly payment)	-
Variable remuneration	Short-term incentive plan	To align management interest with the short-term performance of the company and the interests of shareholders	<p>The remuneration is established by the Mandate Contract, as follows:</p> <ol style="list-style-type: none"> 1. To meet the net profit target (versus budget): <ol style="list-style-type: none"> a. 100% payment if the indicator is met in a proportion of $\geq 95\%$ b. 90% payment if the indicator is met in proportion of 90% - 94.99% c. 75% payment if the indicator is met in proportion of 85% - 89.99% 2. Variable bonus, in the amount of 2% of the amount by which the gross annual profit realized exceeds the budgeted gross profit. 	Cash (monthly payment)	<p>Within the general limits approved by the GMS.</p> <p><i>The company reserves the right to recover the amounts in the cases provided in this Policy</i></p>
Other forms of remuneration	The company has the right to insure administrators, directors and managers by recording expenses of up to 20,000 Euro per year	Risk reduction	Insurance concluded by the company	Insurance and other benefits	-

