

## **POLICY OF BIOFARM S.A. ISSUER ON TRANSACTIONS WITH AFFILIATED PARTIES AND SIGNIFICANT TRANSACTIONS**

### **I. TRANSACTIONS WITH AFFILIATED PARTIES**

#### **GENERAL FRAMEWORK**

BIOFARM S.A. adopts this policy on transactions with affiliated parties, in its capacity of company whose securities are traded on the regulated market through the B.S.E. operator, in compliance with the requirements of the Corporate Governance Code of the Bucharest Stock Exchange, Section B.

This policy is drafted based on the following legal provisions:

- International Accounting Standard 24 "Presentation of information regarding affiliated parties ("IAS 24") revised, approved by EU Regulation No. 632/20.07.2010;
- Law No. 227/2015 on the Tax Code, as further amended and supplemented;
- Law No. 24/2017 on issuers of financial instruments and market operations, republished;
- The F.S.A. Regulation No. 5/2018 on issuers of financial instruments and market operations;
- Corporate Governance Code of the Bucharest Stock Exchange.

#### **OBJECTIVE**

The Company (reporting entity) shall make sure that all transactions with affiliated parties are judged in a manner that ensures independence and protection of the Company's interests, in compliance with the restrictions comprised in the legislation and disclosed in a correct manner to shareholders and potential investors.

#### **DEFINITIONS**

Pursuant to art. 9 of the International Accounting Standard 24, an << **affiliated party is a person or an entity that is affiliated to the entity preparing its financial statements.**

(a) A person or close member of the person's family is affiliated to a reporting entity if the respective person:

- (i) holds control or joint control over the reporting entity;
- (ii) has a significant influence over the reporting entity; or
- (iii) is part of the key-personnel from the management of the reporting entity or from the management of a parent-company of the reporting entity.

(b) An entity is affiliated to a reporting entity if it meets one of the following conditions:

- (i) the entity and the reporting entity are part of the same group (which means that each parent-company, subsidiary or subsidiary-member is affiliated with the other entities);
- (ii) an entity is an associated entity or a joint venture of the other entity (or an associated entity or a joint venture of an entity that is member of a group to which the other entity belongs);
- (iii) both entities are joint ventures of the same third party;
- (iv) an entity is a joint venture of a third party, and the other entity is an entity associated to the third party;
- (v) the entity is a plan of post-employment benefits for the benefit of employees of the reporting entity or of an entity affiliated to the reporting entity. If the reporting entity itself is such a plan, employers financing the plan are, also, affiliated to the reporting entity;
- (vi) the entity is controlled or jointly controlled by a person defined in point (a);



- (vii) a person identified in point 9 (a)(i) (respectively holds control or joint control over the reporting entity) has a significant influence over the entity or is part of the key-personnel from the entity management (or from the management of a parent-company of the entity).

**A transaction with an affiliated party represents a transfer of resources, services or obligations between a reporting entity and an affiliated party, whether or not a price is charged.**

The close members of the person's family are those members of the family from whom they can be expected to influence or be influenced by that person in their relationship with the entity. Among them, there are the following:

- (a) children, spouse or life partner of the respective person;
- (b) the children of the spouse or life partner of the respective person; and
- (c) persons in the care of the respective person or the spouse or life partner of that person.

**Compensation includes all employee benefits** (according to the definition from IAS 19 Employees' benefits), including the employees' benefits to which IFRS 2 is applied: Payment is based on shares. Employees' benefits represent all forms of paid counterperformances, to be paid or offered by the entity or on behalf of the entity, in exchange for the services brought to the entity. This also includes counterperformances paid on behalf of a parent-company of the entity in relation to the entity.

The counterperformance includes:

- (a) **short-term benefits of employees**, such as weekly payments, salaries and social contributions, paid annual leave and paid medical leave, contribution to profit and premiums (if paid within twelve months of the end of the period), as well as non-monetary benefits (such as medical assistance, accommodation, cars, as well as free or subsidized goods or services) for current employees;
- (b) **post-employment benefits**, such as pensions, other retirement benefits, post-employment life insurances and post-employment medical assistance;
- (c) other long-term benefits of employees, which include **days off** for seniority, **studies leave, jubilees or other benefits** resulting from seniority, long-term **benefits-payments for invalidity** and, if they are not fully paid within twelve months from the end of the period, **contributions to profit, deferred premiums and compensations**;
- (d) **benefits for labour contract termination**; and
- (e) **payment based on shares.**>>

Also, according to art. 18 from the IAS 24 standard, in addition to the above requirements, **if an entity has relations with affiliated parties during the periods covered by the financial statements, it must present the nature of the relation with the affiliated parties, as well as the information with regard to the transactions and outstanding balances, including commitments**, necessary to users to understand the potential effect of the relation on financial statements. Information presentation must include at least:

- (a) the value of transactions;
- (b) the value of outstanding balances, including of commitments, and:
  - (i) their terms and conditions, including if they are guaranteed, and the nature of counterperformance to be settled; and
  - (ii) details on given or received guarantees;
- (c) provisions on doubtful debts afferent to the value of outstanding balances; and
- (d) expense recognized during the period in respect of non-recoverable or doubtful debts owed by affiliated parties.>>

<< **Control represents the capacity to control financial and operating policies of an entity to obtain benefits from its activities.** Joint control represents the shared control, agreed by contract, of an economic activity.



The key-personnel from the management are represented by those persons that have the authority and the responsibility to plan, manage and control the entity's activities, directly or indirectly, including any manager (executive or not) of the entity.

**The significant influence is the capacity to participate in making decisions on financial and operating policies of an entity**, without exercising control over them. The significant influence can be acquired by participation to capital, by by-law or by contract.

Considering each possible connection with the affiliated parties, the attention is directed based on this connection, and not only towards a legal form. >><sup>1</sup>

An affiliated party is a person or an entity which, by virtue of its position, of the authority, of contributions or of the relation with the Company, can directly or indirectly influence the decision-making process of the Company.

**Pursuant to Art. 7 point 26 from the Tax Code (Law 227/2015), the definition of the affiliated person is the following:** "one person is affiliated if its relationship with another person is defined by at least one of the following cases:

a) a natural person is affiliated with another natural person if they are spouses or relatives up to and including the 3<sup>rd</sup> degree;

b) a natural person is affiliated with a legal person if the natural person holds, directly or indirectly, including the holdings of affiliated persons, minimum 25% of the value/number of equity securities or voting rights of a legal person or if it actually controls the legal person;

c) a legal person is affiliated with another legal person if it holds at least, directly or indirectly, including the holdings of affiliated persons, minimum 25% from the value/number of equity securities or of the voting rights in the other legal person or if it actually controls that legal person;

d) a legal person is affiliated to another legal person if a person holds, directly or indirectly, including the holdings of its affiliated persons, minimum 25% from the value/number of equity securities or of the voting rights both in the first legal person, and in the second, or if it actually controls them;"

**Therefore, the affiliated parties are:**

1. **Directors;**
2. **Superior executive management**, which reports to the Board of Directors or to the General Manager or has significant authority to approve transactions.
3. **Affiliated companies** (e.g., parent-companies, holding companies of the parent-company, branches etc.)
4. **Significant shareholders;**
5. **The family members of the persons mentioned in points 1, 2 and 4 until the 3<sup>rd</sup> degree.**

**A transaction with an affiliated party is in essence a transaction that brings a financial benefit to an affiliated party.** The financial benefits can be obtained from various transactions such as investments, loans grants, purchases of assets or services contracts.

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<sup>1</sup> Art. 9 and 10, International Accounting Standard 24 "Presentation of information on affiliated parties ("IAS 24") revised, approved by the EU Regulation No. 632/20.07.2010.



Examples of transactions which are presented if they are performed with an affiliated party:

- (a) purchases or sales of goods (finished or not);
- (b) purchases or sales of real estates or other assets;
- (c) provision or receipt of services;
- (d) leasing contracts;
- (e) research and development transfers;
- (f) transfers under license contracts;
- (g) transfer within financing contracts (including loans and capital contributions in cash or in kind;
- (h) providing personal and real guarantees;
- (i) commitment to act if a certain event takes place or does not take place in the future, including enforceable contracts (recognised or non-recognised); and
- (j) settlement of liabilities on behalf of the entity or by the entity on behalf of the affiliated party.

Pursuant to Art. 27 from the IAS 24 standard, the issuer/reporting entity must consider the closeness of the relation with affiliated parties and other relevant factors to establish the level of importance of the transaction, for example if:

- (a) it is important in terms of size;
- (b) it is performed in other conditions than market conditions;
- (c) it is not part of the routine operations, such as buying or selling a business;
- (d) it is presented to the regulatory or supervisory authorities;
- (e) it is reported to the superior management;
- (f) it is subject to shareholders' approval.

## **PROCEDURES**

### **NOTIFICATION OF TRANSACTIONS WITH AFFILIATED PARTIES**

Directors and superior executive management must notify immediately the Company when they or their family members have a significant interest in a transaction with the Company.

The Board of Directors complies with the materiality thresholds for the exceeding of which, transactions with affiliated parties require prior consultation of the Board of Directors and/or of shareholders. In this respect, the Board of Directors shall be informed by the General Manager regarding all the transactions with affiliated parties for inclusion in the reporting regarding financial statements and other reporting, pursuant to the legislation in force.

The parties affiliated to the Undersigned periodically transmit to it information with their own holdings<sup>2</sup> in affiliated companies.

Affiliated parties with an interest in the transaction subject to analysis will not participate in discussions, deliberations or in the decision-making process on the respective transaction, in another way than to provide the required information directly requested to facilitate the decision-making process.

When deemed appropriate, one may request an independent external opinion to facilitate the analysis of transactions with affiliated parties. Such consultancy may, for example, have as object the assessment of the affiliated party's interest in the transaction or the establishment of the market value of assets that are the object of the transaction.

Transactions will be presented fairly to shareholders and potential investors, to the extent that these transactions are part of the category of events that must be made public.

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<sup>2</sup> The information will contain the structure and component of holdings over 25% in the share capital of their own affiliated parties.



The Board of Directors will assess the conflicts of interests related to the Company's transactions with affiliated parties. No shareholder can be granted with a preferential treatment as compared to the other shareholders regarding transactions and agreements concluded by the Company with shareholders and their affiliates.

The policy on transactions with affiliated parties is available on the [www.biofarm.ro](http://www.biofarm.ro) website, in the Corporate Governance/Relationship with Investors section, Policies subsection.

## **VERIFICATION OF TRANSACTIONS WITH AFFILIATED PARTIES**

### **BOARD OF DIRECTORS**

All transactions that are identified as transactions with affiliated parties must be analysed by the Board of Directors. The Board will consider all relevant factors in the analysis process of the transaction with affiliated parties.

No member of the Board of Directors that has a potential interest in any transaction with affiliated parties will participate in discussions on these transactions.

A transaction with affiliated parties which:

- (i) Is not an operation from the regular activity of the Company,
- or
- (ii) Is not done at a price that complies with the principle of transactions on an equal footing, will require an opinion from the Board of Directors.

The Board of Directors can offer a general opinion (omnibus) for the approval of transactions with affiliated parties that are repetitive by nature and subject to conditions/criteria and other such conditions, as it will consider necessary, in compliance with this policy and with the Company's interests. Such opinions for general approvals will be in force for a period that will not exceed one year and a new approval will be necessary after the expiry of the term of one year.

The Board of Directors will periodically review the details on transactions with affiliated parties realised by the Company following the opinions granted for general approvals. The Board of Directors is entitled to modify or to waive the application of procedural requirements of this policy.

Any new transaction with affiliated parties realised by the Company that is not the object of the opinion on general approval or because there was no prior opinion of the Council on this type of transaction will be forwarded to it to express its opinion.

In cases where a transaction with affiliated parties is transmitted to the Board of Directors for approval, when the transaction:

- (i) Is not an operation from the regular activity of the Company,
- or
- (ii) Is not done at a price that complies with the principle of transactions on an equal footing and it was decided to submit the transaction for the approval of the Board, in this case, the Board of Directors will consider invoices such as the nature of the transaction, material terms and conditions, the manner of establishing the price and the business reasons for which this transaction is realised.

Based on this analysis, the Board can approve the transaction or can request modifications of the terms of the transaction if it is considered necessary, depending on circumstances. Any member of the Board that has any interest in any transaction with affiliated parties will abstain from debates and from voting regarding the approval of the transaction with affiliated parties



According to Art. 11 (4) from the Tax Code: << **transactions between affiliated persons is realized according to the principle of market value.** Within a transaction, of a group of transactions between affiliated persons, tax bodies can adjust, if the principle of market value is not complied with, or can estimate, if the taxpayer makes available to the competent tax body the necessary data to establish whether the transfer prices practiced in the analysed situation comply with the market value principle, the income amount or of the expense afferent to the tax outcome of any of the affiliated parties based on the level of the central market trend. The adjustment/estimation procedure and the modality to establish the level of the central market trend, as well as the situations in which the tax authority can consider that a taxpayer did not provide the data necessary to establish the compliance with the principle for analysed transactions are established according to the Tax Procedure Code.

Upon the establishment of the market value of transactions carried out between affiliated persons, the most appropriate method from the following is used:

- a) method of comparing prices;
- b) cost-plus method;
- c) resale price method;
- d) net margin method;
- e) profit sharing method;
- f) any other method recognised in the Guidelines on transfer prices issued by the Organisation for Economic Cooperation and Development for multinational companies and tax administrations, with further amendments/modifications and completions.>>

The directors' report contains the information specified in Annex 15 "Annual Report Model" from the F.S.A. Regulation No. 5/2018 on issuers of financial instruments and market operations, Section II point 4.1. letter d), respectively <<the list of persons affiliated to the issuer >>.

## **SHAREHOLDERS**

If a transaction with affiliated parties is:

- (i) a material transaction and subject of a decision of the General Meeting of Shareholders,
- or
- (iii) is not an operation from the regular activity of the Company, or is not done at a price that complies with the principle of transactions on an equal footing and exceeds the liability limits provided in the incident legislation,

the shareholders' approval will be necessary by a special decision. In such a case, the affiliated party will not vote in relation to the approval of this transaction with affiliated parties

## **II. SIGNIFICANT TRANSACTIONS**

### **GENERAL FRAMEWORK**

This policy is drafted based on the following legal provisions:

- Corporate Governance Code of the Bucharest Stock Exchange;
- (EU) Regulation No. 596/2014 of the European Parliament and of the Council
- Law No. 24/2017 on issuers of financial instruments and market operations, republished;
- Law No. 297/2004 on capital market;
- International Accounting Standard 24 "Presentation of information on affiliated parties ("IAS 24") revised, approved by EU Regulation No. 632/20.07.2010.



In section B of the Corporate Governance Code of BVB, point B.10, it is provided that: <<The Board Must adopt a policy by which to ensure that **any transaction of the company with any of the companies with whom it has close relationships, whose value is equal to or higher than 5% from the net assets of the company (according to the last financial report) is approved by the Board** following a compulsory opinion of the audit committee of the Board and **correctly disclosed to shareholders and potential investors**, to the extent that these transactions fall within the category of events that are the object of the reporting requirements>>.

## **CLOSE CONNECTIONS/CLOSE RELATIONSHIPS**

Pursuant to Art. 2 (1) of Law No. 297/2004 on capital market:

Point 16. <<**close connections - the situation in which two or more natural or legal persons are connected by:**

- a) **participation**, which means holding **directly or indirectly 20%** or more from the voting rights or from the share capital of a commercial company;
- b) **control**, which means the relation between the parent-company and a subsidiary or similar relationship between any natural or legal person and a commercial company; any subsidiary of a subsidiary will be considered a subsidiary of the parent-company, which is, in fact, the entity controlling these subsidiaries; it is also considered a close connection the situation in which two or more natural or legal persons are permanently connected to one and the same person through a control relationship>>.

Point 22 <<**involved persons:**

- a) persons who control or are controlled by an issuer or who are under joint control;
- b) persons who participate directly or indirectly in the conclusion of agreements with a view to obtaining or exercising joint voting rights, if the shares, which are the subject of the agreement, may confer a control position;
- c) natural persons within the issuing company who have management or control attributions;
- d) spouses, relatives and in-laws up to the 2<sup>nd</sup> degree of the natural persons mentioned in letters a) - c);
- e) persons who can appoint the majority of the members of the board of directors within an issuer.>>

Pursuant to Art. 2 (1) of Law No. 24/2017, republished, on issuers of financial instruments and market operations, the terms and phrases below have the following meanings:

Point 12. <<**group** - a parent-company and all its subsidiaries;>>

Point 26. <<**controlled person** – any legal person:

- a) in which a natural or a legal person holds the majority of voting rights or
- b) in which a natural or a legal person is entitled to appoint or to revoke the majority of the members of the administrative, management, or supervisory bodies, being, at the same time, a shareholder or an associate of the concerned person, or
- c) in which a natural or a legal person is a shareholder or an associate and controls alone, by virtue of an agreement concluded with other shareholders or associates of the concerned person, the majority of voting rights of shareholders or of associates or
- d) on which a natural or a legal person has the power to exercise or actually exercises a dominant influence or control>>.



## COMPANY'S NET ASSET

**The net accounting asset** is a basic indicator of the financial analysis and is used at the estimation of the value of an enterprise. It is calculated as "assets" minus "debts" and is the amount which shareholders/associates would receive in case of liquidation.

According to the principles of the free market, transactions must be carried out under normal market terms and conditions. Transactions with persons with close connections/relations represent a normal characteristic of trade and business. In these cases, the entity has the capacity to influence financial and operating policies of the entity in which it was invested by the presence of control, joint control or significant influence.

These relations can have an effect on the profit or loss and on the financial position of the entity.

Parties with close relationships can conclude transactions which the others would not conclude. For example, an entity that sells to the parent-company goods at cost might not sell under the same conditions to another client. Also, transactions between parties with close relationships can be done to different values than those carried out by the other parties.

Considering these reasons, knowing transactions, outstanding balances, including commitments and relations with parties with close relationships of an entity may affect the assessments of its activity by the users of financial statements, including the assessments of risks and opportunities faced by the entity.

Examples of transactions that are subject to this policy are the same presented above, according to point 21 of IAS 24 revised.

In the context of this policy and those provided by the International Accounting Standard 24, Point 11, the following **are not affiliated parties**:

- <<(a) two entities only because they have in common a manager or another member of the key-personnel from the management or because a member of the key-personnel from the management of one of the entity has a significant influence over the other entity;
- (b) two associates only because they exercise joint control over a joint venture;
- (c) (i) financiers;  
(ii) unions;  
(iii) public services, and  
(iv) governmental departments and agencies that do not control, do not jointly control or have a significant influence over the reporting entity; only by virtue of regular relations which they have with an entity (although they can affect the freedom of action of the entity or to participate in the decision-making process within the entity);
- (d) a client, a provider, a franchiser, a distributor or a general agent with whom the entity realises a significant volume of transactions, only by virtue of the resulted economic dependency.>>

In order to determine the level of detailing that will be used at the presentation of the information in a correct and transparent manner to shareholders and potential investors, BIOFARM S.A. will consider the degree of closeness with the parties with close relationships and other relevant factors for establishing the level of importance of the transaction, such as if it is:

- (a) significant from the point of view of volume;
- (b) carried out under conditions that are outside the market;
- (c) outside the normal daily activities of an entity, such as buying and selling activities;
- (d) presented to regulatory or supervisory authorities;
- (e) reported to the superior management;
- (f) subject to shareholders' approval.





In order to allow the users of financial statements to form an opinion regarding the effects of the relations of an entity with the parties with close relationships, the presentation of the relation with them is appropriate when there is control, regardless whether there were or not transactions between these parties.

## **REQUIREMENTS FOR REPORTING SIGNIFICANT TRANSACTIONS**

Regarding significant transactions, Art. 108 of Law No. 24/2017 on issuers of financial instruments and market operations provides the following obligations:

**The issuers** publicly announce, by drawing up and publishing a report, **the significant transactions** with affiliated parties, following their approval according to para. (8) and **at the latest at the time of their conclusion**.

The report shall include at least information regarding the nature of the relationship with the affiliated party, the name of the affiliated party, the date and nature of the transaction, the description of its object, the value of the transaction, the mutual debts, guarantees established, payment terms and conditions, as appropriate, as well as any other essential information necessary to determine the effects of the respective transaction on the financial situation of the company, respectively to assess the economic fairness of the transaction from the perspective of the issuer and of shareholders who are not an affiliated party, including of minority shareholders.

By "**significant transaction**" one understands **any transfer of resources, services or obligations**, whether or not it involves the payment of a price, **whose** individual or cumulative **value represents more than 5% from the net assets of the issuer**, according to the latest individual financial reports published by the issuer.

If the issuer concludes significant transactions, its interests are complied with, in relation to the offers of the same type existing on the market.

If significant transactions were concluded, at the end of each semester, the financial auditor/audit company analyses the transactions reported during the respective semester and drafts, within maximum 30 days from the end of the reporting period, a report in which it assesses whether the transaction is correct and justified from the point of view of the issuer and of shareholders which are not an affiliated party, including of minority shareholders and explains the assumptions on which it is based and the methods used. The report specifies, in the applicable cases, including whether the price afferent to the transaction, corroborated with the rights and obligations assumed by the parties, is correct in relation to the other offers existing on the market. If transactions are not realised at the market price, the causes that led to this derogation and the policies for establishing the price shall be specified.

Within maximum 24 hours of receiving the report from the financial auditor/audit firm, **the issuer drafts, publishes and transmits to the F.S.A. and to the market operator a report**, having the form established by the F.S.A. regulations, by which it submits, for publication, the report prepared by the financial auditor/audit firm.

**Significant transactions with affiliated parties are approved by the Board of Directors** or by the supervisory board of the issuer, in compliance with the procedures preventing an affiliated party from taking advantage of its position and which provide appropriate protection of the issuer's and shareholders' interests which are not affiliated parties, including of minority shareholders. The affiliated party cannot participate in the approval, respectively in the vote of



the significant transaction involving the respective affiliated party, under the sanction of nullity, by court decision, of the decision made in breach of this interdiction.

The issuers apply legal requirements including in the case of transactions carried out during the normal performance of the activity and concluded under normal market conditions. The above requirements are not applicable in the case of the following transactions:

- a) transactions regarding the remuneration of managers or certain elements of their remuneration, granted or due in accordance with art. 106 of Law No. 24/2017, republished;
- b) transactions carried out by credit institutions on the basis of measures aimed at guaranteeing their stability, adopted by the competent authority responsible for prudential supervision within the meaning of European Union legislation;
- c) transactions offered to all shareholders under the same conditions, in the case of which equal treatment of all shareholders and the protection of the issuer's interests are ensured;
- d)\* transactions for which the law imposes their approval by the extraordinary general meeting of shareholders, provided that, in the case of their conclusion, the fair treatment of all shareholders is ensured and the interests of the issuer and of all shareholders that are not an affiliated party, including of minority shareholders, are complied with.

\* On the date of registration on the agenda of the extraordinary general meeting of shareholders provided in letter d) of the approval of a significant transaction, the Board of Directors, respectively the issuer's directorship is obliged to present shareholders, for information, a report by which it specifies the manner in which the respective transactions comply with the conditions provided in para. (10) letter d).

Issuers publicly announce, by preparing and publishing a report, the significant transactions concluded between the affiliated party of the issuer and the subsidiary of the respective issuer, at the latest within 24 hours from their conclusion, in compliance with the requirements of Art. 108 para. (9) and (10) of Law 24/2017.

Transactions with the same affiliated party that were concluded in any 12-month period or within the same financial year and that were not subject to reporting obligations (provided in para. (1), (2) and (4)-(8) Art. 108 of Law 24/2017, republished) are cumulated within the meaning of those paragraphs. **If the 5% threshold is exceeded following the cumulation of transactions with the same affiliated party**, transactions that have already been concluded and that, individually or cumulatively, did not meet the requirement provided in para. (3) (namely to be significant transactions) **are made public together with the transaction/transactions to be concluded** and made public according to para. (1), **as a result of exceeding the 5% threshold, individually or as a result of cumulation with the aforementioned transactions, already concluded.**

The provisions regarding the reporting of significant transactions are without prejudice to the rules on the publication of inside information provided for in Article 17 of Regulation (EU) 596/2014 ("inside information which directly refers to the issuer").



## WORK MANNER

1. The General Manager will inform the Board of Directors and the persons with liabilities in the approval and signing of contracts, the entities that meet the criteria from the above definitions.
2. Quarterly, the accounting determines the value of 5% from the net assets of the entity, calculated based on the financial reports presented on BIOFARM website. This value is communicated to the management and to the Board of Directors in order to be considered at the signing of contracts with natural/legal persons that, according to the definition, fall within the category of affiliated persons.
3. Significant transactions **will be brought to the knowledge of the Board of Directors by the General Manager, in lack of a constituted Audit Committee, in order to be approved, before the time of their conclusion.** Any member of the Board that has any interest in any transaction of this type will abstain from debates and will not vote regarding the approval of the respective transaction. They must be analysed before the approval, considering: the complexity, unusual commercial terms such as prices, interests, guarantees, unusual repayment terms, economic reasons, accounting mode etc..
4. BIOFARM will thus identify, explain and present the relations and transactions with the affiliated parties, shall authorise and approve transactions and agreements with significant value to those that may exceed, individually or cumulatively, a percentage of 5% of the company's net assets, and shall draft the reports provided by the law, without exceeding the applicable deadlines.
5. Any employee that is aware of the existence of significant transactions with parties with close relationships will have to make them known to the General Manager/Audit Committee in order to be subject to the approval of the Board of Directors.

## TRANSACTIONS CARRIED OUT BY THE MANAGEMENT PERSONNEL

Pursuant to Art. 3 of the (EU) Regulation No. 596/2014 of the European Parliament and of the Council:

- Point 25: "**person exercising management responsibilities**" means a person within an issuer, of a participant in the emissions trading market or of another entity referred to in Article 19 (10), who is:
  - (a) a high level responsible that is not a member of the bodies mentioned in letter (a), which has regular access to inside information with direct or indirect reference to the respective entity, as well as the competence to make management decisions regarding the future evolution and the business strategy of the respective entity>>
- Point 26: "**person who has a close connection**" means:
  - (a) husband/wife, or partner equivalent to the husband/wife in compliance with the national law;
  - (b) a child a dependent child in accordance with national law;
  - (c) a relative who at the time of the transaction concerned lived in the same dwelling for at least one year; or
  - (d) a legal person, a trust or partnership whose management responsibilities are exercised by a person exercising management responsibilities or a person referred to in points (a), (b) or (c), who is directly or indirectly controlled by this person, which was established for the benefit of the respective person or whose economic interests are substantially equivalent to those of the respective person".

**Persons exercising management responsibilities, as well as the persons who have a close connection with them notify the issuer or the market participant and the competent authority regarding each transaction carried out on their behalf in connection with the issuer's shares.**

Notifications are done promptly and no later than three business days from the transaction date.



The notification to the issuer and to the F.S.A. is done when own transactions exceed the value of EUR 5,000 during a calendar year (the calculated value summing up without compensation all the transactions performed), pursuant to Art. 19 (8) from the (EU) Regulation No. 596/2014 of the European Parliament and of the Council.

Pursuant to the provisions of Art. 19 (3) from the (EU) Regulation No. 596/2014, the Issuer must publish the information notified within two working days from the receipt of the respective notification. BIOFARM S.A. makes public the information including on its own website in the section dedicated to notified transactions.

The issuer has the obligation to notify in writing the person exercising management responsibilities in relation to its obligations, pursuant to Art. 19 para. (5) from the EU Regulation No. 596/2014 and to draft a **list with all the persons with management responsibilities and of the persons in close relationships with them.**

#### **Prohibition of trading in closed periods**

A person exercising managerial responsibilities within an issuer does not conduct any transaction on his or her own behalf or on behalf of a third party, directly or indirectly, related to the issuer's securities or debt securities or derivative or other financial instruments related thereto, during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end financial report that the issuer is obliged to publish.

#### **CONCLUSIONS**

This Policy is applicable to the entire BIOFARM S.A. personnel, in all activities carried out in the process of analysing and approving transactions with affiliated parties at the level or on behalf of the Company.

**The provisions of this Policy do not represent derogations from the legal provisions in force, the Personnel having the obligation to respect the applicable law in case of inconsistencies between the legal provisions and those of this Policy.**

BIOFARM S.A. elaborated this Policy that is posted on the company website [www.biofarm.ro](http://www.biofarm.ro) at the Corporate Governance/Relationship with Investors – subsection <<Policies>>. The purpose of its adoption is to ensure transparency, the rights of shareholders and third parties as well as the credibility of the company, and at the same time to comply with the requirements imposed by the Corporate Governance Code of the Bucharest Stock Exchange.

BIOFARM S.A. will permanently improve the activity of Corporate Governance and will seek to fulfil all applicable legal provisions in the future.

**BIOFARM S.A. Company**  
**Chairman of the Board of Directors**  
**Hrebenciuc Andrei**

