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CONFORMITY STATEMENT FOR THE YEAR OF 2018

Provisions of the Corporate Governance Code	Compliant	Not compliant or partially compliant	Reason for nonconformity
A.1 All companies must have an internal regulation of the Board that includes the reference terms and the responsibilities of the Board and the key management functions of the company, and which apply, among others, the general principles from Section A.	YES		
A.2 The provisions for the management of the conflicts of interest must be included in the regulation of the Board. In any case, the members of the Board must notify the Board with regard to any conflicts of interests that occurred or may occur and to refrain from participating in discussions (including by failure to be present, except for the case in which the failure to be present would prevent quorum formation) and from the vote for the adoption of a decision regarding the matter giving rise to the respective conflict of interests.	YES		
A.3 The Board of Directors must be composed of at least five members.	YES		
A.4 Most of the members of the Board of Directors must not have an executive position. In the case of companies from the Premium Category, not less than two non-executive members of the Board of Directors must be independent. Each independent member of the Board of Directors must submit a statement at the time of his/her nomination for the election or re-election, as well as when any change of status occurs or, indicating the elements based on which he/she is considered to be independent from the point of view of his/her character and judgment.		PARTIALLY COMPLIANT	Most of the members of the Board of Directors are non-executive directors. Currently, there are no independent directors. Directors were appointed in the position by the General Meeting of Shareholders, respectively (for a provisional member) the Board of Directors until its confirmation in position by the GMS.
A.5 Other engagements and professional obligations relatively permanent of a member of the Board, including executive and non-executive positions within the Board of companies and non-profit institutions, must be disclosed to shareholders and potential investors before nomination and during his/her mandate.	YES		
A.6 Any member of the Board must submit to the Board information regarding any report with a shareholder that directly or indirectly holds shares representing over 5% from all voting rights. This obligation refers to any type of report that may affect the position of the member with regard to matters decided by the Board.	YES		
A.7 The company must appoint a secretary of the Board responsible for supporting the Board's activity.	YES		



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A.8 The statement regarding corporate governance will inform whether an evaluation of the Board took place under the management of the Chairman or of the nomination committee and, if yes, it will summarize the key measures and the resulting changes. The company must have a policy/guide on the evaluation of the Board comprising the purpose, the criteria and the frequency of the evaluation process.		NO	The company is going to draft a policy/guide on the evaluation of the Board comprising the purpose, criteria and frequency of the evaluation process.
A.9 The statement regarding the corporate governance must contain information regarding the number of meetings of the Board and the committees during the last year, the participation of directors (in person and in absence) and a report of the Board and of the committees with regard to their activities.	YES		
A.10 The statement regarding the corporate governance must comprise information regarding the exact number of independent members from the Board of Directors or from the Supervisory Board.	YES		
A.11 The Board of companies from the Premium Category must establish a nomination committee composed of non-executive members, which will lead the procedure of nominations by new members in the Board and will make recommendations to the Board. Most of the members of the nomination board must be independent.		NO	Currently, there is no Nomination committee established. To the extent of meeting the conditions and the occurrence of the existence necessity, it will be constituted.
B.1 The Board must establish an audit committee in which at least one member must be an independent non-executive director. Most members, including the Chairman, must have proven to have appropriate qualification, relevant for the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. In the case of companies from the Premium Category, the audit committee must be composed of at least three members and most of the audit committee members must be independent.		NO	Currently, there is no Audit committee constituted. To the extent of meeting the conditions it will be constituted .
B.2 The chairman of the audit committee must be an independent non-executive member.		NO	See the explanation in point B.1
B.3 Within his/her responsibilities, the audit committee must carry out an annual evaluation of the internal control system.		NO	
B.4 The evaluation must take into account the effectiveness and the scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board audit committee, the promptness and effectiveness with which executive management addresses the deficiencies or weaknesses identified as a result of internal control and the submission of relevant reports to the Board's attention.		NO	
B.5 The audit committee must evaluate the conflicts of interests in relation to the transactions of the company and its subsidiaries with affiliated parties.		NO	See the explanation in point B.1



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B.6 The audit committee must evaluate the effectiveness of the internal control system and of the risk management system.		NO	
B.7 The audit committee must monitor the application of generally accepted legal standards and internal audit standards. The audit committee must receive and evaluate the reports of the internal audit team.		NO	
B.8 Whenever the Code mentions reports, or analyses initiated by the Audit Committee, they are followed by periodical reports (at least annually) or ad-hoc that must be subsequently submitted to the Board.		NO	
B.9 No shareholder may be granted preferential treatment as compared to other shareholders in relation with transactions or agreements concluded by the company with shareholders or their affiliates.		PARTIALLY COMPLIANT	Biofarm S.A. does not have a policy regarding transactions with affiliated parties. However, the recommendation of the Corporate Governance Code of BSE is complied with.
B.10 The Board must adopt a policy by which to ensure that any transaction of the company with any of the companies with which it has tight relations whose value is equal to or greater than 5% from the net assets of the company (according to the latest financial report) is approved by the Board following a mandatory 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 reporting requirements.		NO	The policy is about to be elaborated.
B.11 Internal audits must be carried out by a structurally separated division (internal audit department) within the company or by employing an independent third entity.	YES		
B.12 For the purpose of ensuring the fulfilment of the main functions of the internal audit department, it must report from the functional point of view to the Board through the audit committee. For administrative purposes and within the obligations of the management to monitor and reduce risks, it must report directly to the general manager.		PARTIALLY COMPLIANT	The internal auditor reports directly to the Board of Directors and to the General Manager, as no Audit Committee is constituted.
C.1 The company must publish on its website the remuneration policy and include in the annual report a statement regarding the implementation of the remuneration policy during the annual period that is the object of the analysis.		PARTIALLY COMPLIANT	The company drafted a remuneration policy.
D.1 The company must organise an Investors Relations service – being indicated to the general public the person or the persons responsible or the organisational unit. Apart from the information imposed by the legal provisions, the company must include on its website a section dedicated to Investors Relations, in Romanian and English languages, with the entire relevant interest information for investors, including:	YES		



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D.1.1 The main corporative regulations: articles of incorporation, procedures regarding the general meetings of shareholders;	YES		
D.1.2 The professional CVs of the members of the management bodies of the company, other professional commitments of Board members, including executive and non-executive positions in boards of directors from companies or non-profit institutions;	YES		
D.1.3 Current reports and periodical reports (quarterly, half-yearly and annual) – at least those provided in point D.8 – including current reports with detailed information regarding the nonconformity with the Code;	YES		
D.1.4 Information regarding the general meetings of shareholders: agenda and informative materials; procedure for the election of Board members; arguments supporting the proposals of candidates for election in the Board, together with their professional CVs; the questions of shareholders with regard to the items on the agenda and answers of the company, including the adopted decisions;	YES		
D.1.5 The information regarding corporative events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquiring or limitation of the rights of a shareholder, including the deadlines and the principles applied to these operations. The respective information will be published within a deadline that allows the investors to adopt investment decisions;	YES		
D.1.6 The contact name and data of a person that will be able to provide, upon request, relevant information;	YES		
D.1.7 Company's presentations (e.g., presentations for investors, presentations regarding quarterly results etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	YES		
D.2 The company will have a policy regarding the annual distribution of dividends or other benefits to shareholders, proposed by the General Manager or by the Directorship and adopted by the Board, under the form of a set of guidelines which the company intends to follow with regard to the distribution of the net profit. The principles of the annual distribution policy towards shareholders will be published on the company's website.	YES		
D.3 The company will adopt a policy in relation with the forecasts, whether they are made public or not. Forecasts refer to quantified conclusions of studies aiming at establishing the global impact of a number of factors regarding a future period (so-called hypotheses): by its nature, this projection has a high level of incertitude, the effective results being able to differ significantly from the forecasts initially presented. The policy regarding the forecasts will establish the frequency, the period considered and the content of forecasts.	YES		



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If published, the forecasts can be included only in annual, half-yearly or quarterly reports. The policy regarding the forecasts will be published on the website of the company.			
D.4 The rules of the general meetings of shareholders must not limit the participation of shareholders to general meetings and the exercise of their rights. The modifications of rules will enter into force, at the earliest, starting with the next meeting of shareholders.	YES		
D.5 External auditors will be present at the general meeting of shareholders when their reports are presented within these meetings.	YES		
D.6 The Board will present to the annual general meeting of shareholders a brief appreciation on the internal control and significant risk management systems, as well as opinions on matters submitted to the decision general meeting.	YES		
D.7 Any specialist, consultant, expert or financial analyst may attend the meeting of shareholders based on a prior invitation from the Board. Accredited journalists can also attend the general meeting of shareholders, except for the case in which the Chairman of the Board decides otherwise.	YES		
D.8 Quarterly and half-yearly financial reports will include information both in Romanian and in English language regarding the key factors that influence modifications at the level of sales, of operational profit, net profit and other relevant financial indicators, both from a quarter to another, and from one year to another.		PARTIALLY COMPLIANT	The information is presented in the half-yearly and annual financial reports.
D.9 A company will organise at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investors relations section of the company's website on the date of meetings/teleconferences.		NO	The possibility of organising such corporate events will be evaluated in relation with the requests coming from investors.
D.10 If a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the company's innovative and competitive nature are part of its development mission and strategy, it will publish the policy with regard to its activity in this field.		NO	Such a policy is not imposed at this moment. To the extent that it will be considered that these activities have an impact on the company's innovative and competitive nature, part of its development mission and strategy, the policy will be elaborated.

Chairman of the Board of Directors
Andrei Hrebenciuc