



AmCham Romania

Code of Corporate Governance

2025

Table of contents

Preamble	III
I. The Shareholders and General Meetings of Shareholders.....	1
1. Shareholders' rights	1
1.1. Basic shareholders' rights.....	1
1.2. The right to information	1
1.3. The disclosure of material information	2
1.4. Shareholders Agreements.....	2
1.5. The fair and equitable treatment of shareholders.....	2
2. Organization of the general meetings of shareholders	3
II. General Provisions Regarding the Governance of the Company	4
1. Composition of the boards.....	4
2. Appointment of the board members	4
3. General duties and functions of the boards	4
4. Conflicts of interest	5
5. Independence	6
6. Organization of boards' meetings	6
7. Remuneration.....	7
8. Consultative Committees	7
8.1. Nomination Committee	8
8.2. Remuneration Committee	8
8.3. Audit Committee	9
III. Specific Provisions Regarding the One-Tier Management System	10
1. Board of Directors	10
1.1. Scope and Objectives	10
1.2. Duties and Functions of the Board of Directors.....	10
2. Management	10
2.1. Appointment and Performance Review.....	10
2.2. Management Duties and Functions	11
IV. Specific Provisions Regarding the Two-Tier Management System	12
1. Management Board	12
2. Supervisory Board.....	12
2.1. Role and Attributions.....	12
2.2. Remuneration.....	13
V. Accountability and Audit.....	14
1. Financial reporting	14
2. Internal Control.....	14
3. Auditors	15
3.1. The external auditor	15
3.2. The internal auditors	16
3.3. Risk Management Systems.....	16
3.4. Compliance Controls.....	17
3.5. Monitoring and Review Responsibilities for the Audit Committee	19
Appendix regarding independence	20

Preamble

The American Chamber of Commerce in Romania (AmCham Romania) Code of Corporate Governance (hereinafter the "Code") was drafted with the aim to provide guidance to Romanian joint-stock companies in their day-to-day management, as well as in the relationship between the various corporate bodies, the shareholders and other stakeholders and establish best practices of supervision and accountability.

Based on the principles that good corporate governance requires, integrity, transparency of decision making and proper supervision, this Code establishes a set of principles and recommendations for joint-stock companies registered in Romania and members of AmCham Romania. Its aim is to cover principles in the Romanian legislation regarding companies, as well as to introduce new recommendations where the law is silent and, thus, source of doubts.

Apart from the Corporate Governance Code of the Bucharest Stock Exchange, this Code is among the first such initiatives in Romania, promoted by an organization with members having significant exposure to all fields of activity. It is one of the first initiatives to propose a body of good corporate governance principles to non-listed companies in Romania.

This Code proposes a best practice, mature system of "checks and balances" within a company. The checks would refer to proper and efficient supervision of the management, especially by the shareholders and auditors. The balances would refer to an appropriate distribution of power between the various corporate bodies. Overall, the aim is to have a corporate system which allows the safeguarding of the company's interest, while adding value to the shareholders and other stakeholders (employees, partners, local communities, etc.).

As each company has special features which differentiate it on the market, the Code is flexible enough as to allow each company to select those recommendations which are most suitable for its corporate and shareholding structure and its activity.

It is advisable that the companies follow the "comply or explain" approach, in the sense that in each annual report, the management should present to the shareholders the way the principles and recommendations in the Code are applied or the reasons for which it is considered that certain principles and/or recommendations should not apply for the respective company. The section on corporate governance in the annual report may be subject to shareholders' vote. If the shareholders do not approve exemption from the Code, it may mean that there is a certain pressure on the management to change the corporate system and apply specific recommendations from the code.

The Code is structured in a number of core principles and recommendations which reflect the widely accepted international "best practices" included in corporate governance codes of international organization (such as the Organization for Economic Cooperation and Development) and of most foreign states. The sections of the Code refer to shareholders' rights, the management structure, appointment, remuneration and rules for avoiding conflicts of interest, consultative committees, accountability and audit, both through internal control and external auditors.

The current structure of the Code is the result of the continuing work of AmCham Romania's Corporate Governance Committee starting with 2008, in the wake of the economic and financial turmoil which required reshaping most corporate structures. As experienced by western economies which developed corporate governance codes particularly after moments of turmoil (such as the Enron failure and the issues of conflicts

of interest in the United States or the disputes over transparency of remuneration and proper accountability in continental Europe, the Code intends to set up standards for fostering the efficiency of corporations in the ever-changing Romanian market.

Its first edition, launched in 2010, introduced a comprehensive set of good corporate governance principles for non-listed companies. Since then, the Romanian corporate landscape, the Bucharest Stock Exchange Code, and international standards – particularly those of the OECD – have evolved. This updated and modernized edition builds on that foundation, reflecting current best practices, regulatory developments, and lessons learned.

The modernized Code consolidates the original principles of integrity, transparency, and accountability, while also integrating contemporary approaches to corporate governance, including ESG considerations, risk management, and compliance with evolving EU and national regulations. It equips companies to operate efficiently, responsibly, and sustainably in today's dynamic business environment.

Although the Code aims to be of general guidance and not to establish strict requirements, it is to be considered as an evolving body of principles. The legislation may be amended, supplemented or changed during the coming years; therefore, certain provisions of this Code may have to be adapted as to be consistent with new regulations.

The AmCham Romania Corporate Governance Committee expresses its gratitude to everyone for their contributions and their interest and involvement in the subject.

I. The Shareholders and General Meetings of Shareholders

1. Shareholders' rights

1.1. Basic shareholders' rights

PRINCIPLE: The corporate governance framework should protect and facilitate the exercise of shareholders' rights.

Recommendations:

- 1.1.1. The basic shareholders' rights shall include at least the right to: (i) participate and vote in the general meeting of shareholders, including the right to propose resolutions on the agenda, subject to legal limitations (i.e. shareholding proportion, etc.), (ii) transfer of shares, (iii) obtain relevant information on the company's activity and annual/quarterly financial objectives/performances.
- 1.1.1. The following major issues should be subject to the general meeting of shareholders' prior approval: (i) spin off, mergers and takeover, (ii) change of the constitutive documents, e.g. change of the company's legal status, main object of activity, etc., (iii) election and removal of the members of the Board of Directors or of the Supervisory Board and auditors, (iv) change in the share capital, including capital increase connected with the exemption of pre-emptive rights of the existing shareholders (v) extraordinary and/or significant transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company.

1.2. The right to information

PRINCIPLE: The corporate governance framework should encourage active co-operation between management bodies and shareholders in creating the sustainability of financially sound enterprises and maximizing shareholder value in order to ensure an adequate return for shareholders.

Recommendations:

- 1.2.1. The shareholders shall have a right to information before the general meeting of shareholders takes place, to propose resolutions or ask for clarifications/questions in advance, when needed. Also, the shareholders are entitled to all requested information, unless this would be contrary to an overriding interest of the company. If such an overriding interest is invoked (e.g. information that may endanger the competitive position of the company), it should be further justified. The company may implement a procedure to regulate the disclosure of sensitive or confidential information to shareholders.
- 1.2.2. Reporting obligations of the relevant board towards the general meeting of shareholders (e.g. report of the board on the annual results, on the management of the company, etc.) should be observed.
- 1.2.3. The company may implement an "advisory vote" which would enable the shareholders to express their view on various aspects/topics that are not subject to the approval of the General Meeting of Shareholders.

1.3. The disclosure of material information

PRINCIPLE: The corporate governance framework should ensure the disclosure, in a timely and accurate manner, of all material matters regarding the financial situation, performance, ownership and governance of the company.

Recommendations

- 1.3.1. Companies, through their competent bodies, should disclose, in a timely and accurate manner, all relevant and important information to the shareholders, but at least the following main issues: (i) financial results and a clear corporate strategy, (ii) remuneration policy for the boards' members and key executives, (iii) members of the board should be required to disclose their interests in transactions or any other matters affecting the company, (iv) related parties transactions and special purposes vehicles, (v) sensitive stock related information, e.g. changes in thresholds, etc.
- 1.3.2. Good corporate governance requires that all material information should be publicly disclosed on the company's web site, at the company's headquarters, or at the shareholder's reasonable request, in accordance with the company's internal procedures.

1.4. Shareholders Agreements

PRINCIPLE: Shareholders Agreements may be executed among shareholders, supplemental to the company's constitutive documents, as far as they are consistent with the relevant legislation and constitutive documents.

Recommendation:

- Shareholders Agreements that enable certain shareholders to obtain a degree of control disproportionate to their equity should be disclosed to all shareholders.

1.5. The fair and equitable treatment of shareholders

- 1.5.1. "One share/one vote" principle

PRINCIPLE: All shareholders of the same series of a class are to be treated equally, under the same conditions.

Recommendations:

- 1.5.1.1. Good corporate governance requires that companies should follow the "one-share-one-vote" principle, meaning that each share carries the same voting right. Shareholders should have the right to vote at the general meetings pro rata to their contribution to the share capital, unless otherwise provided in the company's constitutive documents, in accordance with the law.
- 1.5.1.2. Investors should be able to obtain information about the rights attached to shares before they purchase.
- 1.5.1.3. Any changes in voting rights should be subject to approval by the general meeting of shareholders.
- 1.5.2. Protection of minority shareholders

PRINCIPLE: Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting directly or indirectly.

Recommendation:

- Protection may have the form, without limitation, of: (1) disclosure of information, (2) qualified majority for certain decisions, (3) preemption rights, etc.

2. Organization of the general meetings of shareholders

PRINCIPLE: All the shareholders have the right to be convened to the general meeting of shareholders.

Recommendations:

- 2.1. The company's constitutive documents should include appropriate dispositions so as to encourage the participation of all shareholders to the general meeting of shareholders.
- 2.2. Calling the general meeting of shareholders. In addition to the mandatory legal requirements, the calling notice should include the rights of the shareholders and clear instructions on the procedures and steps to be followed by the shareholders prior and during the meeting.
- 2.3. General meeting of shareholders voting procedure and proxy voting.

PRINCIPLE: Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person, by proxy or by other means of communication.

Recommendation:

- Cross border voting/participation by means of technology should be permitted in accordance with the company's constitutive documents.

II. General Provisions Regarding the Governance of the Company

The governance of the company may be carried out based on the One-Tier System (Board of Directors) or the Two-Tier System (Supervisory Board and Management Board).

1. Composition of the boards

PRINCIPLE: The composition of the boards should be adjusted to the size and complexity of the company's activity as to allow the boards to carry out their duties in an efficient manner. Board of Directors should prepare and follow Board Charter describing rules of functioning composition and structure.

Recommendations:

- 1.1. Members of the boards should hold the experience and professional qualification needed for the performance of their duties and at least one member should have economic/financial expertise.
- 1.2. It is in the company's best interests that the members of the boards constantly seek to improve their professional qualification and adjust it to the specific requirements of company's activity and to the best corporate governance practices.
- 1.3. The number and complexity of the mandates/duties of the boards' members with other companies should be disclosed and assessed, so as to allow them to duly perform their duties with the company. At least on an annual basis, and whenever a potential new conflict arises, each member of the board should issue a written statement disclosing any conflict of interest with those of the company.

2. Appointment of the board members

PRINCIPLE: The appointment of the members of the board should be based on formal, rigorous and transparent procedure and criteria.

Recommendations:

- 2.1. A balanced composition of expertise and know-how of the board should be ensured taking into consideration the structure and the business of the company.
- 2.2. Training programs should be available for the new board members aimed at making them familiar with the structure and operation of the company, as well as with their duties as board members.
- 2.3. Appointment of members should follow the policy of Nomination Committee including rules regarding profiles, roles and responsibilities for members and for the Chair gender diversity, election procedures, and evaluation process. Reappointment of a member is advisable in case of proper fulfilment of duties. However, such reappointments should be limited to a reasonable number of mandates.

3. General duties and functions of the boards

PRINCIPLE: Good corporate governance policies and practices are essential to the boards' fulfilment of their duties of care, loyalty and confidentiality, which must be exercised in good faith.

Recommendations:

- 3.1. Duty of care – in fulfilling their mandate, members of the board have a duty and responsibility to act on a fully informed basis and with the due diligence and care required for professionals.
- 3.2. Duty of loyalty – members of the boards should exercise their functions in an independent manner and always act taking into account exclusively the interest of the company. A member of a board does not represent the interests of the parties who have proposed his or her election.
- 3.3. Duty of confidentiality – the members of the boards should, at all times (during their mandate and after its termination), respect the confidentiality of matters relating to the company business. Each company should clearly define and inform its members of the board on what is deemed as “confidential information”.
- 3.4. Members of the Board should:
 - Act within the powers of the company;
 - Promote success of the long terms – in the interest of the employees, customers, suppliers, shareholders-maintaining high standards of business conducts;
 - Exercise reasonable care, skill and diligence;
 - Avoid conflicts;
 - Not accept benefits;
 - Declare interest.

4. Conflicts of interest

PRINCIPLE: Any conflict of interest between the company and the members of a board shall be avoided and disclosed. Furthermore, any apparent conflict of interest shall be disclosed to the board and explained. Members shall sign declarations of interest as required by Company procedures and Code of Ethics

Recommendations:

- 4.1. Members of the boards should ensure that adequate policies and procedures are in place as to avoid at all times conflicts of interest in their activities.
- 4.2. Members of the boards should not place themselves in a position where their personal interests could conflict with their duties to the company. Moreover, they shall not, in connection with their work, demand nor accept from third parties' payments, gifts or other material advantages for themselves or for any other person, nor grant third parties' unlawful advantages.
- 4.3. A board member whose connections to other companies, persons or businesses may presuppose certain interests that conflict with those of the company and who may therefore influence the decision-making process shall appropriately and timely inform the other board members and refrain from deliberating or voting on the relevant issue.
- 4.4. A potential conflict of interest exists, including when the company intends to carry out a transaction that involves:
 - (i) a party related to or with financial interest linked to a member of the board; or
 - (ii) a member of the board who is also an executive officer of the company.
- 4.5. Members of the boards should immediately inform the Board of Directors or the Supervisory Board of Directors of any actual or potential conflict of interest. All transactions between the enterprise and the members of the board, as well as persons they are close to or companies they have a personal association with, shall require the approval of the superior corporate body save for the case when such transaction shall be demonstrably on terms that are at arm's length.

- 4.6. The members of the boards shall not derive benefit or assist others to derive benefit. Company should prepare and annually update procedures for addressing conflict of interest where significant interests and transactions with major shareholders (more than 10%) should be defined and addressed by giving investment advice from the access to and possession of information about the company, not in public domain and therefore constitute inside information or confidential information.

5. Independence

PRINCIPLE: The majority of the members in the Board of Directors and in the Supervisory Board should be independent in carrying out of their duties.

Recommendations:

- 5.1. The company should adopt and implement guidelines and criteria for ascertaining the independence of the members of the boards that should be made available for public access (e.g. by publication on the company's website). Examples as per Appendix A to this Code shall be used as guidelines.
- 5.2. In case of any event that raises or may raise impartiality questions (e.g. being offered an executive position in another company) the board members should inform the boards which may request confirmation of independence from their members.

6. Organization of boards' meetings

PRINCIPLE: The boards should meet on a regular basis and establish clear and efficient rules for the due organization of their meetings. Communication to all members of the required information and documents for the boards' activity should be performed with sufficient time prior to the meeting in order for the members of the board to make an appropriate assessment on all items on the agenda. The Board should establish committees which should assist the Board in the performance of its key responsibilities, dealing with strategic challenges and in managing sensitive issues with high potential for conflicts of interest.

Recommendations:

- 6.1. The members of the boards should be, in general, easily reachable and available to address the company's needs. However, the boards' activity should entail a reasonable degree of flexibility, such as the possibility to hold meetings by remote access technology.
- 6.2. The Board and its committees should develop and approve an annual internal work plan identifying topics to address during the year before the end of the previous year. The plan should take into account decisions that need to be proposed to the GMS, reporting by management and internal control functions, the required frequency of boards meetings.
- 6.3. The meetings should be attended by the representatives of the employees/trade union for those matters that require their consultation. Alternatively, the boards may decide to carry out consultation with the representatives of the employees/trade union before or following the boards meetings, when it is appropriate for such consultations to be carried out at the boards' level. Other stakeholders may be invited to attend board meetings with regard to matters requiring their input for protecting the company's interests.
- 6.4. All persons who are attending boards meetings (other than the members) should conclude a confidentiality commitment in relation to all matters to be learnt about the company and/or the boards' activity/members at the respective meeting.
- 6.5. Before a decision with significant impact over the company's status is passed, the opinion

of independent experts should be sought if complex or highly specialized matters are involved and no appropriate expertise may be found among the boards' members.

- 6.6. The Board can request to designate the Corporate Secretary who should assist the Board in complying with its obligations under law, Board internal regulation and other policies. The Corporate Secretary should be a senior officer in the Company tasked with assisting the Board and its committees in organizing their activities, in preparing for the meetings, annual Board and committee performance evaluation and director training programs, if the case.

7. Remuneration

PRINCIPLE: The company should use an adequate remuneration policy, in line with the business and long-term strategy of the company as well as the competitive market conditions in order to ensure the high professional and moral profile of the members of the boards.

Recommendations:

- 7.1. The remuneration structure, including severance payment, should be articulated in such a way as to promote the interest of the company for medium and long term and taking into consideration the economic status of the company, preventing the members of the boards to act in their own interests and neglect the interests of the company, and not "rewarding" failing members upon termination of their mandate.
- 7.2. In view of strengthening the commitment of the executive board members to the company and its objectives, their remuneration may consist of a variable part taking into account medium and long-term performance measurements and may entail performance-related remuneration schemes, pension schemes, and share or share-related remuneration schemes.
- 7.3. A remuneration schedule for boards must be published in the annual report presented to the shareholders.
- 7.4. Remuneration policy should be approved by the Board and then by the shareholders (or at least an advisory vote). The Remuneration calculation and Remuneration report should be supervised by the Remuneration Committee, approved by the Board and the published (if the company is publishing annual reports).

8. Consultative Committees

PRINCIPLE: Committees may be formed depending on the business of the company, the size of the company or the markets in which the company operates, such as nomination committees, remuneration committees, audit committees, environmental committees, ethics/good practices committees or corporate social responsibility committees.

Recommendations:

- The establishment of board committees is designed to enhance the efficient preparation of matters within the competence of the board. It may prove useful to establish board committees, in particular for the supervision of the company's reporting and control systems, the nomination of the management and the development of the company's remuneration policy.
- The boards should appoint members of each committee from among the members of the boards and establish the duties of each committee. Each committee should report to the board. In line with applicable legislation and international best practices, committees may also include external or independent experts who are not members of the board, to provide additional expertise and objectivity.

- Without abdicating accountability, the Board delegates certain functions to well-structured committees, comprised of part of its Directors.
- The following requirements are considered in setting up Board Committees:
 - a) an independent non-executive Director or independent external expert is required to be the Chairman of the Audit and the Remuneration Committees;
 - b) the Committees should consist of non-executive Directors and external experts, and the majority should be independent;

8.1. Nomination Committee

PRINCIPLE: The Nomination Committee ensures the preparation of personnel changes with the aim that the replacement of a board member is carried out smoothly with the company's activity continuing uninterrupted.

Recommendations:

- 8.1.1. The committee should prepare proposals relating to the appointment criteria whereby it should ensure that the balance between skills, experience and expertise meets the requirements, prepare the description of duties and determine the qualifications required for individual appointments;
- 8.1.2. The committee should assess the size, composition and activity of the boards at regular intervals and make proposals for a composition profile of boards;
- 8.1.3. The Nomination Committee should also assess independence for new appointments and reassess annually for all members;
- 8.1.4. The committee should make proposals for appointments and reappointments of members boards; and
- 8.1.5. The committee should monitor the selection criteria and appointment of senior executive staff by the Board of Directors (in the One-Tier System) or the Management Board (in the Two-Tier System).

8.2. Remuneration Committee

PRINCIPLE: The company may establish a remuneration committee to improve the efficient preparation of matters pertaining to the appointment and remuneration of board members and other executives of the company as well as the remuneration policy of the personnel.

Recommendations:

- 8.2.1. The committee should prepare proposals relating to the policy on remuneration, compensation and other benefits (e.g. shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation) for boards members; and
- 8.2.2. The committee should monitor the disclosure of information about the earnings of individual board members and Supervise calculation of remuneration for Executive Directors and for non-Executive Directors.

8.3. Audit Committee

PRINCIPLE: The company should establish an audit committee, to assist in the discharge of its responsibilities in the areas of financial reporting, internal control and risk management. The audit committee should be composed exclusively of non- executive members and should contain a sufficient number of independent members.

Recommendations:

- 8.3.1. The committee should monitor the reporting process of financial statements;
- 8.3.2. The committee should supervise the financial reporting process and monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems;
- 8.3.3. The committee should monitor the statutory audit of the financial statements and consolidated financial statements; and
- 8.3.4. The committee should make recommendations to the boards regarding the selection, appointment, reappointment and removal of the external auditor and, in addition, the terms and conditions of their remuneration;
- 8.3.5. In line with applicable legislation and international best practices, the Audit Committee may include, in addition to members of the Board, external or independent experts who are not members of the Board, in order to strengthen the Committee's expertise and independence.

Apart from the above, the Audit Committee should consider the following main responsibilities:

- oversee the integrated accounting and reporting process, including financial reporting;
- review the independence of internal and external auditors;
- evaluate and coordinate the internal and external audit process in order to ensure an efficient combined assurance model;
- nurture and improve communication and contact between relevant stakeholders in the Company;
- monitor controls framework implemented to ensure compliance with legal requirements;
- satisfy itself of the expertise, resources and experience of the Group's Finance function;
- deal appropriately with any concerns or complaints relating to accounting practices, the content or auditing of the Group's financial statements, internal controls or any other relevant matters,
- assist the Board in carrying out its IT governance by obtaining the relevant assurances that all IT risks are adequately addressed by the controls in place and provide oversight of the entire information technology management framework.

III. Specific Provisions Regarding the One-Tier Management System

1. Board of Directors

1.1. Scope and Objectives

PRINCIPLE: The company is to be governed by the Board of Directors that will act in such a manner as to fulfil its duties and responsibilities effectively and efficiently, to ensure directors' competence and commitment, objectivity in the decision-making process and accountability to the shareholders.

1.2. Duties and Functions of the Board of Directors

PRINCIPLE: The duty of the Board of Directors is to promote the best interest of the company and of all its shareholders and to monitor the managerial performance and the effectiveness of the company's governance practices.

Recommendations:

- The Board of Directors should meet on a regular basis or whenever urgent matters arise.
- 1.2.1. Guiding Business and Corporate Strategy – the Board of Directors should be responsible for setting and achieving the company's objectives, also taking into account the interests of the stakeholders as to ensure that the company acts in a corporate socially responsible manner.
- 1.2.2. Establishing rules for financial control and planning. The Board of Directors should establish the rules for an adequate internal control system, which must ensure an efficient flow of information between the various hierarchical levels of the company, both onward and backward.
 - 1.2.2.1. The internal control system is the set of rules, procedures and organizational structures aimed at making possible a sound and correct management of the company consistent with the established goals, through adequate identification, measurement, management and monitoring of the main risks.
 - 1.2.2.2. An effective internal control system should safeguard the company's assets, increase the efficiency and effectiveness of business transactions, the reliability of financial and operational information and the compliance with laws and regulations.

2. Management

2.1. Appointment and Performance Review

PRINCIPLE: The appointment of managers and the review of their performance should be based on their expertise and individual performance.

Recommendations:

- 2.1.1. Individual review should assess whether each manager continues to contribute effectively and to demonstrate commitment to the role.

- 2.1.2. The Board of Directors should take into account the results of the performance review by recognizing the strengths and addressing the weaknesses of the managers and, where appropriate, replace or request the resignation of managers.

2.2. Management Duties and Functions

- 2.2.1. The Management is accountable towards the Board of Directors for achieving the company's aims, strategy and policy, and results. It is advisable that the Board formalizes the Management mandate, through which it delegates the management mandate.
- 2.2.2. The Management should provide the board of directors in due time with all information necessary for the Board of Directors to carry out its duties.
- 2.2.3. The Management shall at all times monitor and manage potential conflicts of interest, including misuse of corporate assets and abuse in related party transactions.
- 2.2.4. The Management shall take all necessary measures to ensure the integrity and timely disclosure of the company's financial statements and other material financial and non-financial information that needs to be disclosed to the shareholders and the investors.
- 2.2.5. The Management shall at all times be able to present the Board of Directors with a balanced and understandable assessment of the company's financial situation.

IV. Specific Provisions Regarding the Two-Tier Management System

PRINCIPLE: The company may decide to implement a two-tier management and control system consisting of a Management Board and a Supervisory Board. The company may also decide at any time, by a decision of the general meeting of shareholders, to change the type of implemented management and control system.

1. Management Board

PRINCIPLE: The management of the company shall be ensured by the Management Board, who shall act under the supervision of the Supervisory Board.

Recommendations:

- 1.1. The Management Board members should not have family relationships with the members of the Supervisory Board, namely: spouse, relative up to the 4th degree, inclusively, with members of the Supervisory Board or with their spouses.
- 1.2. The Management Board should regularly report to the Supervisory Board on the carrying out of its duties and seek the Supervisory Board's advice on sensitive matters.

2. Supervisory Board

2.1. Role and Attributions

PRINCIPLE: The role of the Supervisory Board is to oversee the activity of the Management Board and to provide support to the Management Board in governing the company in accordance with their duty of care and duty of loyalty.

Recommendations

- 2.1.1. The Supervisory Board has the right to request information regarding the company from the Management Board, internal auditor, officers and employees of the company or external advisors.
- 2.1.2. The Supervisory Board should be informed without delay of any circumstances that may have a material impact on the company.
- 2.1.3. The Supervisory Board should particularly monitor the following aspects related to the Management Board's activity: (i) achievement of the company's objectives; (ii) implementation of the corporate strategy and the risks arising from the business activities; (iii) the structure and operation of the internal risk management and control systems; (iv) the financial reporting process; and (v) compliance with applicable legislation.
- 2.1.4. The Supervisory Board should discuss the aspects related to the supervision of the Management Board members in their presence and the conclusions thereof should be included in a report to the company's shareholders.
- 2.1.5. The Supervisory Board should report to the company's shareholders, in writing, in a precise and

clear manner, on its work related to the supervision of the activity of the Management Board (including its opinion on the reports issued by Management Board) and to any other aspects within its attributions.

2.2. Remuneration

PRINCIPLE: The remuneration policy for the Supervisory Board should take account of their non-executive and supervisory role in overseeing the company's business.

Recommendations:

- 2.2.1. In case of Supervisory Board members, remuneration of a fixed amount is recommended, such remuneration not being connected to the share price or directly related to the company's performance.
- 2.2.2. The Supervisory Board members should not participate in stock options and pension plans of the respective companies, which might create improper incentives. They may, however, hold a limited number of shares in the company in accordance with the company's constitutive documents.

V. Accountability and Audit

PRINCIPLE: The responsibility for preparing and filing the financial statements lies with the Board of Directors or the Management Board.

1. Financial reporting

Recommendations:

- 1.1. In their annual report the Board of Directors or the Management Board, as the case may be, should explain their responsibility for preparing the accounts and confirm that: (i) the accounting policies used for the preparation of the annual financial statements are compliant with the applicable accounting rules; (ii) the annual financial statements provide a true and fair view over the company's activity; (iii) the annual financial statements provide adequate disclosure of material related-party transactions; and (iv) whether the financial statements were prepared on a going concern basis.
- 1.2. Under the two-tier management system, the Supervisory Board should review the financial statements before they are submitted to the general meeting of shareholders for final approval and draft their report.
- 1.3. The auditors should attend the meeting of the Management Board or Board of Directors, at which the annual accounts are to be adopted.

PRINCIPLE: The general meeting of shareholders must approve the financial statements based on the annual reports prepared by the Board of Directors or, as the case may be, by the Management Board and Supervisory Board and the auditor's report.

Recommendation:

- The external auditor should be invited to the general meeting of shareholders and may be questioned about his opinion on the "true and fair view" of the accounts.

2. Internal Control

PRINCIPLE: The Board of Directors or the Supervisory Board, as the case may be, should establish and maintain sound risk management and internal control systems to safeguard company's assets and ensure reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations.

Recommendations:

- 2.2. If appointed, the Audit Committee should monitor and review, at least annually, the effectiveness of the risk management and internal control systems in place.
- 2.3. The Board of Directors or the Supervisory Board, as the case may be, should establish and maintain arrangements by which staff of the company may raise, in confidence concerns about irregularities in matters of financial reporting (whistleblowing) as well as non-compliance with EU laws. If appointed, the Audit Committee should review the effectiveness of such arrangements and ensure that arrangements are in place for proportionate and independent investigation of such matters and their follow-up.
- 2.4. The external auditor reports to the management as part of the external audit exercise any material weaknesses found in the internal control systems and recommended actions to remedy the deficiencies.

3. Auditors

3.1. The external auditor

PRINCIPLE: The external auditor is appointed and removed by the general meeting of shareholders. The external auditor should be independent, competent and qualified, its primary role being to provide an external and objective assurance to the relevant board and general meetings of shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.

Recommendations:

- 3.1.1. Entities that are of significant public relevance because of the nature of their business, their size or their number of employees, in particular companies whose securities are admitted to trading on a regulated market, banks and other financial institutions and insurance undertakings should be subject to external audit. The Supervisory Board or the Board of Directors should nominate a candidate for this appointment, based on a proposal made by the Audit Committee, as the case may be.
- 3.1.2. The general meeting of shareholders decides on minimum contract duration.

PRINCIPLE: The Supervisory Board or the Board of Directors should establish formal and transparent arrangements for maintaining an appropriate relationship with the external auditor.

Recommendations:

- 3.1.3. The remuneration of the external auditor for audit services, and any arrangements with the external auditor to provide non-audit services, should be approved by the Supervisory Board or the Board of Directors, on the recommendation of the Audit Committee, if any and after consultation with the Management Board, as the case may be.
- 3.1.4. On a periodical basis, the Supervisory Board or the Board of Directors and the Audit Committee, as the case may be, shall conduct a thorough assessment of the activities of the external auditor. The main conclusions of this assessment shall be communicated to the general meeting of shareholders for the purpose of assessing a potential re-appointment of the auditor.

PRINCIPLE: The external auditors must be independent in both fact and appearance.

Recommendations:

- 3.1.5. The external auditor shall be independent at all times as required by their professional codes of ethics.
- 3.1.6. The Supervisory Board or the Board of Directors, as the case may be, should ensure that rotation principles are observed. Key engagement partners of the external auditor should rotate off the assignment team after maximum seven years and should not be allowed to return in less than two years or to hold a key office in the audited company any earlier than two years.
- 3.1.7. The external auditor should report on an annual basis to the Audit Committee, if any, on their independence.

3.2. The internal auditors

PRINCIPLE: Where required by law or the financial statements of the company are subject to external audit then the company should establish an internal audit function. The internal auditors are appointed and removed by the Board of Directors or the Management Board.

Recommendation:

- 3.2.1. The Audit Committee, if appointed, should have the primary responsibility for making a recommendation to the Board of Directors or the Management Board on the appointment, re-appointment or removal of the internal auditors.

PRINCIPLE: The internal auditors should assist the company in maintaining effective controls by evaluating their effectiveness and efficiency.

Recommendations:

- 3.2.2. The internal auditors should prepare periodical reports according to the program set by the Board or the Audit Committee of the company to the Board of Directors or Management Board/ Supervisory Board and to the Audit Committee, if applicable on its affairs and any significant risk exposures and control issues. Significant issues found should be brought by the Board to the attention of the general meeting of shareholders.
- 3.2.3. The Audit Committee, if appointed, should ensure that the recommendations of internal auditors regarding controls are implemented.
- 3.2.4. The Audit Committee should monitor the internal audit work and coverage, approve the KPIs, the annual audit plan, oversee audit results, assess significant risks and monitor risk mitigation.

PRINCIPLE: The company should endeavor to safeguard the independence of the internal audit activity

Recommendations:

- 3.2.5. The Chief Audit Executive should report functionally to the Board or to the Audit Committee (if an Audit Committee is in place) and administratively to management (ideally CEO, otherwise CFO).
- 3.2.6. The auditors should not have operational duties so that they can exercise objectivity.
- 3.2.7. Internal Audit function should be governed by a Charter where its responsibility, accountability and unrestricted access is approved by the AC or by the Board of Directors.
- 3.2.8. The annual performance evaluation and the compensation package of the Head of Internal Audit will be discussed and approved by the Audit Committee.

PRINCIPLE: The Audit Committee or, as the case may be, the Board of Directors or the Management Board shall perform on a periodical basis a quality assessment of the internal audit function adequacy and performance to ascertain the extent to which the external auditor may rely on the work of the internal auditors.

3.3. Risk Management Systems

- 3.3.1. Enterprise Risk Management (ERM) Framework
- Policies and processes for identifying, assessing, mitigating, and monitoring risks.
 - Alignment with organizational strategy and objectives.

- 3.3.2. Risk Identification and Assessment Processes
 - Regular risk assessments covering operational, financial, strategic, compliance, and reputational risks.
 - Use of risk heat maps or scoring matrices to prioritize risks.
- 3.3.3. Risk Appetite and Tolerance Levels
 - Clearly defined risk appetite statements approved by the Board.
 - Guidelines for acceptable risk levels and thresholds.
- 3.3.4. Risk Reporting and Communication
 - Regular risk reports for management and the Board.
 - Clear communication channels for escalating critical risks.
- 3.3.5. Crisis and Business Continuity Management
 - Business Continuity Plans (BCPs) to ensure resilience during disruptions.
 - Crisis management protocols for handling emergencies.
- 3.3.6. Third-Party and Supply Chain Risk Management
 - Policies for assessing and managing risks related to vendors, suppliers, and partners.
 - Regular due diligence and contract reviews.
- 3.3.7. Cybersecurity and IT Risk Management
 - Cybersecurity frameworks and incident response plans.
 - Regular vulnerability assessments and penetration testing.
- 3.3.8. Fraud and Corruption Risk Management
 - Anti-fraud and anti-corruption policies.
 - Whistleblower mechanisms for reporting unethical behaviour.

3.4. Compliance Controls

- 3.4.1. Compliance Policies and Procedures
 - Comprehensive policies that outline compliance requirements (e.g., anti-money laundering, data protection, anti-bribery).
 - Standard Operating Procedures (SOPs) for ensuring adherence to legal, regulatory, and ethical standards.
- 3.4.2. Regulatory Monitoring
 - Mechanisms to track and interpret changes in laws and regulations affecting the organization.
 - Regular updates to the Board and senior management on compliance obligations.
- 3.4.3. Risk Assessment
 - Periodic assessments to identify compliance risks and areas of exposure.
 - Risk prioritization to allocate resources effectively.
- 3.4.4. Training and Awareness
 - Regular training programs for employees to understand compliance obligations.
 - Awareness campaigns to promote ethical behaviour and adherence to policies.
- 3.4.5. Reporting and Documentation
 - Systems to record and track compliance activities, investigations, and decisions.
 - Maintenance of documentation for regulatory inspections and audits.
- 3.4.6. Monitoring and Auditing
 - Regular audits to ensure controls are in place and functioning as intended.
 - Monitoring programs to identify and address gaps or violations in compliance.

- 3.4.7. Incident Reporting and Resolution
 - Mechanisms (e.g., whistleblower hotlines) to report compliance breaches.
 - Processes to investigate, address, and document incidents.
- 3.4.8. Third-Party Due Diligence
 - Policies for vetting and monitoring third-party vendors and partners.
 - Ongoing reviews to ensure third parties comply with organizational standards.
- 3.4.9. Data Protection and Privacy
 - Controls to ensure compliance with data protection regulations (e.g., GDPR, HIPAA).
 - Security measures to safeguard sensitive information.
- 3.4.10. Ethics and Code of Conduct
 - A clear and enforceable code of ethics for employees and stakeholders.
- 3.4.11. Compliance Policies and Procedures
 - Comprehensive policies that outline compliance requirements (e.g., anti-money laundering, data protection, anti-bribery).
 - Standard Operating Procedures (SOPs) for ensuring adherence to legal, regulatory, and ethical standards.
- 3.4.12. Regulatory Monitoring
 - Mechanisms to track and interpret changes in laws and regulations affecting the organization.
 - Regular updates to the Board and senior management on compliance obligations.
- 3.4.13. Risk Assessment
 - Periodic assessments to identify compliance risks and areas of exposure.
 - Risk prioritization to allocate resources effectively.
- 3.4.14. Training and Awareness
 - Regular training programs for employees to understand compliance obligations.
 - Awareness campaigns to promote ethical behaviour and adherence to policies.
- 3.4.15. Reporting and Documentation
 - Systems to record and track compliance activities, investigations, and decisions.
 - Maintenance of documentation for regulatory inspections and audits.
- 3.4.16. Monitoring and Auditing
 - Regular audits to ensure controls are in place and functioning as intended.
 - Monitoring programs to identify and address gaps or violations in compliance.
- 3.4.17. Incident Reporting and Resolution
 - Mechanisms (e.g., whistleblower hotlines) to report compliance breaches.
 - Processes to investigate, address, and document incidents.
- 3.4.18. Third-Party Due Diligence
 - Policies for vetting and monitoring third-party vendors and partners.
 - Ongoing reviews to ensure third parties comply with organizational standards.
- 3.4.19. Data Protection and Privacy
 - Controls to ensure compliance with data protection regulations (e.g., GDPR, HIPAA).
 - Security measures to safeguard sensitive information.
- 3.4.20. Ethics and Code of Conduct
 - A clear and enforceable code of ethics for employees and stakeholders.

3.5. Monitoring and Review Responsibilities for the Audit Committee

3.5.1. Review Risk and Control Policies:

- Ensure policies are updated and reflect the current risk environment.

3.5.2. Monitor Risk Indicators:

- Track trends in KRIs and take corrective action where needed.

3.5.3. Evaluate Control Effectiveness:

- Assess whether controls are functioning as intended.

3.5.4. Engage with Internal and External Auditors:

- Discuss findings and recommendations from internal and external audits.

3.5.5. Oversee Corrective Actions:

- Ensure timely implementation of corrective actions for identified deficiencies.

3.5.6. Assess Culture of Risk Awareness:

- Promote a culture of accountability and proactive risk management.

Appendix regarding independence

Analysis of the criteria in this Annex should be understood only as an initial assessment of independence.

Nomination and Remuneration Committees should assess independence on a case-by-case basis when considering candidates. They should take account of factors such as past experience, their character and their personal values as well as formal criteria.

In addition to satisfying the criteria set out in legislation and applicable regulations, Independent Directors should meet the additional criteria presented below:

A board member is not independent if they or their spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree:

- has been an employee or executive director of the Company (including associated companies), in the five years prior to the appointment or has temporarily performed management duties during the previous twelve months in the absence or incapacity of any executive director;
- receives personal financial compensation from the Company or a company associated with it (including by participating in the Group's share incentive scheme), contingent on Group performance and in so far as this is not in the normal course of the business, other than the fixed compensation received for the work performed as a board member;
- has had an important business relationship with the Company or a company associated with it in the year prior to the appointment. This includes in any event the case where the board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to Company (consultant, civil notary or lawyer) and the case where the board member is a management board member or an employee of a bank with which Company has a lasting and significant relationship;
- is a member of the management board of a company in which an executive director of Company is a supervisory board member;
- has a shareholding in Company or has provided financing material to his wealth, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement;
- is an employee, member of the management board (or executive director) or board of directors (or supervisory board) – or is a representative in some other way – of a legal entity that is a significant funding provider (equity or debt), unless the entity is a Company group company;
- has been an external auditor of the Group or a key member of the external audit engagement team during the preceding 3 (three) financial years.