



**SIF MOLDOVA S.A.**

**CORPORATE GOVERNANCE REGULATION**

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## **PREAMBLE**

SIF Moldova, as an issuer listed in the 1<sup>st</sup> tier of the BVB, is permanently concerned with complying with corporate governance principles in the BVB Corporate Governance Code.

In the Yearly Report of the Board of Directors, starting with 2010, and in the contents of the „Apply or Explain” declaration (annexed to the Report), SIF Moldova certifies that it has complied with at least 14 principles from the 19 principles instituted, thus fulfilling the requirements for remaining in the 1<sup>st</sup> Tier for shares of the Bucharest Stock Exchange.

## **CHAPTER 1 CORPORATE GOVERNANCE STRUCTURES**

SIF Moldova is managed based on an unified system, specific to collective investment organizations regulated by the CNVM, in accordance with the provisions of the articles of association.

The SIF Moldova corporate governance structures are represented by the Board of Directors and by the Executive Management, organs for which functions, competencies and responsibilities are presented.

### **The Board of Directors**

The Company is managed by a board of directors consisting of seven members, natural persons, elected or appointed by the general assembly for a four year term of office, with the possibility to be re-elected. The members of the Board of Directors are approved by the CNVM.

In its activity, the Board of Directors adopts decisions. The legally adopted decisions are mandatory for acting leaders and the other directors and have executory force from the moment of their written communication or from the moment of the general communication, through the secretariat of the Board of Directors, if another date for their coming into force is not provided in their contents.

The revocation of the members of the Board of Directors can be done only by the general assembly, with the vote required in extraordinary assemblies.

The main objective of the Board of Directors, in the medium and long term, defined and determined by the characteristics of SIF Moldova and by the macroeconomic context in which it evolves, is the assurance of a balance between going concern in optimal conditions and fulfilling the expectations of shareholders.

The Directors' obligations and responsibilities are regulated in directives regarding the term of office and in those provided in Law 31 / 1990 with subsequent modifications and additions, Law 297 / 2004 with subsequent modifications and additions, applicable CNVM regulations and by statutory provisions.

The Board of Directors may create consultative committees formed by board members, assigned with conducting investigations and elaborating recommendations for the board, in fields such as auditing, the compensation of Directors, managers, staff, the nomination of candidates for the



various management positions, etc. The Board of Directors sets the internal rules for the committees constituted.

The Board of Directors approves the delegation of responsibilities and sets the limits of the attributions of the President General Manager, Vice-president Assistant General Manager. Operations carried out based on the attributions delegated towards acting managers are reported to the Board of Directors through written or verbal reports, usually on a monthly basis.

The Board of Directors approves the delegation of attributions and / or the representation right, towards other Directors or Company employees, also setting their limits. The operations carried out based on the attributions delegated by the Board of Directors towards other directors are the object of reports that will be presented to the Board of Directors on a monthly basis. The operations carried out based on the attributions delegated by the Board of Directors towards other SIF Moldova employees are the object of reports that will be presented on a weekly basis to the acting managers and on a monthly basis to the Board of Directors.

### **Executive management**

The Company executive management is ensured, in accordance with the provisions of the Articles of Association and of legal regulations in force, by the General Manager and respectively the Assistant General Manager.

The executive management is appointed by the company Board of Directors and informs the Board of Directors on the activity carried out between its periodic meetings.

The executive management is mandated to manage and coordinate the Company's day to day activity and is invested with the authority to engage the Company's responsibility. The Company's acting managers are responsible for ensuring compliance with the present regulations and work procedures.

### **The President General Manager**

The president is elected by the Board of Directors from among its members and fulfills the function of General Manager and acting leader of the Company.

As a President of the Board of Directors:

- convokes the Board of Directors no less than once a month;
- presides over the meetings of the Board of Directors;
- supervises the implementation of the decisions of the Board of Directors;
- leads the proceedings of the General Assembly of Shareholders and submits for the debate and approval of the General Assembly of Shareholders the issues on the agenda.

As a General Manager, carries out the decisions of the Board of Directors, to which end they issue written decisions and directives. The decisions and dispositions have immediate executive force and produce effects from the moment when they are brought to the awareness of persons empowered to carry them out.



## Vice President – Assistant General Manager

The vice president is elected by the Board of Directors from among its members and also fulfills the function of Assistant General Manager and acting leader of the Company.

In the absence of the President General Manager, fulfills his attributions corresponding to the position of President of the Board of Directors and to that of General Manager of the Company.

Starting with the Activity Report of the Board of Directors for the year 2010, SIF Moldova has a chapter dedicated to corporate governance, in which all relevant events are described, related to corporate governance, recorded throughout the fiscal year, as well as the “Apply or Explain” Declaration, in which they explain the recommendations comprised in the Code that the Company has not totally or partially implemented.

On the [www.sifm.ro](http://www.sifm.ro) website, information is publicized regarding the SIF Moldova corporate governance policy, including:

- the list of members of the Board of Directors, of the members of the executive management, including the short version of the resume for each member
- the updated SIF Moldova Articles of Association
- the internal functional regulations, including essential aspects for the organization and functioning of internal departments, in the shape of „Internal Regulations”, a document subject to the approval of the CNVM (the last actualization, through CNVM Approval no. 52 / Dec 20, 2010)
- the „Apply or Explain” declaration

## CHAPTER 2 SHAREHOLDER RIGHTS

SIF Moldova has a very large number of shareholders (more than 5 million natural and legal persons), as a consequence of the means of constitution of the Company and corresponding to its quality of collective investment organization.

The basis of the shareholding policy consists of respecting shareholder rights, ensuring them equitable treatment; this goal and the promotion of an active policy are coordinates implemented by the specialized staff in the shareholding service.

The General Assembly of Shareholders (GAS), the supreme leadership organ of SIF Moldova, is convoked by the Board of Directors in compliance with legal and statutory provisions. The proceedings of the meetings are recorded by the secretariat elected by the GAS; the minutes are written holographically in the special register.

For the General Assemblies of Shareholders, details regarding the conduct of the meeting are published in a dedicated section of [www.sifm.ro](http://www.sifm.ro): the GAS convocation, the materials related to the agenda as well as any information related to the items on the agenda; the special proxy voting forms and the voting by mail ballot; the participation and voting procedures that ensure the orderly and effective conduct of the proceedings of the General Assembly of Shareholders and that grant any shareholder the right to freely express their opinion on the matters under debate.

Since the General Assembly of Shareholders of April 2008, SIF Moldova has implemented the on-line vote, based on the 2007 / 36 / CE Directive of the European Parliament and of the Council from Jul 11, 2007, receiving the CNVM approval for the procedure elaborated.



Subsequently, the implementation of the provisions of the Directive in the CNVM Regulation no. 6 / 2009, has maintained the conformity of the content of the Procedure with the requirements of the Regulation

The General Assembly of Shareholders adopts decisions based on projects proposed by the Board of Directors and / or shareholders.

Decisions taken during the General Assembly of Shareholders and regarding the detailed result of the vote (document issued as a GAS Decision, signed by the meeting president), are reported to the CNVM, BVB, communicated in the media, in the Official Gazette part IV, the CNVM Bulletin, displayed on the official website [www.sifm.ro](http://www.sifm.ro) and at the head office and SIF Moldova field offices.

For each fiscal year, information is posted on the website within the deadline, regarding the financial calendar and the contents of the periodic reports (annual, half year and quarterly) and the current reports regarding important events in the Company's activity.

Communication with shareholders is ensured through all means at their disposal, as follows: written correspondence, electronic and telephone correspondence. Mostly, the correspondence involves information regarding the payment of dividends (amount, means, procedures, terms, etc.), transfers occasioned by death (procedures, amount of dividends due, etc), actualization of personal data, means of trading, financial reporting data (periodic reports, net assets, etc), information on tax norms, the tax regime for foreign persons (direct correspondence, custodians or other intermediaries), etc.

## **CHAPTER 3 THE BOARD OF DIRECTORS**

### **3.1. THE ROLE AND OBLIGATIONS OF THE BOARD OF DIRECTORS**

The main objective of the Board of Directors, in the medium and long term, defined and determined by the SIF Moldova characteristics and by the macroeconomic context in which it operates, is ensuring a balance between the going concern in optimal conditions and the fulfillment of shareholder expectations.

The attributions and limits for the competence of the Board of Directors are those provided in the legislation related to the functioning of a financial investment company:

- sets the main directions for the activity and development of the Company;
- defines the investment strategies of the investment company;
- sets the accounting policies and the financial control system, as well as the approval of the financial planning;
- appoints and revokes the acting leaders and sets their compensation;
- supervises the activity of acting leaders;
- prepares the yearly report, organizes the general assembly of shareholders and implements its decisions;
- submits for the approval of the general assembly of shareholders within legal terms, the report regarding the Company's activity, the audited financial statements as well as the Company's draft budget for the current year;
- approves the appointment, employment, termination and firing of department heads, sets their rights and duties;
- approves the receipt and payment operations;
- approves the sale and purchase of goods operations;
- approves the conclusion or dissolution of contracts;



- sets the marketing tactics and strategy;
- approves the contracting of bank loans and the granting of guarantees;
- approves the pledging, rental, constitution of real estate pledges and the mortgaging of Company goods;
- concludes contracts with the depositary, custodian, auditor and with the entity registering shareholders;
- approves the internal ruled and the internal regulation;
- approves general procedures, the internal control and internal auditing procedures;
- solves any problems set forth by the general assembly of shareholders;
- implements processes to identify, evaluate and respond to potential risks that may affect the realization of the Company's objectives;
- ensures that the Company will have a computer system that will allow the safeguarding of evidence of the market price for each asset in the portfolio, of the value of net assets, of the book value of shares for the regulated reporting periods, evidence of the calculation method of all commissions, taxes and fees owed, keeping the history of these operations for at least three years;
- approves the classification of information in the privileged and confidential information categories as well as the measures for their management;
- approves the internal auditing plan and the necessary resources;
- orders measures related to significant risks reported by the internal audit;
- analyzes the proposals submitted in writing by the representative of the internal control compartment and orders measures for the correction of any situation of violation of laws and regulations in force relevant to the capital market or internal procedures by SIF Moldova or by its employees;
- approves the investigations plan for the internal control;
- notifies the CNVM and the capital market institutions involved on situations found by the representative of the internal control department regarding the violation of the legal framework applicable to the capital market and on the measures adopted.
- Approves policies, methodologies and procedures for the identification, evaluation, monitoring and control of significant risks;
- approves risk tolerance for significant risks;
- orders necessary measures for the management of significant risks.

The SIF Moldova Board of Directors has delegated some attributions to acting managers, that are comprised in the "Internal Regulations" approved through CNVM Approval no. 52 / Dec 20, 2010.

The Board of Directors conducts its activity through deliberations during meetings convoked in accordance with legal and statutory provisions, meeting at least once a month in order to monitor the conduct of the Company's operations.

The President General Manager, or in his absence, the Vice-president Assistant General Manager, convokes the board of directors, sets forth the agenda, supervises the adequate information of the board members regarding the items on the agenda and presides over the meeting.

Deliberations during meetings are recorded by the secretary of the Board of Directors in real time, in the minutes registry, at the end of the meeting, the minutes being signed by the directors present. The directors not participating in meetings are informed of the content of debates and decisions adopted in the following meeting, this being described in the minutes as well as in the decisions. The notes of the secretary of the BD are complemented by the audio recordings of the meetings, a specification inscribed in each minute.



The decisions of the Board of Directors are executory for the employees of SIF Moldova. They are pursued for implementation and quarterly, the stage of their implementation is reported to the Council.

The issues requested by Directors during the meetings are subject to verifications and reports done by specialized departments (auditing, juridical services, internal control, etc.)

The obligations and responsibilities of directors are regulated by directives related to the mandate and by those specifically provided in Law 31 / 1990 with subsequent modifications and additions, applicable CNVM additions and statutory provisions.

### 3.2. THE STRUCTURE OF THE BOARD OF DIRECTORS

SIF Moldova, according to statutory provisions, is managed by a board of directors consisting of seven members, elected or appointed by the general assembly for a four year term, with the possibility of being re-elected.

The SIF Moldova managers must correspond to requirements provided in regulations related to the Company's functioning as a limited liability company and as a non-UCITS, and entity regulated by the CNVM, regarding:

- professional experience in a field related to the financial and banking activity or of the capital market or in the juridical field of no less than three years.
- The Board of Directors has in its structure executive directors and non-executive directors; SIF Moldova, as a limited liability company legally obligated to audit financial statements, has the obligation to delegate to the Company management one or several directors, whose means of organization may be drafted through the articles of association or by a decision of the board of directors. The managers (acting leaders) should have at least three years of experience in the management of investments or in the capital market.
- The directors should exercise their mandate while fulfilling obligations imposed by the art. 144 in Law 31 republished with subsequent modifications and additions
  - a) the prudence and diligences obligation- imposes to managers the obligation to act prudently and diligently (like a professional). The reference to a “good administrator” is thought as an objective evaluation criterion. The prudence and diligence obligation includes the obligation to act based on adequate information.
  - b) the business decision rule - introduces the business decision rule, as a counterbalance for the prudence and diligence operation: according to this rule, managers that take business decisions with the founded conviction that they are acting in an informed manner and in the Company's interest may not be held liable for damages subsequently recorded by the Company as a consequence of the respective decisions.
  - c) the obligation of loyalty towards the Company – imposes directors an obligation of loyalty towards the Company: when they are appointed, the Directors have to act with priority towards the interest of the Company, and not as representatives of certain shareholders or of persons outside the Company.
  - d) the obligation not to disclose the Company's business secrets – forbids directors to disclose confidential information and business secrets of the Company towards third parties. This logically complements their obligations for loyalty towards the Company.



The structure of the SIF Moldova Board of Directors ensures a balance between the executive and non-executive members.

### **3.3. THE APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS**

The election of the members of the Board of Directors through the vote of shareholders in the General Assembly of Shareholders is based on a transparent procedure, by publicizing the contents of the candidate application file and of the criteria for occupying the position of director at an investment company.

The election of a number of directors lower than seven will implicitly lead to the creation of vacancies in the Board of Directors; in order to fill in vacancies, the General Assembly of Shareholders is mandated, according to statutory provisions, to appoint provisional managers. The first ordinary general assembly will appoint a new director. The duration for which he is to be elected will be equal to the period remaining to the expiration of his predecessor's term of office.

The Company, as a regulated non-UCITS, is compliant with the regulations specific to the CNVM (art. 18 from CNVM Regulation no. 15 / 2004) regarding the procedure for the submission of applications, a public procedure. The election of a director, for a vacant position, is done by the General Assembly of Shareholders in accordance with the Articles of Association. In the context of the Articles of Association being modified, a nomination committee will be formalized.

### **3.4. THE COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS**

Currently, the Board of Directors is fulfilling the tasks related to the setting of compensation policy for directors and managers, that is submitted for the approval of the GAS on a yearly basis.

According to the provisions of Law 31 / 1990, yearly, the General Assembly of Shareholders approves the compensation policy for directors and the members of the executive management, as well as profit participation, keeping in mind the fulfillment of performance indicators, economic and financial results of the Company, performance criteria and responsibilities imposed through the activity program, the revenue and expense budget.

In the annual Report of the Board of Directors, the total amount of the direct and indirect compensation of directors and executive managers, resulted from the position they occupy, is presented.

## **CHAPTER 4 TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT**

SIF Moldova offers periodic and continuous relevant information, in accordance with financial reporting accounting standards. SIF Moldova publicizes in the English language information subject to reporting requirements: periodic information, continuous information, individual financial reporting and consolidated reporting compliant with the IFRS, by publishing on the [www.sifm.ro](http://www.sifm.ro) website.



The Company organizes during a fiscal year at least one meeting with financial analysts, brokers, market specialists, in order to present financial items relevant to the investment decision.

Monthly, SIF Moldova informs the market and investors on its results and activity by publicizing the status of assets and the newsletter with relevant data, and quarterly, half yearly and yearly, financial statements drafted in compliance with the EEC 4<sup>th</sup> Directive.

Within SIF Moldova, there is an Auditing Committee, that regularly examines the efficiency of financial reporting, of internal control and of the risk management system adopted by the Company.

### **The Auditing Committee**

The Auditing Committee is a permanent committee, independent of the SIF Moldova management, subordinated to the Board of Directors. The auditing committee assists the Board of Directors in fulfilling its responsibilities in the field of financial reporting, of the internal control and of risk management. The membership of the Auditing Committee is set forth by the Board of Directors.

The Auditing Committee consists of no less than three members elected from among non-executive directors. The members of the Auditing Committee must have an experience corresponding to the attributions they are assigned to within the committee. At least one member of the Auditing Committee should be competent in accounting and / or auditing.

The activity of the Auditing Committee is coordinated by a president, elected from among its members for a period of three months.

The auditing committee has the following attributions:

- a) monitors the financial reporting process;
- b) monitors the effectiveness of the internal control and risk management systems within SIF Moldova;
- c) ensures that the auditing analyses carried out and the auditing reports elaborated are compliant with the auditing plan approved by the Board of Directors;
- d) monitors the auditing of yearly financial statements and of yearly consolidated financial statements;
- e) monitors the credibility and integrity of financial information supplied by the Company, especially by revising the relevance and consistency of accounting standards applied by the latter;
- f) formulates recommendations for the Board of Directors for the selection, appointment, re-appointment and substitution of the financial auditor, as well as the terms and conditions for its compensation
- g) verifies and monitors the independence and objectivity of the external auditor and especially the provision of additional services.

The auditing committee assembles at least quarterly and as often as necessary. The auditing committee is assembled in order to analyze the auditing report and / or the opinion of the external auditor regarding the essential aspects resulting from the auditing of yearly financial statements / half yearly reports, as well as regarding the financial reporting process, and will recommend the measures that should be taken.

The deliberations in the meetings of the Auditing Committee are inscribed in a registry and are presented to the Board of Directors.

Quarterly, the Auditing Committee presents to the Board of Directors a report that will comprise a synthesis of the activity undertaken and recommendations regarding the fields within their



attributions, namely financial reporting, internal control and risk management. The quarterly report of the Auditing Committee will include references regarding the essential aspects resulting from the quarterly reporting process realized in compliance with CNVM Regulations.

### **The internal control department**

The internal control department ensures supervision of the compliance of SIF Moldova and its staff with legislation in force relevant for the capital market as well as internal regulations and procedures.

The employee that occupies the position of representative of the internal control department (RCCI) is submitted for the authorization of the CNVM, according to CNVM Regulation no. 15 / 2004, and registration in the Public Register of the CNVM according to Regulation no. 4 / 2009. In the fulfillment of attributions assigned to the representative of the internal control department reports directly to the Board of Directors and / or to the President of SIF Moldova.

## **CHAPTER 5 CONFLICT OF INTEREST AND TRANSACTIONS WITH INVOLVED PERSONS ("TRANSACTIONS WITH ONESELF")**

The Board of Directors has adopted a procedure to the end of adequately identifying and solving the situations involving conflict of interest, that specifies that investments or sales of securities are to be done only to the benefit of shareholders and not for other reasons. In case of a conflict of interest, all the directors', managers' and employees' decisions must be taken to the benefit of investors; in this situation:

- The conflict between the Company's and the personal interest of an employee making decisions: the usual solution is the person's withdrawal from the decisional process
- The organization's structures and processes are designed to minimize this kind of situation and in any case, the organization's interest has priority over the personal interest.

When there is a conflict of interest among directors, they must inform the Board of Directors about it and abstain from debates and vote on the respective matters, in accordance with relevant legal provisions; these situations are recorded in the minutes for the meeting of the Board of Directors.

SIF Moldova has a set of rules regarding the behavior and reporting obligations for transactions with shares issued by the Company and conducted on their own behalf by directors and other involved natural persons; the list of persons with access to privileged information is permanently updated and sent to the CNVM. The obligation to notify transactions carried out by initiated persons is personal as well as pertaining to intermediaries, and the information is publicized through the BVB website and the own website [www.sifm.ro](http://www.sifm.ro)

The usage of privileged information related to the SIF Moldova investment policy by the members of the Board of Directors, Company managers as well as any person with which SIF Moldova has concluded a work contract is forbidden, when these persons carry out transactions with financial instruments in their own portfolio;

The dissemination of information related to the transactions SIF Moldova intends to carry out with financial instruments in its portfolio or by the members of the Board of Directors, the Company managers as well as any persons with which SIF Moldova has concluded a work contract.



The transactions carried out by the managers with the Company, exceeding 50.000 EUR, are events included in the special reporting requirements provided in art. 225 of Law 297 / 2004.

The Company complies with institutional reporting and information requirements, through means specified in the CNVM and BVB regulations, including by posting on the website and publishing in the press.

Likewise, the operations are included in the internal control and auditing plans and the external financial auditor is required to analyze transactions and issue an auditing report.

In their activity, employees avoid any situation or interest that may interfere with their own judgment regarding responsibilities towards SIF Moldova, shareholders or partners.

A conflict of interest represents any situation in which the Company's interests diverge from the personal interests of employees or their close relatives or persons in personal or business contact.

## **CHAPTER 6**

### **THE REGIME OF CORPORATE INFORMATION**

The Board of Directors has adopted a procedure regarding the internal circuit and the disclosure towards third parties of documents and information related to the issuer, that may influence the market price of the securities issued.

The department with attributions in this field periodically drafts information regarding the implications of legal provisions regarding ensuring the confidentiality of data and information, by managing privileged information (defined in art. 244 of Law 297 / 2004) within SIF Moldova as well as regarding the obligations of initiated persons. The information is submitted for analysis and approval by the Board of Directors.

## **CHAPTER 7**

### **SOCIAL RESPONSIBILITY**

SIF Moldova is permanently carrying out activities regarding the Company social responsibility, each year supporting directly or through specialized foundations / associations, less favored categories in the community where it is operating.

The Company also contributes to the support of scientific, cultural, sporting, medical, educational, environmental, national or regional interest events.

## **CHAPTER 8**

### **THE MANAGEMENT SYSTEM**

SIF Moldova is managed based on an unified system, specific to collective investment organizations regulated by the CNVM, in accordance with the provisions of the articles of association; the corporate governance structures of SIF Moldova are represented by the Board of Directors and by the executive management.

The present Regulation of Corporate Governance was drafted in two specimens and approved in the meeting of the Board of Directors of.....

**President General Manager**  
**Costel CEOCEA**