



SIF MOLDOVA
SOCIETATE DE INVESTITII FINANCIARE

Corporate Governance Code



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Board of Directors on
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Ch.1. PREAMBLE

IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

The Governance Code of SIF Moldova complies with OECD Principles of Corporate Governance, with the Corporate Governance Principles issued by the Stock Exchange of Bucharest (BVB) for quoted companies, as well as with the current best practices in the field (bibliography references – in the annex).

Corporate governance refers to the way in which rights and responsibilities are divided among the various categories of participants to the company's activity, such as shareholders, Board of Directors, managers, employees, auditors, specifying, at the same time, the way decisions are taken within the company, how the strategic objectives are defined, what are the means of achieving them, and how the economic performances are monitored.

The practice and dialog with the shareholders confirms the need to intensify the concerns of SIF Moldova for the acceptance of formalising corporate governance because it has noted that organizations dedicated to the implementation of its principles have been able to ensure the institutional framework to maximise performance.

In this context, the implementation and development of corporate governance principles, as well as the development of responsible and transparent business practices represent a necessity in the foundation and implementation of the strategies and policies for investment, for portfolio management and for the implementation of the obligations of conformity.

Having thus defined the co-ordinates of the activity by implementing the principles of corporate governance, there are created the premises for the growth of SIF Moldova performance, with a view to the creation and distribution of the profit, as well as for the harmonisation of interests of all parties involved in the relationship with the company.

Therefore, as a result of the fact that, by the implementation and application of codes, policies and principles of corporate governance, there is created for the company not just a balance between compliance and performance, but an actual increase in economic efficiency and investment climate, the Board of Directors has decided to fundamentally revise the current *Regulation of Corporate Governance of SIF Moldova*, through the adoption of the *Corporate Governance Code of SIF MOLDOVA*, a document that integrates the principles and procedures of corporate governance already adopted by SIF Moldova, as well as the best international practices in the field.

Implementation of the *Corporate Governance Code* in the current activity ensures:

1. improved protection of shareholders' rights;
2. harmonization of the interests of all the parties involved in the relationship with the company: shareholders, directors, managers, auditors, employees, etc.;
3. increase of the transparency and efficiency of the management through a sustained communication with the shareholders;
4. a balance between compliance and performance;
5. establishment of transparent criteria in the election of the Board members and executive management;
6. necessary framework to elect a Board of Directors with a structure and composition which lead to increased efficiency of the Board; in this way it is recommended to the shareholders to consider at the election of the directors, the following issues:
 - a. the compliance with the principle of majority of non-executive directors and the majority of the independent non-executive members; a Board structure with a sufficient number of independent directors ensures the necessary advisory committees, in accordance with the recommendations of the corporate governance principles;
 - b. achievement of a balance between the number of current directors, who by experience and knowledge of the company ensures the activity continuity, and new directors which encourages the development of new ideas and practices.

The Corporate Governance Code includes, at the same time, new provisions on the independent and qualitative assessment of the management of SIF Moldova, on the basis of indicators of scoring, in accordance with the management and administration contracts and with the degree of implementation of the corporate governance principles through the alignment to the established practices in the field:

1. the scoring concept of SIF Moldova Corporate Governance reflects the implementation assessing of the practices and policies as they serve the interests of the shareholders;
2. the implementation of Corporate Governance scoring methods involves the use of self-evaluation of managerial performance based on indicators of scoring selected according to usage in Europe. The scoring methodology for the corporate governance represents a novelty in the investment industry and aims at monitoring and correcting the management decisions;
3. the methodology of the evaluation system involves the implementation of algorithms for measuring and evaluating the performance through quantitative and qualitative analysis:
 - the qualitative analysis of scoring uses a method of comparing to assess departments, activities and procedures of a qualitative nature, directly and indirectly productive;
 - the quantitative analysis of scoring uses direct scoring method based on building references/numerical benchmark to assess the management performance, as a result of the implementation of the Corporate Governance within the departments, activities and procedures. SIF Moldova performance analysis is an ongoing process, organized by procedures and controlled by management through the Investment/Risk Committees.

Ch.2. DEFINING THE OPERATIONAL FRAMEWORK

The provisions of the Code comply with the national laws for commercial companies and the legal framework set by the National Securities Commission of Romania.

The compliance with the valid laws and the regulations

In terms of the legislation applicable within SIF Moldova, the corporate governance settles the framework (structures and procedures) that allows managers to perform their legal responsibilities to supervise the compliance with the laws.

The legal framework governing the activity of SIF Moldova comprises:

- Law 31/1990 on commercial companies with further modifications and additions - provisions applicable for the quality of SIF Moldova as a joint-stock company;
- Law 297/2004 on the capital market with further modifications and additions - provisions applicable for the quality of SIF Moldova as issuer listed on a regulated market and for its quality as collective placement body (non-UCITS);
- Emergency Order no.32/2012 on the collective placement bodies in securities and investment management companies, as well as for the modification and completion of the Law no. 297/2004 on capital market;
- Regulation CNVM 1/2006 on the issuers and operations with securities, with further modifications and additions;
- Regulation CNVM 15/2004 on the authorization and running of investment management companies, of collective placement bodies and of depositors with further modifications and completions;
- Instructions, Measures and Orders issues by CNVM;
- Bucharest Stock Exchange Code;
- The Fiscal Code (Law no. 571/2003 with further modifications and additions);
- EU Regulation on the capital market.

The activity of SIF Moldova, as a collective placement body, is controlled and regulated by the National Securities Commission in accordance with the attributions foreseen by the Law 297/2004 on the capital market and the Regulation CNVM no.15/2004 on the authorization and running of investment management companies, of collective placement bodies and of depositors. SIF Moldova complies with the regulations CNVM on:

- a) the minimum content of the Bylaws;
- b) the content of internal regulations;
- c) rules on the issue, holding and selling of shares;
- d) the calculation of the net asset;
- e) prudential rules on the investment policy;
- f) conditions of depositor replacement and rules for shareholders' protection in these situations;
- g) the identity, the requirements for the qualification, professional experience and integrity of Board members, of the executive management, of the internal control department staff.

Ch.3. THE GENERAL MEETING OF SHAREHOLDERS

The supreme governing body of SIF Moldova is the General Meeting of Shareholders (GMS).

The supreme governing body of SIF Moldova is the General Meeting of Shareholders (GMS) that is settled and functions in accordance with the provisions of the law and the Bylaws of SIF Moldova (annex).

Ordinary and Extraordinary General Meetings are established by the Board of Directors in compliance with the legal and statutory provisions. The works of the meetings are registered by the secretariat chosen by GMS; the minutes are drawn up holographically in the special register.

For GMS, details on the running of the meetings are published, in a section of www.sifm.ro: GMS minutes; the materials afferent to the agenda as well as any other information on the agenda; the voting papers by special mandate and the voting by post; the procedures of participation and of voting that provide the efficient running of GMS and that confers the right of any shareholder to freely express his/her opinion on the debated issues.

Running and voting procedures

Recommended principles:

Directors have a legal obligation to look after the interests of all shareholders. If shareholders do not vote they cannot complain when their views are not taken into account.

The settlement of participation and voting procedures is an exclusive attribute of the Board of Directors.

Ever since the General Meeting of Shareholders of April 2008, SIF Moldova has implemented the vote by correspondence with electronic transmission, in accordance with the Directive 2007/36/CE of the European Parliament and of the Council from 11th of July 2007 receiving the notice of CNVM for elaborated procedure. Subsequently, the implementation of the provisions of Directive in the Regulation no.6/2009, has maintained the compliance of the Procedure content with the Regulation requirements.

The Board of Directors will be able to decide the holding of GMS, by electronic means, consisting in:

1. the transmission in real time of the General Meeting of Shareholders;
2. the bidirectional communication in real time, fact that allows shareholders to address the Board of Directors at a long distance;
3. a voting system during the GMS that does not need a representative physically present at the meeting.

This procedure observes the community legislation in the field, “Directive 2007/36/CE of the European Parliament and of the Council from the 11th of July 2007, on the exercise of certain shareholders’ rights within the quoted commercial companies”, transposed in the national legislation in the “Regulation no. 6/2009 on the exercise of certain shareholders’ rights within the annual general meetings of commercial companies”.

The Board of directors recommend that for certain issues relating to the agenda of the GMS, such as the discussion, approval and/or modification of the annual financial statements, the dividend settlements, election/revocation of Board members, the appeal of Board members, the dissolution/liquidation of the company - not to use the electronic online voting.

Quorum requirements and decision making

Articles 20, 21 and 22 of the Bylaws of SIF Moldova, stipulate the following **quorum requirements**:

- *“for the validity of the deliberations of ordinary general meetings, at first calling, it is necessary the presence/representation of the shareholders who represent at least half of the share capital and the decisions to be taken by the shareholders owning a majority of the total registered capital represented in the GMS. If you the conditions of validity are not met, there will be a second call of the GMS, where there may discussed the issues on the agenda, whatever the registered capital represented by the present/represented shareholders, decisions being taken by a majority (over 50% of the votes cast);*
- *“for the validity of the extraordinary general meetings, it is necessary, at first calling, the presence of the shareholders representing $\frac{3}{4}$ of the share capital, and decisions should be taken by the vote of a number of shareholders representing at least $\frac{1}{2}$ of the share capital. At further calls it is necessary the presence of shareholders representing $\frac{1}{2}$ of the share capital, and decisions should be taken by the vote of a number of shareholders representing at least $\frac{1}{3}$ of the share capital.”*

In order to ensure the flexibility of the decisional act at the level of GMS and to avoid decisional blocking, the Board of Directors is concerned with the modification of the Bylaws of SIF Moldova with a view **to harmonise its provisions with the valid legislation and with the necessity to reduce the cvorum regarding the running of meetings, decision-making and delegation of competences to the Board of Directors**, in compliance with the aspects validated in GMS, developed at the reference issuers. **The elimination of any limits of holding the SIF2 shares is mainly aimed.**

The General Meeting of Shareholders makes decisions in accordance to certain principles proposed by the Board of Directors and/or shareholders. GMS decisions, signed by the chairman, are reported to CNVM, Bucharest Stock Exchange and made public by publication in a national journal, Monitorul Oficial part IV, CNVM Bulletin, posting on the official site and at the head office and at SIF Moldova representatives.

GMS decisions are enforceable (with immediate applicability) from the moment of its adoption if, in their content or from legal dispositions, it is not stipulated another term when they become enforceable.

Assignations on the limit of ownership of 5% of SIF Moldova share capital

The acquiring, owning and alienation of SIF Moldova shares will be done in compliance with the provisions of Law 297/2004 on the capital market and the regulations CNVM concerning the prohibition on the holding, directly or indirectly, of more than 5% of the total voting rights.

SIF Moldova has harmonized its Bylaws with the provisions of art. 281¹ of Law 297/2004. Thus, art 3 of the Bylaws stipulates:

*(8) Any person may acquire any title or may hold, alone or together with persons other, shares issued by the financial investment company arising from the transformation of private property, **but not more than 5% of the registered capital of the financial investment company.***

(9) The exercise of the right to vote is suspended for the shares owned by the shareholders exceeding the limit stipulated at paragraph (8).

The persons mentioned at paragraph (8) have the obligation, at achieving the 5% threshold, to inform in no more than 3 working days the financial investment company, CNVM and the regulated market where the respective obligations are traded

Within 3 months from the date of exceeding the limit of 5% of the registered capital of the financial investment company, the shareholders who are in this situation are obliged to sell the shares that exceed the limit of ownership.

The regulation of art 286¹ of Law no 297/2004 on the capital market in Romania by CNVM was done by CNVM Order no.6/2012 (approved by **CNVM Order 140/14.12.2012**), which repealed the **CNVM Instruction no 1/2006**.

Ch.4. SHAREHOLDERS' RIGHTS

The increase of the company's capacity to communicate with the business environment, shareholders/investors and capital market's actors that should lead to the development of the environment of cooperation, for the benefit of all partners.

Recommended principles on the relationship with shareholders/investors:

1. *The Board must ensure equitable treatment to all shareholders/investors.*
2. *There should be a dialogue with shareholders/investors based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders/ investors takes place.*
3. *The Board should ensure that minority shareholders are protected.*
4. *The board should appreciate that shareholders/investors' perceptions affect the company's reputation.*

Recommended practice:

- a) *The gap between shareholders/investors' perceptions and the performance of the company should be managed and measured to enhance or protect the company's reputation;*
 - b) *The company's reputation and its linkage with shareholders/investors relationships should be a regular Board agenda item;*
 - c) *The Board should identify important shareholders/investors groupings.*
5. *The Board of Directors should delegate to management to proactively deal with shareholder/investor relationships.*

Recommended practice:

- a) *Management should develop a strategy and formulate policies for the management of relationships with each shareholder/investor grouping;*
 - b) *The Board should oversee the establishment of mechanisms and processes that support shareholders/investors in constructive engagement with the company;*
 - c) *The Board should encourage shareholders to attend the general meetings;*
 - d) *The Board should consider not only formal, but also informal, processes for interaction with the company's shareholders/investors;*
 - e) *The Board should disclose in its integrated report the nature of the company's dealings with shareholders/investors and the outcomes of these dealings.*
6. *The Board should strive to achieve the appropriate balance between its various shareholder/investor groupings.*

Recommended practice:

The Board should take account of the legitimate interests and expectations of its shareholders/investors in its decision-making in the best interests of the company.

7. *Transparent and effective communication with shareholders/investors is essential for building and maintaining their trust and confidence.*

Recommended practice:

- a) *Complete, timely, relevant, accurate, honest and accessible information should be provided by the company to its shareholders/investors whilst having regard to legal and strategic considerations;*
- b) *Communication with shareholders/investors should be in clear and understandable language;*
- c) *The Board should adopt communication guidelines that support a responsible communication programme.*

8. *The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.*

Recommended practice:

The Board should adopt formal dispute resolution processes for internal and external disputes.

SIF Moldova has a great number of shareholders (over 5 million individual and legal persons), as result of the company' setting up and in accordance with its quality as a collective placement body.

- 1992- SIF Moldova was set up in 1992, in compliance with the Law no. 58/1991 of commercial societies' privatisation, in the whole process of privatisation appeared after 1989, by means of these entities, the Romanian citizens, holders of shareholders' certificates practically acquired 30% of the public companies' capital of that time. Thus, by laws' effect, FPPs received ventures of 30% of the portfolio companies, a portfolio formed on regional and sector criteria. FPP II Moldova received ventures at companies from the following counties: Bacau, Suceava, Botosani, Neamt, Iasi, Braila, Galati, Vaslui, Tulcea, and also at the companies in the textile industry at national level.
- 1996: Modification of the Law no. 58/1991 by Law no. 44/1998, Law no 55/1995 and Law no 133/1996 marked the legal framework for the transformation of FPPs in financial investment companies; thus, starting with the 1st of November 1996 SIF Moldova has operated.
- 1999 – GMS of SIF Moldova on 17th of April 1999 has approved the modification of the Bylaws, by setting the ownership limit of 0.1% of the social capital.
- 1999- Registration of SIF 2 share at the Bucharest Stock Exchange on the 1st November 1999 represented another significant marking point in the evolution of SIF Moldova with positive effects both on the performance of SIF Moldova/ SIF 2 share and on the Romanian capital market, as a whole.
- 2004 - Law 297/2004 (capital market law) modified the ownership limit to 1% of the social capital;
- 2005 – Authorisation of SIF Moldova as another Collective Placement Body by CNVM
- 2012 - Law no. 11/2012 for the modification of the Law 297/2004 (the capital market law) – modified the ownership limit to 5% of the social capital.

The foundation of the shareholding policy consists in the compliance with shareholders' rights, ensuring them a fair treatment; that goal and the promotion of an active policy are coordinates implemented by specialized personnel in the shareholding department.

Sustained communication with shareholders is a priority of SIF Moldova management. In this regard, additional information are made available to the shareholders/investors, some non-regular (newsletters) designed so as to be able to allow up-to-date information on company's performance and the transparency of management.

There are permanently taken into account the development of communication and the quality improvement of the information transmitted by:

- Periodic activity reports that exceed the minimum information obligations, in accordance with CNVM requirements;
- Newsletters - include the relevant updated information on the company's performance and structure of managed assets.

Periodic and continuous relevant information (through financial and non-financial reports) are disseminated, both in Romanian and in English.

Through these measures, the shareholders of SIF Moldova have provided, consistently and on time, all the data required to analyse and evaluate the investment strategies based on which the company's management operates. At the same time, one can assess, at any time, the degree of framing within the general activity performance indicators that can be found in the regular reports of the Board of Directors.

An important component of the relationship with the shareholders is the direct mail.

Thus, it is possible to respond to the issues raised by them, which mainly concern information on the payment of dividends (amount, modalities, procedures, deadlines, etc.) transfers on the cause of death (procedures, appropriate dividend amount, etc.), personal data updates, trading methods, reporting financial data (periodic net asset reports, etc.), information on rules of taxation, the tax regime of non-residents (direct mails, custodians or other intermediaries) etc.

In outlining the medium/long term strategies, on major themes of the company's activity, which may be placed on the agenda of general meetings, the Board of Directors initiates processes of shareholders' consultation, investors and analysts; the opinions received and the evaluation of the answers are important for the company's management in the decision-making process.

Ch.5. THE BOARD OF DIRECTORS

Corporate governance structures: transparency and activity performance.

5.1. Legal provisions and internal regulations on the organisation and functioning of the Board of Directors

The directors of SIF Moldova must meet the requirements stipulated by the regulations of the company as a joint stock company and as non-UCITS, entity regulated by CNVM:

1. Law 31/1990 republished with subsequent modifications and completions regarding the regulation of managers' status;
2. CNVM Regulation no 15/2004 on the authorisation and functioning of the investment management companies, of the collective placement bodies and of depositors.

Corporate stipulations on the organisation and functioning of the Board of Directors

- a) Bylaws (Bylaws updated by the modification of art 3 paragraphs (8), (9), as effect of the application of Law no 11/2012 [CNVM Approval no 13/29.03.2012] and of art 1 paragraph (8), by the Decision of the General Meeting of Shareholders no 13/06.04.2012 [CNVM Approval no 21/24.04.2012].
- b) Internal regulations - CNVM Approval 32/02.08.2012
- c) Corporate Governance Regulation – approved by Board Decision no 5/25.02.2011
- d) Rules of Organisation and Functioning of SIF Moldova – approved by Board Decision no 1/23.08.2011

5.2. The role and obligations of the Board of Directors

Governance principles recommended for the Board of Directors

1. *The company should be headed by an effective Board which is collectively responsible for the long-term success of the company.*
2. *The Board should act as the focal point for corporate governance.*

Recommended practice:

- a) *The Board should have a charter setting out its responsibilities;*
 - b) *The Board should monitor the relationship between management and the shareholders/investors of the company;*
 - c) *The Board should ensure that the company survives and thrives.*
3. *The Board should ensure that the company is and is seen to be a responsible corporate citizen.*

4. *The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.*

5. *The Board and its directors should act in the best interests of the company*

Recommended Practice:

a) *Directors must adhere to the legal standards of conduct;*

b) *Directors or the Board should be permitted to take independent advice in connection with their duties following an agreed procedure;*

c) *Real or perceived conflicts should be disclosed to the Board and managed.*

6. *The Board should appreciate that strategy, risk, performance and sustainability are inseparable*

Recommended practice

a) *The Board should inform and approve the strategy;*

b) *The Board should ensure that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its shareholders/investors;*

c) *The Board should satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management;*

d) *The Board should ensure that the strategy will result in sustainable outcomes taking account of people, region and profit.*

7. *The Board should provide effective leadership based on an ethical foundation.*

8. *The Board should ensure that the company's ethics are managed effectively.*

9. *The Board should be responsible for information technology (IT) governance.*

10. *The Board should be assisted by a competent, suitably qualified and experienced company secretary.*

The directors' obligations and responsibilities are governed by the provisions relating to the mandate and the special ones provided by the law 31/1990 with further modifications and completions, Law 297/2004 with further modifications and completions, Government Emergency Order no 32/2012, the valid regulations of CNVM and statutory provisions.

The main medium-term and long-term objective of the Board of Directors, defined and determined by the particularities of SIF Moldova and by the macroeconomic context in which it operates, is to ensure a balance between the continuity of the activity in optimal conditions and the meeting of the shareholders' expectations.

The Board of Directors has the obligation, at least before the shareholders' general meeting, to assess the environment in which it operates, the macroeconomic context, and other matters that can influence the company's performance and to analyse the appropriateness of the proposal on the GMS agenda of the adoption of decisions on the increase/reduction of the share capital, management change, the adoption of organisational structure, and not only these.

The attributions and the limits of competence of the Board of Directors are those stipulated by the law in the case of a financial investment company:

- Sets the main directions of 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 financial planning;
- Appoints and revokes the effective leaders and establishes their remuneration;
- Supervises the activity of the effective leaders;
- Draws up the annual report, organizes the annual general meeting and implements its decisions;
- Subjects to the approval of the shareholders' general meeting, in legal terms, the report on the company's activity, audited financial statements, as well as the company's budget project of the current year;
- Approves the appointment, employment, dismissal, respectively the lay-off of the heads of department, establishes their rights and duties;
- Approves the operations of incomings and payments ;
- Approves the operations of selling and buying goods;
- Approves the conclusion or termination of contracts;
- Approves the marketing strategy;
- Approves the contracting of bank loans and the granting of securities;
- Approves the pledging, renting, constitution of real movable guarantees and the mortgaging of the company's property;
- Closes contracts with the depositor, custodian, auditor and the entity that keeps records of shareholders;
- Approves the bylaws ;
- Approves the procedures of internal control, internal audit, administration of risks and legal support for employees, directors and Board members;
- Solves any problem set by the annual general meeting;
- Applies processes in order to identify them, to assess them and to meet the potential risks that may affect the achievement of the company's objectives;
- Makes sure that the company will have a computer system that allows keeping safe the best market price for each asset in the portfolio, of the net asset value, of the unit value of the net asset for the periods covered by the report, highlighting the calculation of all commissions, fees and charges due, with the preservation of the history of these operations for a period of minimum three years;
- Approves the classification of information into privileged and confidential information and the measures taken for their administration;
- Approves the internal audit plan and the necessary resources;
- Disposes measures regarding the significant risks reported by the internal audit;
- Approves the periodical reports of the internal audit division ;
- analyses the proposals submitted in writing by the representative of the internal control division and disposes measures to remedy any situations of violation of the laws, of the regulations in force on the capital market or internal procedures, by SIF Moldova or by its employees;

- Approves the periodical reports of the internal audit division ;
- Approves the plan of investigation of the internal control ;
- Notifies CNVM and the capital market institutions involved on the instances noted by the representative of the internal control division concerning the infringement of the legal regime of the capital market and on the measures adopted.
- Approves policies, methodologies and procedures for the identification, evaluation, monitoring and control of significant risks ;
- Approves the tolerance to risk for significant risks ;
- Approves the reporting system of significant risks;
- Disposes the necessary measures for the control of significant risks.

Source: "Internal Regulations of SIF Moldova" - CNVM Approval 32/02.08.2012

In its activity, the Board of Directors adopts decisions. The resolutions legally adopted are binding for the effective leaders and other managers and are enforceable from the moment of their written communication or general information, through the secretariat of the Board; if their content does not provide another subsequent term, when it is due to enter into force.

The Board of Directors may create consultative committees composed of members of the council, charged with carrying out investigations and with drawing up recommendations for the council, in areas such as audit, the remuneration of directors, managers, staff, the nomination of candidates for the various posts of management, and others. The Board of Directors establishes the internal rules of the established committees.

5.3. Delegation of competence

The Board of Directors approves the delegation of competences and establishes the boundaries of competence for the President Chief Executive, Vice President Deputy Chief Executive. The operations based on competences delegated to the effective executives are reported to the Board of directors by means of written or oral reports, usually monthly.

The Board of Directors can approve the delegation of competence to a non-executive director, when both effective executives are absent on leave from the company.

The delegation is made within the limits of the following competences:

1. Approves the operations of incomings and payments;
2. Signs the documents to third parties within the limits of competence of the Deputy Chief Executive Deputy General Manager;
3. Approves the transactions with financial instruments, including participation to registered capital increases, within the limit of the amount established by the decision of the Board of Directors;
4. Approves the closure, modification or termination of contracts, within the limit of the approved BVC and within the limits of competence of the Vice President Deputy Chief Executive;
5. Approves the carrying out of legal approaches in order to protect the interests of SIF Moldova in the disputes with other institutions or commercial companies.

In the decision of delegating these competences there will be mentioned the duration of the delegation and the fact that the right to transmit the mandate will not be granted. The delegation does not represent entrust of the responsibilities of effective executive within the meaning of the Law 31/1990 and the CNVM regulations.

The Board of Directors approves the delegations of competence and/or the right to representation, to other directors or employees of the company, establishing their limitations, as well. The operations under the competences delegated by the Board of Directors to other managers are subject to reports submitted monthly to the Board of Directors. The operations under the competences delegated by the Board of Directors to other employees of SIF Moldova are subject to reports which will be presented monthly and weekly to the executives of the Board of Directors.

5.4. The Rules of Organisation and Functioning of the Board of Directors

SIF Moldova is permanently concerned with optimizing the decision-making, as results from the adoption of “The Rules of Organisation and Functioning of the Board of Directors of SIF Moldova”.

The Board of Directors operates through deliberations within the organised sessions in accordance with the legal and statutory provisions, meeting least once a month for the monitoring of the company’s activity.

The President Chief Executive or, in his/her absence, Vice President Deputy Chief Executive convenes the Board, draws up the agenda, monitors the appropriate information of the Board members of the Council with regard to the points on the agenda and chairs the meeting.

The deliberations at the meetings are recorded by the Secretary of the Board in real time, in the register of minutes, at the end of the meeting the minutes being signed by all the present directors. The managers, who did not attend the meetings, take knowledge of the content of the debates and of the adopted decisions, in the next meeting, this being registered in both the minutes and decisions. The records of the Board secretary are complemented by audio recordings of the meetings, clarification submitted in each report.

The resolutions of the Board are enforceable for SIF Moldova employees. They are being monitored for implementation and quarterly reports on their implementation are made to the Board.

The problems raised by the directors in the meetings are subject to verification and reporting made by the specialised compartments (audit, legal, internal control department etc).

“The Rules of Organisation and Functioning of SIF Moldova Board of Directors” are internal rules, approved by resolution of the Board.

The content of the Rules present information and regulates aspects related to:

- Art.1 Organisation of the Board of Directors
- Art.2 Board Meetings
- Art. 3 The convening and agenda of the Board meeting
- Art.4 Conduct of Board meetings
- Art.5 The Board decision-making procedure
- Art.6 The drawing-up, communication and monitoring of Board decisions
- Art.7 General rules for the information of directors

5.5. The structure of the Board of Directors

Recommended principles

The establishment of the size and structure of the Board should be made on efficiency criteria.

When determining the directors serving on the Board, the knowledge, skills and resources required for conducting the business of the board should be considered.

The induction of and ongoing training and development of directors should be conducted through formal processes.

The company is administered by a board of directors made up of 7 members, individuals, elected or appointed by the general meeting for a period of 4 years, with the possibility to be re-elected. The Board members are determined by CNVM. [Bylawss, art 7(1)]

The directors of SIF Moldova must meet the requirements stipulated in the regulations of the company as a commercial joint-stock company and as non-UCITS, entity regulated by CNVM, in terms of:

- Professional experience in a field belonging to the financial and banking activity or capital market or in the legal field for at least three years.
- The Board of Directors has in its structure executive directors and non-executive directors; SIF Moldova, as a joint-stock company legally binded to audit financial situations, has the obligation to delegate the management of the company to one or more directors, whose organisation may be established by the Bylawss or by the decision of the Board of Directors. The directors (executives) must have a minimum of three years experience in investment management or in the stock market.
- The directors must exercise their mandate with the fulfilment of the obligations imposed by the article 144 of Law 31 republished with the subsequent changes and additions:
 - *the obligation of prudence and diligence* – requires directors to act with prudence and diligence (as a professional). The reference to a "good director" is intended as an objective criterion for evaluation. The obligation of prudence and diligence includes the obligation to act on the basis of adequate information;

- *the business-judgment rule* - introduces the rule of business judgment, as a counterweight to the obligation of prudence and diligence: according to this rule, directors who take business decisions with the justified belief that they act based on information and in the interest of the company and they will not be liable for damage recorded subsequently by the company as a result of these decisions;
- *the obligation of loyalty towards the company* requires directors an obligation of loyalty to the company: once appointed, the directors must act in the best interests of the company, on a priority basis, and not as representatives of certain shareholders or of other persons outside company;
- *the obligation not to reveal the company's business secrets* - prohibits directors to disclose confidential information and the company's business secrets to third parties. This logically comes in addition to their obligation of loyalty towards the company.

a. Non-executive directors

Recommended principles

The Board should comprise a balance of power, with a majority of non-executive directors.

As part of their role as members of a unitary Board, non-executive directors should constructively challenge and help develop proposals on strategy.

The Board of Directors is mostly made up of non-executive directors. The non-executive members are those who have not been appointed directors. Executives of the company, in the meaning of the law 31/1990, of the law 297/2004 and the regulations CNVM, are effective managers, quality for which they are approved by CNVM.

The minimum number of executives members of the Board is **2 (two)**, in accordance with Regulation CNVM 15/2004, art 18¹ and the maximum number of directors is 3, determined by the meeting of the condition stipulated by the Law 31/1990 R (A) art 138^{1*} as the majority of Board members will be formed of non-executive members.

In the present mandate of the Board (2009-2013) there are 2 executive directors.

¹ R 15/2004 Art. 18

(1) In order to obtain the functioning authorisation, S.A.I. (Investment Management Company) must meet the conditions stipulated in Title III, Chapter I of Law no.297/2004, as well as the following requirements:

- a) to be managed by a Board of Directors composed of at least three members, and the effective management of its activity must be secured by at least two individuals, hereafter referred to as **executives**. The executives are people who, according to the Bylaws and/or the decision of statutory bodies of S.A.I, they are empowered to manage and coordinate its day-to-day and are invested with the power to hire the responsibility of S.A.I. This category does not include people who directly manage the subsidiaries and headquarters. In the case S.A.I. branches, foreign legal persons who develop activities in Romania, managers are empowered S.A.I., foreign legal person, to manage the work of the branch and to engage lawfully in Romania S.A.I., a foreign legal entity;
- b) S.A.I. managers must be employed with individual labour contract and they can be members of the Board of Directors of that S.A.I.

b. Independent directors

Recommended principles

The increasing of the emphasis on independence leads to a new approach for the company.

The majority of the non-executive directors should be independent.

The supervision and involvement in too many Boards leads to inefficiency.

Definition: independent director in the meaning of the Law 31/1990 - art 138²:

- (1) By Bylaws or by decision of the GMS there can be stipulated that one or more Board members must be independent
- (2) For the appointment of the independent director, the general meeting of shareholders will take into consideration the following criteria:
 - a) He/she should not be a director of a company or of a company controlled by it and he/she should not have occupied such a position in the last 5 years;
 - b) He/she should not have been an employee of a company or of a company controlled by it or he/she should not have had such an employment relationship in the past 5 years;
 - c) he/she should not receive or have received from a company or from a company controlled by it, additional remuneration or other benefits, other than those corresponding to his/her quality as non-executive director;
 - d) he/she should not be a significant shareholder of the company;
 - e) he/she should not have or have had in the last year, business relations with the company or with a company controlled by it, either personally or as a partner, shareholder, director, or employee of a company which has such a relationship with the company if, by their nature, these are likely to affect its objectivity;
 - f) he/she should not be or have been in the past three years a financial auditor or associated employee of the current financial auditor of the company or of a company controlled by it;
 - g) he/she should be a manager in a company where a company's director is a non-executive director;
 - h) he/she should not be or have been non-executive director of the company for more than three mandates;
 - i) he/she should not have family relationships with a person who is in one of the situations stipulated at letter a) and d).

The Board of Directors has in view the compliance with the legal recommendation that one or more Board members must be independent (Law 31/1990 - article 138² and article 140²).

The requirement of independent director is directly connected to the setting up of advisory committees which should be formed of at least 2 Board members and at least one member must be independent non-executive director.

The recommendation of independent director can also be found in the Corporate Governance Code promoted by the Bucharest Stock Exchange, by the Corporate Governance Institute.

SIF Moldova, as an issuer quoted on the 1st tier of the Bucharest Stock Exchange, has permanently in view the compliance with the corporate governance principles (P) of the Corporate Governance Code the Bucharest Stock Exchange. According to the Declaration, “Comply or Explain” (annexed to the annual report of activity, starting with 2010), SIF Moldova attests that it conformed to 16 of the 19 established principles.

One of the three principles with which SIF Moldova has not yet complied is P7 “Does the Issuer’s Structure of the Board provide “a sufficient number of independent members?”

SIF Moldova explanation included in the declaration is that “The current Structure of the Board does not provide a sufficient number of independent members, because this recommendation of the Stock Exchange is optional and Law 31/1990, as well, but the company aims to meet this criterion with the election of the new Board of Directors for the mandate 2013-2017”.

As, by shareholders’ will this principle can be applied, the current Board of Directors has in view to propose to the General Meeting of Shareholders **recommendations for the election of a sufficient number of independent directors.**

At the same time, at the election of the Board members, shareholders have to take into consideration the best practices in this area, which recommend a **balance** between the numbers of old directors, who, through experience and knowledge of the company, ensure the continuity of the activity, and new directors, which encourages the development of new ideas.

c. Advisory committees

The Board of Directors may create advisory committees, which should be well structured, but without succumbing from their own responsibilities. These can be made up of Board members, carrying out investigations with drawing up recommendations for the Board, in areas such as audit, risk, investment policy, remuneration of Directors, managers, staff, the nomination of candidates for the various management positions. The Board of Directors establishes the internal rules of the set up committees.

Recommended principles for the Advisory Committees

- 1. Formal terms of reference should be established and approved for each committee of the Board.*
- 2. The committees’ terms of reference should be reviewed yearly.*
- 3. The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report.*
- 4. Committees, other than the risk committee, should comprise a majority of non-executive directors.*
- 5. Committees should be free to take independent outside professional advice at the cost of the company subject to an approved process being followed.*

At present, within the Board of Directors there are 2 advisory committees: the Audit Committee and the Committee of Investment Policy – Strategies.

Audit Committee

Recommended principle

The board should ensure that the company has an effective and independent audit committee.

Role, setting up modality:

The audit committee is a standing committee, independent of SIF Moldova management, subordinate of the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities in the field financial reporting, internal control, internal audit and risk management.

The composition of the Committee of Audit is determined by the Board of Directors.

The audit committee consists of a number of at least 2 members elected among the non-executives.

The audit committee members must have an experience appropriate to their duties within the committee. At least one member of the audit committee must have accounting and/or audit competence.

The activity of the audit committee is coordinated by a President elected by its members for a period of six months.

Attributions, responsibilities:

- monitors the process of financial reporting;
- monitors the efficiency of systems of internal audit and risk management within SIF Moldova;
- makes sure that the drawn up audit analyses and audit reports are in accordance with the audit plan approved by the Board;
- monitors the audit of annual financial statements and of the consolidated annual financial statements;
- monitors the credibility and integrity of financial information provided by the company, in particular through the revision of relevance and consistency of the accounting standards applied by it;
- makes recommendations to the Board on the choice of the external auditor;
- verifies and monitors the independence and objectivity of the external auditor and, in particular, the provision of additional services.

The Committee of Investment Policy – Strategies

Role, setting up modality:

The Committee of Investment Policy – Strategies is a permanent advisory committee, independent of the executive management of SIF Moldova, subordinate to the Board of Directors.

The Committee of Investment Policy – Strategies assists the Board in carrying out its responsibilities in the field of investment strategies and policies, the control of decisions on the implementation of the investment policy, of the analysis of the performance of financial instruments portfolio and related risk management.

The Committee of Investment Policy – Strategies is established by the Board.

The Committee of Investment Policy – Strategies consists of a number of at least 2 members elected among the non-executives.

The members of the Committee of Investment Policy – Strategies must have an experience appropriate to their attributions within the Committee.

Attributions, responsibilities:

- issues recommendations to the Board of Directors on the strategy of annual/multiannual investment/disinvestment;
- issues recommendations to the Board of Directors on the programmes of investment/disinvestment that shall be approved by the Board;
- issues recommendations to the Board of Directors on:
 - the maximization of the performance of financial instruments portfolio;
 - the allocation of assets to increase performance, in conjunction with the activity program approved by GMS, with the declaration of investment policies and with the strategy of investment/disinvestment approved by the Board and the economic forecasts.
- Analyses any addressed proposal for investment which falls within the scope of the Board attributions and proposes new opportunities for investment and ways of improving the effective assets management;
- For the substantiation of recommendations addressed to the Board, it carries out accurate research and investigation in the fields of its sphere of competence.

The recommendation of corporate governance – is to to have a Remuneration Committee and Nomination Committee, as well; the limitation on only two committees have been determined by the number of independent directors; in the situation of choice/existence of a number of 3 independent directors, the proposal is to work with 3 advisory committees.

5.6. The election and revocation of the Board members

The election of the Board members by vote of shareholders in the Annual General Meeting is based on a transparent procedure, by bringing to the public the content of the dossier for candidacy and the criteria for the position of director in an investment company.

The choice of a number of directors less than 7 leads to the creation of vacancies in the Board of Directors; the General Meeting of Shareholders is delegated to fill vacancies, in accordance with the statutory provisions, to appoint provisional directors. The first GMS will appoint a new director. The duration for which he/she is elected is equal to the period that remains before the expiry of the predecessor's mandate.

The company, as non-UCITS, complies with regulations specific to CNVM (article 18 of CNVM Regulation 15/2004) on the procedure for the submission of candidatures, public procedure. The election of a director, on a vacancy, will be made by GMS in accordance with the Bylaws. Under the terms of modifying the Bylaws, there will be constituted a Nominalisation Committee.

The revocation of the Board members will be made only by GMS with the vote required at extraordinary meetings.

5.7. Eligibility conditions for the position of director at SIF Moldova

Recommended principles on experience, qualifications and effectiveness

- 1. The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.*
- 2. There should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board.*
- 3. All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.*
- 4. All directors should regularly update and refresh their skills and knowledge.*
- 5. The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.*
- 6. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees.*
- 7. All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.*
- 8. As a general rule, directors should not start a new mandate if they have been retired from active employment for a substantial period. The company believes that the skills and contributions of a director outside this criterion may be too far removed from current business practices or thinking to truly add value to the Board over the long term.*
- 9. The regular addition of new Board members encourages both the development of fresh ideas and the regular questioning of existing opinions.*

Eligibility conditions for candidates for the position of director at SIF Moldova

The candidates for the position of director at SIF Moldova must meet the compulsory legal requirements stipulated by the Law 31/1990 and the Regulation CNVM 15/2004, respectively:

- must have a Bachelor Degree;
- must have a professional experience in a field related to the financial and banking activity or to capital market or in the legal field of at least 3 years;

- must have at least three years experience in investment management or capital market; the management of his/her own mobiliary values portfolio does not constitute proof of professional experience in the field of capital market;
- must have a good reputation and sufficient experience to ensure a safe and prudent management.

The limitations and incompatibilities regarding the position of director are those required by the applicable legal framework. Thus, it is prohibited to hold the position of director at SIF Moldova for persons who:

- held the position of director of a Romanian or foreign company under judicial reorganisation or declared bankrupt, in the last two years prior to the commencement of insolvency proceedings, the situation against which it can be demonstrated that they are liable, if their liability was established by final and irrevocable judgment;
- fulfil the function of depositary for one of managed collective investment bodies;
- have been convicted by a final judgement for fraudulent management, abuse of trust, forgery, use of forgery, fraud, embezzlement, perjury, giving or taking bribes and other crimes of economic nature;
- have received penalties on the suspension/withdrawal authorization or who have been banned temporarily the carrying out some activities and services that fall under the incidence of capital market law.

The Board of Directors may establish additional requirements for the nomination, so that, through its members, the Board ensures its effectiveness.

5.8. The remuneration of Board members

Recommended principles on remuneration of the Board

- 1. Directors should be remunerated fairly and responsibly.*
- 2. The company should adopt remuneration policies aligned with the strategy of the company and linked to individual performance.*
- 3. The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits, share-based and other long-term incentive schemes.*
- 4. The company should disclose the remuneration of each individual director.*
- 5. Shareholders should approve the remuneration policy of the directors.*

The remuneration report, included in the integrated report, must include:

- all benefits paid to directors;
- the policy on the base salary;
- the use of reference values;
- stimulation programs to encourage the maintaining of employees in the company.

At present, the Board of Directors accomplishes the tasks on the remuneration policy for directors and managers, which is annually subject to GMS's approval.

In accordance with the provisions of Law 31/1190, yearly, GMS approves the remuneration policy for directors and members of the executive management, as well as profit sharing, taking into account the fulfilment of performance indicators, the economic and financial results of the company, the performance criteria and responsibilities imposed by the business plan, the budget of income and expenditure.

The annual report of the Board presents the total amount of remuneration of directors and executives, resulted from the position they hold.

5.9. Contracts of Administration

As a result of:

- the implementation of corporate governance principles on: the realisation of an effective and active communication with shareholders, ensuring the functioning of the Board as a collective body on the basis of correct and complete information and the adoption of clear and transparent structure of corporate governance that will be adequately disclosed to the public;
- opinions and recommendations formulated by shareholders and investors;

and to ensure the growth of the management act responsibility, it was appreciated as appropriate the conclusion of contracts of administration for all all directors, starting with 2011. The contract of directors for the mandate 2009-2013, has been drafted in accordance with the provisions of art. 144¹ and with the other provisions of the law on commercial companies no. 31/1990 republished, with subsequent modifications, was subject to approval of the ordinary general meeting on 22nd of April 2011², thus becoming a contract of adhesion signed later by each director.

The contract of directors was communicated to shareholders prior to the GMS approval, was also communicated to the independent financial auditor, was the subject of the current report of SIF Moldova and has been published in the CNVM Bulletin.

Since the Bylaws of SIF Moldova do not contain provisions concerning the remuneration of Directors and executives, it is GMS responsibility, in accordance with art.153^{^18} of Law 31/1990 republished, with subsequent changes and additions, to establish:

- (1) The remuneration of Board members or Supervisory Board members is established by Bylaws or by GMS resolution.
- (2) The additional remuneration of Board members or of Supervisory Board members charged with specific functions within the respective body, as well as the remuneration of managers, in unitary system or of the management members, in the dualist system, are determined by the Board of Directors and by the Supervisory Board. The Bylaws or the annual general meeting establishes the limits of all remuneration paid this way.
- (3) Any other benefits can only be granted in accordance with paragraph (1) and (2).

² OGMS of April 22, 2011, by decision no 7 decided that “approves the contracts of directors for each director of SIF Moldova during the current mandate, starting with May 1, 2011”

The level of remuneration is set by the Board of Directors and submitted for approval to the annual general meeting on the basis of the responsibilities assumed by the parties and other terms and conditions stipulated in the management contracts of the Chief Executive and Deputy Chief Executive. The basis for determining the remuneration is given by the financial indicators of SIF Moldova and the average comparison with similar companies in terms of the company's profitability and performance of SIF2 share.

The remuneration of directors consists in:

- *Monthly allowance*; at present, the allowance represents a multiplication of the average salary calculated in accordance with the monthly payroll;
- *additional allowance for the participation of the director part of the advisory committee of the Board* - its level represent a percent of his/her monthly remuneration;
- *profit share* - the proposal addressed to the GMS is based considering the economic and financial results of the company – the degree of achievement of the performance indicators required by the business plan, the budget of income and expenditure, the performance in the sector of activity.

The proposed amendment to the Bylaws stipulates the level of monthly remuneration of directors and the additional remuneration of directors belonging to the advisory committees of the Board. The draft also stipulates that the directors have the right to reimbursement of costs incurred for the purpose of exercising their mandate and that any other benefits can be given to directors only with the approval of the general meeting of shareholders.

Ch.6. EXECUTIVE MANAGEMENT

The evaluation of the management is performed by the company's Board of Directors.

Principles regarding the Board's relationship with the Executive Management

- 1. In order to facilitate a meaningful measure of the performance of the Executive Management it is imperative that an appropriate **benchmark** is chosen. This becomes of particular concern when the Managers are to be paid a performance-related fee. The Board should periodically review the continuing relevance of the chosen benchmark.*
- 2. Independent assessment of the performance of the Executive Management in an objective and quantitative framework can be achieved by the Investment Committee (or by establishing a Management Engagement Committee) consisting solely of non-executive directors and independent directors if possible. They can analyze the investment activity and performance (including analysis of revenues and expenses for the period under evaluation). The Committee should formally review the performance of the Executive Management annually, and describe its conclusion and rationale in the annual report.*

Ideally, the committee should pursue the following:

- To be composed solely of non-executive directors, even independent and to meet quarterly with the management; the committee should not accept any other direct or indirect remuneration from the company or the Management, except for the remuneration due as a result of being a member of the Board;*
- Agree upon a relevant benchmark;*
- All the activities should be considered when making the assessment because the management performance involves not only increasing the profits. For example, the effects of the buyback shares as well as the the evolution of the NAV is not reflected in the profitability indicators;*
- To closely monitor the expenses;*
- To assess the performance obtained;*
- To specify a period over which the management's performance will be assessed;*
- To specify the maximum level of volatility/risk that is acceptable;*
- To assess the performance relative to an appropriate peer group, in addition to benchmark comparisons.*

6.1. Executive management

SIF Moldova, as joint stock company legally binding for the auditing of financial statements, has the obligation to delegate the company's management to one or more managers, appointing one of them Chief Executive (Law 31/1990, art 143*).

SIF Moldova, as non-UCITS, entity regulated by CNVM, has the obligation to make sure that at least two individuals ensure the effective management.

The organisation of managers' activity can be established by Bylaws or by Board resolution. Law 31/1990, art 143^{^1}

The Statutes of SIF Moldova stipulates the possibility to delegate certain attributions of the Board to a management committee, made up of members elected among the directors, establishing at the same time their remuneration. (*Statutes, art.7 (17)*)

In the mandate 2009-2013, the Board of Directors has chosen the executive management of SIF Moldova, with President Chief Executive and Vice President Deputy Chief Executive.

The internal regulations of SIF Moldova, approved by CNVM by Approval 32/02.08.2012, contain this form of Board functioning, with delegations towards two effective executives. By individual acts CNVM approved the effective executives (President Chief Executive and Vice President Deputy Chief Executive).

Equivalence of names manager/executive

- *CNVM Decision 415/05.03.2008 assimilates the position of manager stipulated by art 143 of Law 31/1990 with that of executive director stipulated by art.14 of law 297/2004.*
- *The disposition of CNVM measures 19/11.10.2012 – the term “executive director” used by Law 297/2004 and CNVM Regulation 15/2004 is equivalent with the term “manager/member of the executive management” introduced by Emergency Government Order 32/2102.*

The company's executive management is provided, in compliance with the provisions of Articles with Association and with the valid legal regulations, by the Chief Executive Officer and Deputy Chief Executive Officer.

The executive management is appointed by the company's Board of Directors of the company and informs the Board on the activity developed between its regular meetings.

The Executive management is empowered to lead and coordinate the daily operations of the company and is tasked with the competence of engaging company's liability.

The company's executives are liable for providing the compliance with the present regulations and working procedures.

6.2. Delegations of competence of the Board of Directors towards the Executive Management

At present, by Board decision, the following attributions of the Board are delegated to the competence of the President Chief Executive and Vice President Deputy Chief Executive.

1. The President Chief Executive Officer, or, in his absence, the Vice President Deputy Chief Executive approves the operations of incomings and payments.
2. The President Chief Executive Officer and the Vice President Deputy Chief Executive sign the documents to third parties for the specific activities they coordinate, within competence limits.

3. The President Chief Executive Officer, or, in his absence, the Vice President Deputy Chief Executive approves the purchase and selling of fixed means and intangible assets necessary for activity development, within the limit of the approved Budget, with the exception of the purchase and sale of land and buildings.
4. The President Chief Executive, or in his absence, the Vice President Deputy Chief Executive approves the operations of buying and selling goods, within the limit of Budget.
5. The President Chief Executive Officer, or, in his absence, the Vice President Deputy Chief Executive approves the renting of the available premises and company's assets.
6. The President Chief Executive Officer, or, in his absence, the Vice President Deputy Chief Executive approves financial instrument transactions, including participation to registered capital increases, within the limit of the investment strategies established by the Board.
7. The President Chief Executive Officer, or, in his absence, the Vice President Deputy Chief Executive approves the conclusion, modification or termination of contracts, within the limit of approved Budget. The agreements for storage, register, distribution of dividends and financial audit are the competence of President Chief Executive Officer.
8. The President Chief Executive Officer, or, in his absence, the Vice President Deputy Chief Executive approves the execution of legal proceedings for the protection of SIF Moldova interests in disputes with other institutions or commercial companies.
9. The President Chief Executive, or, in his absence, the Vice President Deputy Chief Executive approves sponsorships or patronages within the limit of approved Budget.
10. The representation of SIF Moldova in commercial companies, courts, the relations with other institutions or individuals will be carried out on the basis of mandate or contract with persons appointed by President Chief Executive Officer, or, in his absence, the Vice President Deputy Chief Executive.
11. Solving any other issues established by the Board of Directors.

Source: "Internal Regulations of SIF Moldova" CNVM Approval 32/02.08.2012

6.3. The President Chief Executive Officer

Principles on the role of the Chairman

- *It is important that an appropriate person to be elected as Chairman.*
- *The Chairman, as head of the Board of Directors is required to recommend and pursue the shareholders' fulfillment with due diligence and prudence;*
- *Aims that the evaluation of the results and performance of the Board of Directors to be achieved through the mechanisms established by shareholders, specified in the Corporate Governance Code;*
- *The chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.*
- *The Chairman should be available to deal with shareholder requests and be a conduit for shareholders' views. In addition, the Chairman should give a prompt, reasoned response to shareholders' questions. The shareholders should be consulted when considering such matters as benchmark, investment guidelines and discount control measures.*

The President is elected by the Board of Directors from among its members and is also the Chief Executive Officer of the company.

The President of the Board of Directors:

- convenes the Board at least once a month;
- chairs the Board meetings;
- follows the fulfilment of Board decisions;
- leads the works of the General Meeting of Shareholders and subject to debate and approval of GMS the issues on the agenda.

As Chief Executive Officer, he implements the decisions of the Board, and issues written decisions and dispositions. The decisions and dispositions are enforceable immediately and take effect from the moment they are brought to the knowledge of the persons who are entitled to them.

6.4. The Vice President – Deputy Chief Executive

The Vice President is elected by the Board of Directors and is also the Deputy Chief Executive. In the absence of the President Chief Executive Officer, he fulfils the attributions of the first as Chairman of the Board and that of CEO of the company.

6.5. Management contracts

Principles on the remuneration of the Executive Management

The level of remuneration should be adequate, according to the characteristics of the company, which is an active company, with a high degree of complexity, but it should also be considered the market in which the company operates. For outstanding performance, it is recommended bonuses related to this performance.

The mandate of the Executive Management at SIF Moldova is 4 years, in accordance with the contract that ends with the Board of directors when it begins its mandate.

The draft amendment to the Bylaws of SIF Moldova establishes the remuneration levels of the CEO and Deputy CEO, as well as directors who can be delegated the management of the company. The remuneration levels for each director are set out by the Board of Directors and any other benefits may be granted only with the approval of the annual general meeting.

Ch.7. TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Transparency, good corporate communication and the quality of reports towards investors.

7.1. Reporting and financial communication

The financial statements are drawn up and presented in accordance with accounting Regulations, in accordance with directive IV CEE applicable to the institutions regulated and supervised by the CNVM, approved according to the Order 13/2011 or approval of Regulation no. 4/2011. The financial statements reporting currency is leu. Financial statements are composed of: the statement of assets, liabilities and equity, profit and loss account, the statement of equity modification, the status of cash flows, accounting notes and policies at financial.

Financial Statements are reviewed quarterly and audited annually by an auditor “big four”.

Considering that financial reporting in accordance with IFRS is more relevant to investors’ needs and better responds to users’ information requirements, within the context of supporting and promoting a global language of financial communication, in order to increase transparency and credibility of financial reporting, SIF Moldova is prepared to fulfil its future obligations with respect to the preparation of financial statements in accordance with IFRS (for the individual and consolidated financial statements).

SIF Moldova drew up for the first time individual financial statements in accordance with IFRS for the financial year ending 31 December 2011, the IFRS financial statements being drawn up for information purposes only.

In the transition period, in order to increase the degree of understanding of IFRS financial results by its shareholders, so as to ensure greater control over the of Board strategies achievement, SIF Moldova management together with a financial consultant elaborated the guide “The presentation of the impact of IFRS adoption at SIF Moldova on 31 December 2011.”

The guide includes aspects on the corporate governance, financial results and key indicators of SIF Moldova at individual and consolidated level and explains the differences between the two sets of accounting rules.

7.2. The Financial Auditor

Recommended principle

The Board should ensure that there is an effective risk-based internal audit.

SIF Moldova's financial statements are subject to quarterly revision and yearly audit. At the same time, SIF Moldova organised its internal audit in accordance with the legal provisions in force.

The election of Financial Auditor

According to the recommendations concerning the application of corporate governance principles, the Audit Committee makes recommendations to the Board regarding the selection, appointment, re- appointment and replacement of the financial auditor, as well as the terms and conditions of remuneration. On these grounds, there is initiated the procedure for preselection of the financial auditor, to ensure the submission to the vote of a candidate that meets, at the "big four" level of excellence, the professional criteria for auditor.

The Audit Committee

The role, constitution, attributions and responsibilities of the Audit Committee are presented in chapter 5.5 *The Structure of the Board of Directors, letter c, Advisory Committees*.

The Audit Committee meets at least quarterly and as many times as needed.

The Audit Committee meets to review the audit report and/or the external auditor's opinion on the essential issues resulting from the audit of annual financial statements/quarterly reports, as well as on the financial reporting process, and will recommend measures necessary to be taken.

The deliberations of the Audit Committee are recorded in a registry and are presented to the Board of Directors.

On a quarterly basis, the Audit Committee presents its report to the Board of Directors that will include a synthesis of the activity carried out and recommendations regarding areas within the sphere of its powers, namely the financial reporting, internal control and risk management. The quarterly report of the Audit Committee will include references to essential issues that result from the process of quarterly reporting carried out in accordance with CNVM regulations.

7.3. The Internal Control Department

Recommended principle

The Board should report on the effectiveness of the company's system of internal control.

The Internal Control Department ensures the supervision of the observance by SIF Moldova and its staff of the legislation in force on the capital market, as well as the internal regulations and procedures.

The employee who is a representative of the Internal Control Department (RCCI) is submitted to CNVM authorisation, under Regulation CNVM 15/2004, and the registration in CNVM public Register under Regulation 4/2009. In carrying out his/her attributions, the representative of the Internal Control Department reports directly to the Board of Directors and/or to the President of SIF Moldova.

Ch.8. THE CONFLICT OF INTERESTS AND TRANSACTIONS WITH INVOLVED PERSONS (“SELF-TRANSACTIONS”)

In the case of a conflict of interests, all managers’, directors’ and employees’ decisions must be taken for the investors’ benefit.

The Board of Directors has adopted a procedure for identifying and appropriately solving the conflicts of interest, which requires that all investments or sales of mobiliary values will be made only in the interest of shareholders and not for other reasons.

In case of a conflict of interest, all decisions of directors, managers and employees must be taken for the benefit of investors.

In this situation:

- the conflict between the interests of the company and the personal interest of an employee: the common solution is the withdrawal of the respective person from the decision-making process;
- the company’ structures and processes minimize by construction such situations, and, in any case, the company’s interest prevails over personal interest.

When there is a conflict of interests among directors, they inform the Board of Directors and abstain from deliberations and voting on the matters in question, in accordance with the legal provisions; these matters are recorded in the minutes of the Board meeting.

SIF Moldova holds a set of rules relating to the conduct and obligations of reporting transactions with the shares issued by the company on its own by directors and other natural persons involved; the list of persons with access to privileged information is permanently updated, situation sent to CNVM. The obligation of notification of transactions conducted by initiated persons is both personal and of intermediaries and the information is disseminated through BVB website its own website: www.sifm.ro.

The transactions made by directors with the company, over EUR 50,000 are framed within the specific reporting requirements stipulated by art 225 of Law 297/2004.

The company meets institutional reporting and information obligations and, through the ways specified by CNVM and BVB regulations, including by posting on the site and publishing in the press.

Also, the operations are included in the plans for internal control and internal audit and the external financial auditor is requested to analyse transactions and issue an audit report.

In their work, employees avoid any situation or interest that might interfere with their own discernment regarding the responsibilities of SIF Moldova towards shareholders or partners.

A conflict of interest is any situation in which the company’s interests are diverging from the personal interests of employees or of their close relatives or of the people, with whom they come into contact, be it personal or business.

Ch.9. THE CORPORATE INFORMATION SYSTEM

The procedure regarding the internal circuit and the disclosure to third parties of documents and information on the issuer can influence the evolution of the market price of mobiliary values issued by him/her.

The Board of Directors has adopted a procedure for the internal circuit and the disclosure to third parties of documents and information on the issuer, which can influence the evolution of the market price of mobiliary values issued by him/her.

The department with responsibilities in this area periodically draws up briefings concerning the implications of normative provisions on the privacy of data and information, through the management of privileged information (as defined in art. 244 of law 297/2004) within SIF Moldova, as well as in terms of the obligations of initiated persons. The information is subject to the analysis and approval of the Board of Directors.

Article 244 of Law no 297 of 28 June 2004 concerning the capital market:

“By privileged information one understands accurate information which has not been made public, relating directly or indirectly to one or more issuers or to one or more financial instruments and which, if made public, would be likely to have a significant impact on the prices of those financial instruments, or on the price of related derivative financial instruments”.

It is forbidden to anyone who owns privileged information to use such information for the acquiring or alienation, or for the intention to acquire or alienate, on own account or on the account of a third party, directly or indirectly, financial instruments to which that information relates.

Also, it is prohibited to any person who holds the privileged information:

- to disclose such information to any other person unless the disclosure was made in the normal exercise of activity, profession or duties;
- to recommend to a person, on the basis of such information, to characterise or to alienate the financial instruments referred to.

SIF Moldova does not generate documents classified “secret” or “secret service” within the meaning of the law 182/12.04.2002 on protection of classified information or decision 781/25.07.2002 on the secret service information. In cases where, by the nature of his/her job, a company’s employee must come into contact with classified information, he/she will take note of the document in question and will return it to the owner.

The classification and labelling of SMSI information

SIF Moldova, in the context of **internal information procedures** has implemented an information security management system (ISMS) which is certified in accordance with the requirements laid down in IT. ISMS certification helps identify, manage and minimise threats that typically affect information.

The information security management system – is a management system based on an approach of the risks that the company is exposed to, which aims to establish, implement, operate, monitor, review, maintain and improve information security.

The aim of the procedure implemented in SIF Moldova is to explain the way in which employees have access to information belonging to the company and must use it in accordance with its degree of privacy, and are thus applied appropriate control measures in order to ensure its protection.

The procedure is intended to provide a common structure within the company regarding the classification of information and to provide the necessary flexibility to ensure its implementation in different contexts. The procedure applies to all employees, departments and companies contracted to provide services, to all data processing activities carried out in its interior on behalf of the company.

This procedure completes the working procedure for the circuit of documents, which establishes the mechanism of the circulation of documents within the company so as to allow the emphasis and immediate information on both the entire received and sent mail, and internal mail.

Ch.10. THE ISSUER'S SOCIAL RESPONSIBILITY

The company contributes to the support of scientific, cultural, sporting, medical, educational, environmental events, of local or national interest.

SIF Moldova permanently carries out activities on the company's social responsibility, each year supporting, directly or through foundations/associations, the disadvantaged categories in the community where it operates, or supports scientific, cultural, sporting, educational, medical, environmental events, of local or national interest.

The company has an annual budget allocated for various social actions, of different types: social, environmental, human rights, education, sport and culture.

Ch.11. INVESTMENT POLICY

The investment policy is a strategic component by means of which SIF Moldova Board of Directors follows, in the long run, in prudential terms, the maximisation of assets and performance indicators in its current activity, in the interest of its own shareholders.

SIF Moldova aims to obtain superior investment performance for its shareholders. The company is a medium and long term investor, the period of time for investments being more than a year.

The investment policy complies with the prudential rules, legal provisions and valid regulations and is based on the proper structuring of the portfolio, for a prudent and economical administration, offering investors an instrument characterised as average risk.

Applicable law: CNVM Regulations, EU Regulations, together with ensuring the sustainability of the provisions of the Declaration of Investment Policies 2011-2013 (approved by GMS 2011 and revised by GMS in 2012).

11.1. The investment decision implementation process

The investment strategy is approved by the General Meeting of shareholders - the supreme governing body of SIF Moldova, which takes decisions on the basis of projects proposed by the Board of Directors and/or shareholders.

In its turn, **the investment strategy** is first approved by the Board of Directors in the spirit of its competencies, as they are entered and approved by CNVM, and the regulations provided for by the applicable legal framework (Law 31/1990, with subsequent changes and additions, Law 297/2004 with subsequent changes and additions, the applicable CNVM regulations and the statutory provisions).

Having a permanent advisory role, independent of the executive management of SIF Moldova, subordinate to the Board of Directors, the **Investment Policy Committee – strategies analyses the investment strategy and elaborates recommendations**. The Committee assists the Board of Directors in fulfilling its responsibilities in elaborating strategies and investment policies, in observing the decisions on the investment policy implementation, in analysing the financial instruments portfolio performance and in managing related risks.

The company's **executive management** is provided, in accordance with the provisions of the Bylaws and the regulations in force, by the Chief Executive Officer and the Deputy Chief Executive, and is appointed by the Board of Directors informs the Board of Directors on the **investment activity** carried out between the regular sessions. The Executive management is empowered to lead and coordinate the daily investment activities of the company and is vested with the competence to engage the company's liability.

The President, who is also the **Chief Executive Officer** of the company, leads directly and effectively the **investment activities** in compliance with general objectives set out by GMS and enforce the decisions of the Board.

The Vice President, who is also the **Deputy Chief Executive** of the company coordinates the daily investment activity, and in case of absence, is replaced by the President Chief Executive Officer.

The Investment Department has as main objective the elaboration of strategies for the global and dynamic allocation of asset classes (shares, fixed income instruments, other instruments of capital market) and **is subordinate to the Vice President Deputy Chief Executive**.

The main **objectives of the Investment Department** are the following:

- the elaboration of strategies on global and dynamic allocation of asset classes;
- the elaboration of investment/disinvestment programs based on technical and fundamental analysis, in accordance with the strategy adopted by the directors/shareholders;
- the active management of the portfolio of assets, with framing in the prudential limits established by legal regulations and in line with the strategy adopted by the directors/shareholders;
- ensuring the protection of the assets portfolio by developing strategies for specific risk coverage, with framing in the prudential applicable limits;
- the implementation of investment/disinvestment programmes;
- the analysis portfolio's performance;
- the evaluation of holdings based on International Evaluation Standards;

In accordance with its specific attributions and responsibilities, the **investment activity** is part of the procedural framework approved by the executives, which establishes operating mode for the development, approval and control of the investment strategy, of investment/disinvestment programmes, of information processing regarding the quarterly/annual financial results of the portfolio companies in order to analyse the portfolio of shares, of classifying shares in qualitative categories and of submitting proposals for investment/disinvestment.

The Internal Control Department ensures the supervision of compliance with the legislation in force on the capital market, as well as with the regulations and internal procedures.

11.2. The characteristics of the investment policy

The investment policy follows the establishment of assets portfolio so that the evolution of their prices on the market ensures the attainment of **return** objectives approved by the shareholders, with the observance of **risk** restrictions determined by the allocation of assets.

The assets optimisation process is dynamic, with controlled risk and has in view the identification of opportunities on flexible principles of strategic and tactical strategies, in accordance with the evolution of the macroeconomic environment and financial markets

Liquidity management supposes the realisation of an optimal structure of monetary investments, on rigorous selection criteria of deadlines and afferent interests, which ensures both the fructification of investment opportunities and the regular payment of dividends to shareholders, and the resources necessary for the company's activity.

To ensure the **financial equilibrium** of the company, there aims to maintain an optimal level of **assets with high liquidity level**, while diminishing the exposure on the non-quoted financial instruments, or with reduced liquidity.

The strategic allocation defines the objectives and policy investment, and, based on them, there is chosen the repartition of the portfolio between different asset classes on long term, taking into account the **process of diversification to reduce risk**.

The measurement of portfolio global risk is performed using the VaR method that allows the estimation of optimal allocation ratio, together with their correction on the market anticipations.

The tactical allocation involves the continual adjustment of portfolio in order to take account of short term opportunities. The structure of the portfolio will always remain close to the initial one, established in the strategic allocation.

The selection of titles is considering investments in attractive issuers as performance, efficiency and potential to generate dividend, to comply with the procedural limits and external constraints determined by the requirements and legal regulations in force.

Within each category of assets there will be achieved optimal selection procedures. It is the stage at which there are applied various methods of assets evaluation and optimisation (fundamental, technical and risk). The synthesis of the algorithm is:

- analyses macroeconomic indicators, events and defining information of the period, based on data provided by the authorised institutions (for example ex: INS, BNR, Eurostat, rating agencies, analysis/forecast of specialized institutions), and setting trends that may have an impact on evolutions;
- analysis of the potential and limits of the portfolio of assets, according to:
 - their profitability;
 - the limits rendered by investment restrictions and prudential rules in compliance with CNVM regulations (levels of holdings on categories of financial/monetary instruments);
 - the limits derived from investment risk management;
 - the impact of SIF Moldova dividend policy on the portfolio of assets, and the harmonisation of value objectives laid down in the specific terms of the period.
- the correlation of measurement effects with the objectives of the budget of income and expenditure.

11.3. The increase of share capital

Recommended principle on rights offerings and issues

Shares should not be issued at a discount unless the preemptive rights of existing shareholders are respected via an opportunity for shareholders to vote in support. Rights issues should not otherwise be authorised at a discount to net asset value.

The increase of share capital may take place through the issue of new shares in exchange for incomings in cash, or by incorporation of reserves, with the exception of legal reserves and/or by incorporating the benefits.

The main purpose of a share capital increase operation is the increase of the investment capacity and the company's long-term development. In this case, it is necessary for the shareholders to bring cash.

For non-discriminatory treatment of shareholders by share issue should be made with the approval of shareholders and with the assignment of the pre-emption right for existing shareholders. The issue unsubscribed by shareholders will be offered to the public at a price of issue at the level of the net asset value per unit, but not lower than the market price.

In order to increase the liquidity of SIF 2 share on the market, there can be made a share issue of reserves and/or benefits, as variant/ bonification for the distribution of dividends, the operation being beneficial to all the shareholders in proportion to the share of capital held.

The Board of Directors permanently seeks a favourable context for **the increase of share capital**, so that it can be achievable and meet the interest of as many SIF Moldova shareholders as possible.

The analysis of the opportunity of an operation to **increase the share capital** is made in correlation with the conditions of the market/investment opportunities and shareholders' interests, as essential premises in the revitalization of investment programmes and the growth of SIF Moldova performance, with reflection in the consolidation of the shareholders' position and in their benefits.

Ch.12. AASSETS UNDER MANAGEMENT

The practice of an active management within the portfolio companies, the increase of the level of involvement in decision-making, in the interest and benefit of SIF Moldova shareholders.

- ✓ *Being an active shareholder we aim that the Board members of the companies in which we invest are aware of our vision and consider the wider implications of their actions.*
- ✓ *Whilst we avoid conflict we will stand up for our (shareholders') rights.*
- ✓ *We promote permanent collaboration relationship with the management of the companies in which we invest, willing to share and promote the good experience of the both parties as well as the perspectives. There are also taken into consideration the direct meetings, not only the correspondence by mail.*
- ✓ *We will review on a regular basis the ongoing performance of the Boards of the companies in which we invest and their compliance with the best practices of Corporate Governance.*
- ✓ *The vote in the general meetings at which the company participates as a shareholder, is based on compliance with the best practices of the institutional investors.*

12.1. The increase of the performance in the portfolio active management

The practice of active management within the portfolio commercial companies, the increase of the level of involvement in decision-making, in the interest and benefit of SIF Moldova shareholders, is an important goal of the Board of Directors. The main goal is the adoption of those decisions that lead to the development of companies and maximising profit.

The active management within the portfolio commercial companies was demonstrated through:

- participation in General Meetings of Shareholders;
- the attendance of SIF Moldova representatives in the Board of Directors;
- the use of legal instruments to protect or enhance the value of investments;
- the promotion/implementation of appropriate corporate governance rules: convening GMS with 30 days before; the request to complete agendas; the request to answers questions in order to clarify issues of interest to shareholders; the request to observe the transparency of information for handing in meeting documents to shareholders, in due time, in accordance with the applicable provisions; effective decision-making processee, etc.
- the active monitoring of portfolio companies;
- dividend policy.

12.2. The voting policy at the annual general meetings of portfolio companies

The exercise of shareholder's attributions under Law no. 31/1990 and CNVM Regulations was carried through the representatives in the GMS.

A shareholder's vote represents his/her voice and offers one of the few opportunities to make known his/her point of view in an official setting.

The voting policy in SIF Moldova for the portfolio commercial companies is regulated by:

- Internal Regulations;
- System, operational and working procedures.

SIF Moldova has procedured the activity on the exercise of *SIF Moldova shareholder's attributions within portfolio companies*, procedure that contains the general framework of the operations regarding:

- 1) elaboration of mandates framework of representation signed between SIF Moldova as Represented and its Representative or in the General Meeting of Shareholders – if the representation is made by external collaborators;
- 2) The main elements of the analysis of the GMS convenor – aspects of form regarding the aspects of legality, as well as substantive issues including the issues on the agenda in terms of interest for the company and for shareholders;
- 3) The preparation for the attendance in GMS: analysis of documentation/information provided to shareholders and the substantiation of the voting option;
- 4) Granting the mandate of representation/proxy/voting form by correspondence.

SIF Moldova Board of Directors aims at making quarterly analysis of internal procedures in order to improve them in line with new situations of current practice, and upgrade with all the changes in the applicable legislation.

SIF Moldova evaluates its voting right or only as a result of a conscious decision. The default position is **to vote for** the proposals of the portfolio companies' Boards of Directors.

According to the issue under discussion and for which there is required the shareholders' vote decision-making in the interests of shareholders and the company, our vote can be of support for directors' proposals or against them.

VOTING POLICY FOR PORTFOLIO COMPANIES

A. Aspects of business administration

In accordance with the best practices, SIF Moldova **supports** these and similar management proposals:

- Corporate name change.
- A change of corporate headquarters.
- Stock exchange listing.
- Establishment of time and place of annual meeting.

- Acceptance/approval of financial statements.
- Approval of dividend payments, dividend reinvestment plans and other dividend-related proposals.
- Authorization of the transferring of reserves and allocation of income.
- Amendments to authorized signatories.
- Approval of accounting method changes.
- Acceptance of labor agreements.
- Appointment of internal auditors.
- Approval of minutes and other formalities.

In order to achieve the best interest of the shareholders, SIF Moldova will take into consideration the vote “**against**” to any proposal if insufficient information is presented.

B. Auditors

In accordance with the best practices and in order to achieve the best interest of the shareholders, under normal conditions, SIF Moldova will take into consideration the vote “**for**” to the following proposals:

- Ratify the auditors.
- Prohibit auditors from engaging in non-audit services for the company.

SIF Moldova will take into consideration the vote “**against**” to the following situations:

- If there is some concern about the auditors’ independence or their past work for the company.
- If there are proposals: to seek bids from other auditors, to rotate auditing firms only for opportunistic reasons and / or for convenience and to indemnify auditors.

C. Board of Directors

On issues related to the Board of Directors, normally, SIF Moldova takes into consideration the support of the management. However, it will be considered the vote against to the management in instances where corporate performance has been very poor or where the Board appears to lack independence.

In accordance with the best practices and in order to achieve the best interest of the shareholders, under normal conditions, SIF Moldova will take into consideration the vote “**for**” to the following proposals:

- Audit and nominating committees composed by a large majority of independent directors.
- Indemnification for directors for actions taken in good faith in accordance with the business judgment rule. It will be considered the vote against to the proposals for broader indemnification.
- Changes in Board size that appear to have a legitimate business purpose and are not primarily for anti-takeover reasons.
- Election of an honorary director.

SIF Moldova will take into consideration the vote “**against**” in case of:

- Minimum stock ownership by directors.
- Term limits for directors. Companies benefit from experienced directors, and shareholder control is better achieved through annual votes.
- Requirements for union or special interest representation on the Board.
- Requirements to provide two candidates for each Board seat.

D. Elections of Directors

In uncontested elections of directors, SIF Moldova will take into consideration to vote “**against**”:

- Individual directors with absenteeism above 25% without valid reason. It will be supported the proposals that require disclosure of director attendance.
- Directors who have failed to act on a takeover offer where the majority of shareholders have tendered their shares.
- Directors who appear to lack independence or are associated with very poor corporate performance.

SIF Moldova will vote on a **case-by case basis** on the issues:

- Contested election of directors.
- It will be considered to support the election of a majority of independent directors in case of poor performances.
- Directors who have ignored a shareholder proposal that has been approved by shareholders for two consecutive years.

E. Takeover Related Measures

Our vote is in favor of encouragement/approval for the takeover attempts given that the potential for a takeover helps to ensure that corporate performance remains high.

SIF Moldova will take into consideration the vote “**for**” in case of:

- Cumulative voting.
- Increase ability for shareholders to call special meetings.
- Increase ability for shareholders to act by written consent.

SIF Moldova will vote on a **case-by case basis** on the following issues:

- Fair price provisions. It should be considered the vote against to the provisions requiring supermajority votes to approve takeovers. It also should be considered the vote against proposals that require a ‘super qualified majority’ vote to repeal or amend the provision. Finally, it should be considered the mechanism used to determine the fair price; we are generally opposed to complicated formulas or requirements to pay a premium.
- Proposals that allow shareholders to nominate directors.

SIF Moldova will take into consideration the vote “**against**” in case of:

- Secret meetings of the Board.

- Limiting shareholder ability to remove or appoint directors. SIF Moldova supports proposals to restore shareholder authority in this area. It should be reviewed on a case-by-case basis the proposals which authorize the Board to make interim appointments.
- Classes of shares with unequal voting rights.
- Super qualified vote requirements.
- Severance packages. SIF Moldova supports the proposals to put these packages to shareholder vote.
- Granting Board authority normally retained by shareholders.

F. Capital structure

Managements need considerable flexibility in determining the company's financial structure, and it is advisable to normally support managements' proposals in this area. However, it should be considered the rejection of proposals that impose high barriers to potential takeovers.

SIF Moldova will take into consideration the vote "**for**" in case of:

- modificarea valorii nominale;
- Changes in par value.
- Reverse splits, if accompanied by a reduction in number of shares.
- Shares repurchase programs, if all shareholders may participate on equal terms.
- Bond issuance.
- Increases in "ordinary" preferred stock.
- Cancellation of company treasury shares.

SIF Moldova will vote on a **case-by case basis** on the following issues:

- Reverse splits not accompanied by a reduction in number of shares, considering the risk of delisting.
- Increase in authorized common stock. A determination could be done considering, among other factors:
 - o Number of shares currently available for issuance;
 - o Size of requested increase (it is normally advisable to approve increases of up to 100% of current authorization);
 - o Proposed use of the additional shares;
 - o Potential consequences of a failure to increase the number of shares outstanding (e.g., delisting or bankruptcy).
- Proposals to submit private placements to shareholder vote.
- Other financing plans.

SIF Moldova will take into consideration the vote "**against**" to the preemptive rights that we believe limit a company's financing flexibility.

G. Corporate Governance

SIF Moldova will take into consideration the vote "**for**" in case of:

- Confidential Voting.

- Equal access provisions, which allow shareholders to contribute their opinion to materials.
- Proposals requiring directors to disclose their ownership of corporate securities.

SIF Moldova will vote on a **case-by case basis** on the following issues:

- Change in the state of incorporation. It should be sustained the re-incorporations supported by valid business reasons. It is advisable to oppose those that appear to be solely for the purpose of strengthening takeover defenses.
- Bundled proposals. It should be evaluated the overall impact of the proposal.
- Adopting or amending the charter, bylaws or articles of association.
- Shareholder appraisal rights, which allow shareholders to demand judicial review of an acquisition price.

SIF Moldova will take into consideration the vote “**against**” in case of:

- Shareholder advisory committees. While management should solicit shareholder input, we prefer to leave the method of doing so to management’s discretion.
- Limitations on stock ownership or voting rights.
- Reduction in share ownership disclosure guidelines.

The substantiation of the voting option is made on the basis of a careful analysis of the documents made available to shareholders, carried out by investment analysts, taking into account the approaches/proposals of the Boards of Directors and in agreement with the shareholders’ interests.

In the companies where the percentage of ownership or modality of voting (cumulative voting) allowed us the representation in the Boards of Directors, the involvement in the company management was more pronounced.

The attendance to General Meetings of Shareholders is done by:

- Legal representative – President or Vice President;
- Representative appointed from among employees;
- External collaborator;
- Voting by correspondence and online.

As a rule, the vote is transmitted through proxies, for the benefit and for the best interests of SIF Moldova shareholders; in order to reduce representation costs in GMS.

12.3. The protection of SIF Moldova interests/assets by legal procedures

The activity of assistance and legal representation extends and develops in accordance with SIF objectives, emphasising legal advice, resolving potential conflicts, mainly amiably, approval of SIF Moldova strategies and positions within the GMS of portfolio companies, the approach of alternative solutions of warning/dispute-fighting, but without omitting the representation of due diligence in all cases where the company is involved.

A primary objective is the control and coordination of the activities of the lawyers employed by the company in disputes in which SIF Moldova is involved, considering that, as a result of reorganisation, there has been opted for the transfer of the majority of the files to the various lawyers' firms to achieve a decompensation of the surplus of tasks resulting from the acquisition of competencies for the coordination of the company's monitoring activity.

Legal advisers, according to the rules and internal procedures ensure the collection, recording, and transmission of information and specific correspondence, meet legal obligations laid down by the Court, as well as pursuing, from a legal and technical point of view, the activity carried out by the lawyers hired by SIF Moldova.

Regarding the legal advice activity, there are observed the corporate governance principles, having as effect the optimisation of operational processes, with emphasis on ensuring the activity's sustainability and balance.

Ch.13. RISK MANAGEMENT POLICY

The risk management policy complies with the rules imposed by the valid legal and has in view the definition of principles and methods for the periodical identification of risks relevant for the company.

Recommended principle

The board should be responsible for the governance of risk.

During the year 2012 SIF Moldova applied in the risk management activity the provisions of law no. 297/2004 concerning capital market and of the disposition of CNVM measures no. 9/2010.

SIF Moldova follows, in the risk management activity, the compliance with the high standards of quality required by the principles of operational and investment risk management, the development of warning mechanisms close to the limits of alert regarding the emergence of risks, risk management by identifying, measuring and managing them, by proposing corrective measures.

The general risk profile of SIF Moldova through the risk management strategy is average.

13.1. General Framework

Through the risk management policy there is established the general pattern and the role of risk management within the company.

The general pattern of corporate governance in risk management in SIF Moldova is the model with 3 lines of defense:

The business management (all departments which ensure the company's functioning) is the first line of demarcation. Business management has the first responsibility and meaning for effective control of risks that affect the good functioning of the company. The people in business management should develop procedures to keep risk under control.

The first risk delimitation line is responsible for the execution of risk policies, of minimum standards and the framework fixed by the second line of demarcation.

Risk management (section responsible for the risk control function) is the second line of demarcation of risk, and a partner for the first line of risk demarcation.

The risk management functions are independent of the management and persons initiating the exposure to risk.

Audit (the department responsible for the control function) is the third line of risk demarcation. The mission of this line of defense is to provide an independent assessment of the effectiveness of the risk management process.

Considering the necessity of reaching a uniform and effective report and control, SIF Moldova adopted the best standards for determining the structure of responsibilities in terms of risk exposures and their control.

In SIF Moldova there operates an Audit Committee and an Investment Policies Committee - Strategies, both subordinate to the Board of Directors.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities in financial reporting, internal control and risk management by:

- monitoring the effectiveness of internal control systems and risk management.

The Investment Policy Committee-Strategies assist the Board of Directors in fulfilling its responsibilities in elaborating strategies and investment policies, in observing the decisions of the investment policy implementation, the performance of financial instruments portfolio analysis and the administration of afferent risks.

Also, the executive management, formed of President Chief Executive Manager and Vice President Deputy Chief Executive, has attributions concerning:

- The setting of competences and responsibilities on the management of significant risks and the control of risk exposure ;
- The provision of implementation of policies, methodologies and procedures for the identification, evaluation, monitoring and control of significant risks.

The centralized risk management is allocated to the Risk management Department, which reports to the President Chief Executive Officer.

The Risk Management Service has the role to evaluate and control the investment and operational risks to which the company may be exposed in time.

The main **responsibilities** of the Risk Management Service are the following:

- the elaboration of rules and risk management methodologies;
- the identification of significant risks that may affect the activity of SIF Moldova simultaneously with the development of warning mechanisms when close to alert limits;
- the analysis of risks related to development of activities and the proposal of measures for the diminution/maintenance under control of identified risks;
- the evaluation of the risk profile of the company depending on the appetite and risk tolerance set by the management structure through the strategy risks;
- the monitoring of SIF Moldova categories of assets within the legal and internal valid limits;
- the coordination of activities regarding the calculation of SIF Moldova net assets.

During the year 2012 there were developed, reviewed and approved by the audit committee and the Board of directors a set of risk rules that contain: (1) the significant risk management strategy, (2) Textbook of portfolio risk management, (3) Standards relating to risk management, (4) Internal working procedures relating to the management of market risk and liquidity risk, and (5) Internal working procedures on the management and self assessment of operational risks and internal control system.

SIF Moldova has set high standard practices regarding risk-related operations, by improving the effectiveness of risk evaluation, quantitative analysis and modeling.

Among the measures taken to improve risk management, we mention the following:

- the implementation of computer applications for reporting operational risk events;
- the revision of the working procedures and forms;
- the inclusion of provisions on internal fraud in the working procedure on the incomings and payment operations;
- permanent professional improvement;
- the elaboration of procedure for drawing up BVC;
- the revision of the procedure for restoration plan in case of disaster;
- the revision of work procedures on personnel and human resources;
- the implementation of a specialised software for assessing the staff performance.

The risk reporting to the management structure is accomplished periodically through monthly and quarterly reports.

The company's Board of Directors takes to acknowledge and approves the monitoring structure done by the Investment Department and by the Risk Management Function, as well as the attributions powers conferred to these structures.

13.2. The Management of Investment Risks

In recent years there has increased the relevance of investment risk management within the control structures of investment activities management, especially due to the increasing use of derivatives and the increased incidence of market events.

The investment risk management is the process of identifying, measuring and monitoring the investment risks, in order to measure and assess the exposure of SIF Moldova to an *anticipated or unexpected volatility* of financial performance and the need to ensure that the exposure to *unexpected volatility* is managed effectively and comprehensively.

A share holder or prospective investors will be interested in the estimation the profitability of securities in the next period, and in the determination of the risk arising from the placement.

The risks associated with investment activities can be divided into three categories:

- Investment risks - risks related to specific policies and strategies of assets portfolio management (market risk, credit risk, liquidity risk)
- Compliance risks - risks related to the compliance with the rules in force, as well as the provisions of regulations and internal procedures;

- Operational risks - risks of direct or indirect loss arising from inadequate internal processes, people or systems, or which fail due to external events and actions. The operational risk includes legal and documentation risk.

In its activity, SIF Moldova is exposed to particular risks associated with financial instruments traded on the stock market, which are the most important types of risks faced by it.

The risks associated with the financial instruments traded on the capital market are:

- **the market risk** – is the type of risk that is ubiquitous on any capital market and is given by the various political or economic instability that once appeared may affect all issuers, regardless of their sector of activity;
- **the risk of issuer** (company) - generated by both previous performance and future prospects, and future prospects of the issuer;
- **the sector risk** – is given by the investment in companies belonging to the same economic branches, or dependent on a single branch.

The market risk is the risk of loss for SIF Moldova arising from the fluctuation of market value of SIF Moldova portfolio positions, fluctuation which is due to the change of market variables: prices of shares, exchange rates, interest rates, which could change the value of the financial instruments owned or by the company's revenue.

The components of the market risk that SIF Moldova assumes are:

- *The price risk* is the risk that the value of a financial instrument will fluctuate as a result of market prices change, either because of specific factors of the issuer, or factors affecting all instruments traded on the market;
- *The foreign exchange risk* – the risk that the value of a financial instrument held in the portfolio to be affected negatively as a result of variations in exchange rates. Even if the value of the assets in question increases in currency, their value expressed in lei can drop if the currency depreciates in relation to the leu;
- *The interest rate risk* - is the risk that the value of a financial instrument will fluctuate due to market interest rates of variatiilor interest.

The market risk is often propagated by other forms of financial risk, such as:

- *The credit risk* represents the risk of financial loss given when the other party does not fulfil contractual obligations.
- The failure to fulfil the obligations to the debtor (partially or totally) can have two causes:
 - The low degree of confidence towards the debtor (of the counter-party of the financial institutions in financial transactions) also called the **counterparty risk** of (known as a short-term credit risk). This risk relates to all contracts concluded in the name of the company;
 - The issuer's payment incapacity, als called bankruptcy risk (known as a long-term credit risk).
- *The liquidity risk (also called the risk of funding)* is the risk that an entity will meet difficulties in procuring the required funds to meet commitments associated with

financial instruments. The liquidity risk may result in the inability to sell a financial asset quickly at a value close to its fair value, for example due to the lack of marketability of an investment that cannot be sold or bought fast enough to prevent or minimise a loss.

Other categories of risks related to investment activities:

- *The specific (unsystematic) risk* is related to the instruments of a certain issuer. In parallel with the general trends on the financial markets, events that specifically affect an issuer may affect the value of investments. The diversification can reduce the specific risk, but even a very prudential selection of investments does not remove it completely.
- *The risk of legislation change* represents the possibility that the legislation relevant to the work carried out by the company amends so as to produce negative effects on the profitability of investment. The director cannot have any influence on such a risk.
- *The reputational risk* is the present or future risk of negative effect on the company's profits determined by the unfavourable perception of the company's image by shareholders, investors or control authorities.
- *The strategic risk defined/understood* as present or future risk of negative effect on profit and capital determined by changes in the business environment or by bad business decisions, of inadequate implementation of decisions or lack of reaction to changes in the business environment.

13.3. The approach of investment risk by the company

SIF Moldova has defined a solid approach on investment risk management.

The risk management system ensures the necessary support in the process of investment decision, ensuring the reduction of losses with significant impact.

In the substantiation of investment decisions an important role is given to the identification and evaluation of potential risks, permanently aiming to rebalance the portfolio based on profitability - risk.

Risk management principles concern risk management processes by applying specific procedures of risk identification, assessment/measurement, monitoring and management/control of risks, in order to provide reasonable assurance regarding the fulfillment of the company's objectives, while getting the profit in conditions of controlled risk.

The risk management process follows:

- the identification and evaluation of significant risks that might affect the effectiveness and efficiency of investment objectives;
- the development of procedures that eliminate, reduce or mitigate the risks identified;
- the adaptation of risk management policies to the financial evolutions of the capital market;
- possible revisions of investment decisions in correlation with the evolution of the capital market;
- the dynamic and intelligent allocation of financial assets within the portfolio.

The risk management process has in view the following steps:

- a. the identification stage – there is defined the market risk in the vision of the financial institution, there are identified and described the elements of risk events;
- b. evaluation/measurement stage – there are evaluated and measured for each action/issuer that compose the portfolio of financial instruments with the help of quantitative methods;
- c. the monitorisation stage – there are followed a set of indicators in evolution and their framing within the internal limits set out by the strategy of managing significant risks;
- d. the management and control stage – there are decided the measures for keeping under control risks (portfolio diversification, development of procedures) and reports are drawn up to the management structure.

For a permanent monitoring of **the market risk exposure and to assess the probability and impact of the market risk on investment objectives**, SIF Moldova uses modern methods of statistical and mathematical analysis put into practice with the help of a computerised Risk Management application.

Instruments used in the market risk management:

1. *Databases on trading prices and interest rates of monetary policy*
 - allow a history of return rates for issuers of own portfolio and market portfolio;
2. *Statistical indicators of profitability/risk:*
 - define the profile of risk and return of SIF Moldova and measure the exposure to market risk. The main used indicators are:
 - **Volatility** (standard deviation) – is a measure of the overall risk that expresses the deviation (sensitivity) of share return as compared with the average return in a calculation period. The volatility indicator is calculated and monitored both for measuring the overall risk of the company (by VUAN variation), as well as for measuring the portfolio risk (through variation prices issuers kept in portfolio).
 - **VUAN Volatility** is calculated and aims to determine the ISRR indicator, having as landmark CNVM Instruction no.5/2012. This indicator is a measure of the increase and decrease of value recorded before the net assets per unit of SIF Moldova, on a scale from 1 to 7. The indicator describes the relationship between the growth potential of the net asset value per unit and the risk of decreasing of the same values, under the influence of the fluctuations of prices of all financial instruments held in the portfolio and from the fluctuations of exchange rates.
This indicator does not capture the risk of bankruptcy, counterparty, liquidity and operational risk.
 - **Volatility portfolio traded financial instruments** – is calculated and is followed for the analysis of the fluctuations registered by the market prices of quoted financial instruments in the portfolio.
 - **Beta** – measure of the market risk of a share/portfolio by comparing the evolution of the share price with the evolution of the whole stock market, reflected by stock index. Beta measures the sensitivity to market variations and reflects the risk of a share to vary along with the market.

- **VaR** – measure that estimates with a certain probability (usually 95% sau 99%) the value that the company would lose if it had to keep certain assets for a certain period of time. VaR evaluates how the behaviour of prices and the volatility of prices in the past determine the changes of price or the risk that may occur in the future.
- **Drawdown** – expresses the maximum fall compared to a reference time.
- **Rata Sharpe** – is a performance indicator adjusted with the risk, having as reference the asset rate without risk. From a multitude of investments, Sharpe Ratio is a method of choosing the optimal investment – the investment with the greatest Sharpe Report.
- **Alfa** – is a coefficient that compares the real performance of the portfolio with the market performance. Alfa shows us the degree of competence portfolio management and its ability to achieve better performance than the reference benchmark of the portfolio.
- **Skewness** - coefficient of asymmetry of performances on a reporting period;
- **Kurtosis** – coefficient of flattening the distribution of performances for an analysed period.

3. Risk findings and reporting to the management structure

The risk findings represent a risk exposure in which the company's management plans to take action to reduce the exposure to risk at an acceptable level.

13.4. The approach of the operational risk by the company

The operational risk is not included in the assets in the portfolio, but the volume of activity of the company, because the greater its activity, the higher the possibility of errors.

The operational risk exists from the moment the company uses its employees and applications in the development of activity or is the subject of external factors, and therefore this type of risk is far ahead of the market risk or credit/issuer risk.

Instruments used in the operational risk management:

1. *Databasis on potential losses (ERO)*

It is the main source of information used in the reporting and analysis of losses in the operational risk, having as purpose:

- To facilitate the understanding of the nature, cause and value of operational losses;
- To identify and reduce operational risk;
- To collect data for the quantification of operational risk.

3. *Self-evaluation process*

The self-evaluation process is a structured approach to the identification and risk analysis, as well as the adoption of measures needed to reduce it.

The departments of the company are responsible for the management of the systems of internal control and operational risk in their area of action.

The self-assessment process contributes to the significant improvement of the control level of operational risk.

Through the self-assessment process there are identified the processes deemed as critical from an operational point of view and there is maintained an adequate level of control and responsibility within the company.

4. Operational risk indicators

Operational risk indicators represent the parameters carefully selected, which have an alert function to changes in the situation with respect to operational risk management. Key operational risk indicators are defined in accordance with critical operational processes identified in the company.

5. Risk findings and reporting to the management structure

The risk findings represent a risk exposure in which the company's management plans to take action to reduce the exposure to risk at an acceptable level

For the purpose of carrying out risk management activities there are developed internal working procedures regarding the management and monitoring of market, liquidity and operational risk.

Ch.14. DIVIDEND POLICY. BUYBACK SHARES

The dividend policy have as priority the setting of a dividend level that can provide the balance between the meeting of shareholders' expectations and the necessary of liquidity for long/medium term investment programs.

14.1. Dividend policy

Recommended policy

In shaping the dividend policy it must be a proactive relationship with the shareholders / investors, initiating direct communication and regular meetings.

The Board of Directors has elaborated a **predictable dividend policy**, announced in the "Investment Policy Statement 2011-2013": "On the basis of Corporate Governance principles, the Board of Directors of SIF Moldova proposes a predictable dividend policy to be approved by the shareholders. Thus, *in the absence of extraordinary market circumstances, SIF Moldova will provide shareholders a dividend yield of at least 5% compared to the market price of the share SIF2, if the price varies up to the level of 2 RON/share. Above this level, the dividend yield will be at least 3%. The reference calculation is the average price of the share SIF2 for the last 90 trading days of the year for which the dividend is calculated*"

SIF Moldova manages **the process of dividend distribution**, with framing in the terms laid down by law and by establishing payment methods to ensure a higher degree of payment; in this respect, please note that:

- (1) every year of SIF Moldova announces shareholders, repeatedly (through reports, GMS, specialized operators), on the dividends payment deadlines; the payment action operates during the entire financial year, except for a period of one month, when payments are ceased for annual inventories;
- (2) by the payment methods used there is constantly tried to supply a higher payment percentage, by distributing dividends by specialized operators. The contraction of operators is made following a selection process having as main criterion the provision of a broader addressability, according to the shareholding structure on that date (natural /legal persons, residents/non-residents, urban/rural) and getting as low costs for shareholders for distribution (in accordance with the GMS decisions, the distribution fees are borne by shareholders);
- (3) The term for beginning dividend payments complies with the legal term, of maximum of 60 days from the publication of the OGMS resolutions.

Every year there are distributes the dividends for the financial year ended with non-distributed dividends of the previous two financial years. At the end of 3 years, in accordance with the legal provisions concerning the extinctive prescription, the Board of directors annually informs the shareholders on the fulfilment of the prescription term, of the right to require the payment of the dividends due and unclaimed for 3 years and proposes to the balance general meeting, their entry to "other income".

The dividend policy provides the possibility of adoption by each shareholder of the **investment decision** concerning the framing of SIF2 share in the portfolio of short/medium/long-term holdings.

The information of shareholders on the dividende tax level

The tax on the dividend for different categories of shareholders is 16%, except for tax residence shareholders in countries with which Romania has concluded agreements for the avoidance of double taxation.

From the corroboration of the Fiscal Code provisions with those of agreements to avoid double taxation and European Union legislation, the following are highlighted:

- “if a taxpayer is a resident of a country with which Romania has concluded a convention for the avoidance of double taxation, the tax rate that applies to the taxable income earned by the taxpayer in Romania may not exceed the rate of tax provided in the convention which applies to that income. Where there are different tax rates in domestic law or conventions to avoid double taxation, more favourable tax rates are applied”.
- EU legislation applies in Romania’s relationship with the Member States of the European Union or of the European Free Trade Association.

The following **revenues** are **exempt from the income tax** in Romania:

- a) the income of foreign legal entities which conduct consulting activities in Romania under funding agreements, concluded by the Government/public authorities with other Governments/public authorities or governmental or non-governmental international organizations;
- b) dividends paid to pension funds, as defined in the legislation of the member state of the European Union or in one of the States of the European Free Trade Association.

14.2. Buyback shares

Recommended principle on own shares:

If the shares are traded at a substantial discount to the NAV, for a period longer than 1 year, the Board shall take measures such as: increasing transparency, improving communication, marketing policies, share buyback programs, etc.

SIF Moldova Board of Directors is considering submitting for approval of shareholders the buyback of own shares, followed by the reduction of share capital in order to reduce or diminish the discount price / NAV per share. ***The measure is beneficial for all shareholders.***

According to art 3 of CE Regulations no. 2273/2003, buyback programs can have only the following objectives:

- (a) the reduction of the issuer's share capital;
- (b) to allow the issuer to honour its obligations deriving from:
 - o Convertible bonds and/or
 - o Share option programmes or other allocations of shares to the issuer's employees and/or a company in relations of affiliation with the issuer.

The limits of redemption operations (the minimum and maximum counter value, as well as the duration of the programme) are stipulated in:

- CE Regulation no. 2273/2003
- Directive II of Council of Europe (77/91/CEE)
- Companies' Law no. 31/1990
- Regulation no. 4 /2011 of CNVM
- Regulation 1/2006 of CNVM

and will be approved by shareholders.

The sources necessary to finance redemption operations are the distributable profit or from the company' available reserves, registered in the last approved annual financial statement, with the exception of legal reserves, in accordance with the provisions of art. 103¹ of Law 31/1990, updated.

The implementation of a redemption program of their own shares lead to the volatility of share on the market and diminishes the investors' price risk and, later on, the reduction of the registered capital, the positive impact will be reflected in the performance indicators of the SIF 2 share: NAV/share growth, EPS, dividend/share.

Also, the Board of Directors of SIF Moldova has in view redemption programs for the allocation of shares to employees (legal allowed objectives) in correlation with the performance indicators of SIF2 share, with the evolution of the economic environment and capital market, as well as with the other factors which may result in the adoption of such decisions.

Comments on "the substantial discount": the difference between the share price and NAV/share (net asset value per share) in excess of 25%.

In case of SIF Moldova, self-managed investment company, the responsibility for the published NAV/share belongs to the Board of Directors.

The method for evaluating assets is regulated by CNVM and certified by the depositary of assets whom SIF has an agreement (at present BRD). There are SIF internal working procedures with clear attributions and responsibilities relating to the calculation of the net asset.

Ch.15. ACCOUNTING AND PROVISION POLICY

The accounting and provision policy is set up by the Board of Directors in accordance with the applicable regulations.

15.1. Accounting policy

The financial statements are the responsibility of the company's management and are drawn up in accordance with the accounting regulations in accordance with Directive IV of the European Economic Community applicable to the entities authorised, regulated and supervised by the National Securities Commission approved by order of the President of the National Securities Commission no 13/03.02.2011 for the approval of the Regulation 4/2011 of National Securities Commission, which is applied in conjunction with accounting law no. 82/1991 (republished and changed).

The evaluation of items contained in the financial statements is carried out according to the following accounting principles:

The principle of the continuity of activity - the company will normally continue its operation in the foreseeable future without being in the impossibility of continuing its activity or without its significant significant reduction.

The principle of the permanence of methods – the application of the same rules, methods, standards relating to the assessment, recording and presentation in accounting of patrimony items ensuring the comparability of accounting information in time.

Both Regulations 4/2011 of CNVM as well as additionally Order of the Ministry of Public Finance 3055/2009 for the approval of accounting rules in accordance with European directives specify: **“The change of accounting policies is be made only for the future periods, starting with the financial year following the year when their amendment was decided. The change of accounting policies may only be carried out from the beginning of a financial year. There are not allowed accounting policies changes during a financial year.”**

The principle of prudence – there are taken into account account of all the value adjustments due to the depreciation of the assets' value, as well as all foreseeable obligations and the potential losses which took birth in the financial year concluded or in the course of a previous year earlier.

The principle of financial year independence – there are taken into account all revenue and charges for the financial year, without taking into account the date of receipt or payment.

The principle of the separate assessment of assets and liabilities for the purpose of determining the value corresponding to a balance sheet item; the value of each individual item of assets and liabilities is determined separately.

The principle of non-compensation - the values of items representing assets are not compensated for with the values of elements representing liabilities, respectively expenses for incomes.

The principle of intangibility – the opening balance sheet for each financial year corresponds with the balance sheet of closure of the previous financial year.

The principle of the prevalence of the economic on the judicial - the information presented in the financial statements reflect the economic reality of events and transactions, not only their legal form.

The principle of significance threshold - any item that has a significant value is presented separately in the financial statements.

The accounting policies adopted by SIF Moldova are presented in detail in Note 6 “Accounting principles, policies and methods” and are part of the **Manual of accounting policies**.

15.2. Provision policy

The Board of Directors has not appealed and is not intended to appeal in excess to the provisions policy.

Provisions are recognised when the company has a legal or implied obligation arising from past events, when for the settlement of the obligation is necessary for an output of resources embodying economic benefits and when a credible estimate can be made in terms of the value of the obligation.

For details one can see the annexes to the annual financial statements:

- Note 6 “ Accounting principles, policies and methods ”
- Note 2 “Provisions”
- Note 5 “The situation of receivables” shows the depreciation adjustments to receivables, mainly from definitive and irrevocable sentences regarding SIF Moldova disputes.
- Note 6 “Commitments and contingent liabilities” presents in evolution all the adjustments for depreciation and provisions created in contradictory with AVAS.

Ch.16. THE ASSESSMENT OF THE COMPANY'S PERFORMANCE AND OF THE SIF2 SHARE

SIF Moldova presents shareholders and investors within the periodical activity reports the relevant specific indicators that allow the assessment of the company's performance and of SIF2 share.

Principles recommended by EFAMA³

1. Performance presentation provided to investors must be conducted in a transparent manner.
2. It must be disclosed sufficient information to indicate the level of risk associated with the investment made in the company.
3. Upon request it must be made public each asset and the annual earnings exposure to the key markets for each financial year-end.

The management of SIF Moldova presents within the quarterly activity report, the main indicators analysis:

For the evaluation of the company's performance

Indicators of liquidity – by the analysis of liquidity indicators there can be determined the company's ability to meet, at one point, the payment obligations assumed on behalf of current assets. The term *liquidity* indicates the ability of an asset to be converted into cash with a minimum loss of value.

- Current liquidity indicator
- Immediate liquidity indicator

Activity indicators - reveal the efficiency with which the company will use its assets.

- Rotation speed of fixed assets
- Rotation speed of total assets
- Rotation speed of flows/clients

Indicators of profitability - reflect the efficiency of the activities carried out by a company within the meaning of its ability to generate profit from available resources.

- Profitability of employed capital
- Result per share (RON/share)

³ EFAMA – the representative association of European investment fund industry – shows the monthly evolution of net assets and net assets flows for each country.

Return indicators (within the sector of activity)

- Return on assets - ROA⁶
- Return on equity ROE⁷

Performance indicators of SIF2 share

- a) Value per unit of the net asset (RON)
- b) Gross dividend/share (RON)
- c) Dividend return % - variation of dividend from one year to another
- d) Price/share
- e) Prima / discount
- f) Capitalisation
- g) Total net assets
- h) Financial efficiency rate
- i) Result/share
- j) PER
- k) The evaluation of SIF Moldova share – variation price share variatie pret actiune from one year to another

The value of SIF Moldova share reflects in its price a component given by the market conjuncture and another based on feelings that investors have in the company's growth potential. As the market situation cannot be influenced, there remain only the feelings conveyed by the company through the actions leading to financial performance to determine the increase of the shareholding confidence SIF share and in the company's management and investment strategy. The increase of the confidence degree in the share implicitly determines an increase in the degree of attractiveness of the share and, implicitly, in its market value.

Quarterly reports show the detailed situation of the assets managed by SIF Moldova, valued in accordance with the applicable legal regulations.

*SIF Moldova shareholders have the opportunity find out monthly, via the **newsletter**, the evolution and comparative efficiency of SIF2 share as compared with the BET-FI sector index, as well as to the companies in the sector.*

The Romanian Association of Asset Managers – present the comparative evolution of SIFs monthly. There are illustrated indicators relating to net assets, profitability, capitalisation, the amount of the premium/discount, the financial efficiency as well as trading indicators. The values are presented both as an evolution towards the previous month and towards the previous year period.

THE ASSESSMENT OF CORPORATE GOVERNANCE IMPLEMENTATION

The purpose of evaluating the implementation of Corporate Governance is the permanent improvement of the effectiveness of SIF Moldova, with direct effect in increasing performance.

The objective of evaluating the implementation of Corporate Governance is to clearly present the methods of implementing the Governance code principles. There are presented the actions carried out, the evaluation of the implementation and the quantification of the results obtained.

1. The evaluation of the implementation of the Corporate Governance Code and the observance of procedures

The evaluation and measuring of the company's activity will be made by the issuer, through self-assessment, and/or by external entities with experience in corporate governance scoring.

Having a well determined and defined objective, the assessments of activities will be made both in terms of quantity and quality, thus being offered the best options for the company's management in organizing staff on the most suitable jobs, in defining and detailing with greater accuracy of job descriptions, in order to obtain an effective and maximum labour productivity.

The results of evaluation based on scoring will be presented descriptively, in the form of messages of appreciation, and in graphic form, using the most suggestive methods specific to this domain.

The aspects that are taken into account in the implementation of the Scoring system of the Corporate Governance Code (CGC) are:

a) The concept of scoring of the corporate governance code (CGC)

- reflects the assessment of the scoring system implemented, the practices, policies and limitations as they serve the interests of the shareholders of the company;
- also includes the entire interaction between Management, Board of Directors, shareholders and shareholders' representatives;
- requires the creation of a data-processing module to allow the interaction of the shareholders with the evaluation system, on the basis of "scoring cards", regarding the implementation of the code of Corporate Governance Code by the company;
- for the alignment of the existing information systems of evaluation there will be used in the scoring of corporate governance a scale of 1 to 5, where 5 is the maximum score and 1 the minimum score of the evaluation.

b) Methodologies of evaluation and implementation of scoring

The methodology of constructing the evaluation system involves the implementation of algorithms for measurement and evaluation of performance through the analysis of the objectives achieved (results), both in terms of quantity and quality, as well as evaluating the performance related to goals and/or at a preset reference by the method of scoring, the following sections:

- General framework – the implementation of Corporate Governance Principles;
- Framework specific to SIF Moldova activity.

c) Description of used methodologies

✓ References

The implementation procedures of the Corporate Governance Code at SIF Moldova provide a frame of reference towards which the activity of SIF Moldova at a particular time is compared. The evaluation itself is based on a scoring system.

✓ Limitations

There are procedures in the Corporate Governance Code – SIF Moldova that cannot be assessed (at all or only partially) because of the subjective nature of the data used in the analysis, having as source, the external powerful influence that affects the efficiency of methods of achieving the goal set by the procedure in question. In spite of this impediment, the evaluation system will signal the influence and limitation of the evaluation by scoring, specifying the external causes (or internal causes) that hindered the generation of the evaluation scoring.

✓ Types of analysis

Both in general and specific framework of the Corporate Governance Code of SIF Moldova we are dealing with two types of information that must be measured, quantified, analyzed and interpreted relative to a reference / benchmark. This type of analysis is in its turn of two categories:

- *Qualitative analysis* of scoring for the evaluation of departments, activities and procedures of qualitative nature, directly and indirectly productive;
- *Quantitative analysis* of scoring to assess the implementation of the Corporate Governance Code of SIF Moldova at the level of the management and within the departments, activities and procedures of quantitative nature, directly productive.

✓ Analysis techniques

The techniques of qualitative and quantitative analysis are different suppose:

- In the case of the *qualitative analysis*, the *method of text comparison* is used (between the witness text and the text of Corporate Governance Code – SIF Moldova and text entered through self-evaluation); the result obtained is represented by a qualitative scoring interpreted, easy to follow and corrected.
- In the case of *quantitative analysis*, a method of direct scoring is used, based on the construction of references / a numerical benchmark result of series of available data.

Through the two methods there is generated a complete image of the actual implementation of the code of Corporate Governance Code – SIF Moldova and will be put to the attention of shareholders and management by the thus obtained, of all aspects of performance, performance quality, compliance and corporate conduct that have been adopted as objective.

✓ Interpretation of final report

Quantitative and qualitative results obtained from evaluating the implementation of the code of Corporate Governance Code – SIF Moldova are disseminated in a configurable report on chapters and topics of interest according to the target audience of the report to be generated.

The report is also equipped with charts that show the evolution and comparisons with key indicators of Corporate Governance specific to the field of activity – financial investment.

2. The assessment of managerial performance based on indicators

1. Introduction

By using the Management Performance Scoring there appears the opportunity for all shareholders to see the qualitative and quantitative diagram on performances of the terms defined by the management and from the intrinsic and absolute perspective of the shareholder. The components of this scoring allow the view, analysis and optimisation or improvement of:

- **competence** which helps achieve the performance against a chosen characteristic reference benchmark (quantitative scoring);
- **the quality of the decision** taken at management level in quantifying competencies in the absolute financial performance directly transferable to shareholders.

The Management Performance Indicators also called Positive Performance Indicators, in the case of SIF Moldova, aggregate capacity and skills of the management team to achieve the set objectives.

There are companies that use Management Performance Indicators of dual-type (quantitative/qualitative). In this document there are presented only the Management Performance Indicators of quantitative nature.

In evaluating SIF Moldova, there are adopted several categories of performance indicators, each class of indicators being allocated to the company's specificity and departments generating them but also for general use, when there are taken into account qualitative or quantitative performances containing activities with complex ranked or interdisciplinary structures.

As a result of the complexity and content of these performance indicators, there have resulted the following categories of performance indicators that are in the process of implementation by SIF Moldova: *human resources and skills development, economic and financial, implementation of corporate governance, management performance*.

These categories of performance indicators covering the entire range that SIF Moldova needs in monitoring and managing the created performance at individual/personal level, direct or indirect productive compartment, company, management and shareholders.

2. The description of the evaluation system by the scoring method of Management Performance Indicators

This section proposes a description of the measurement system of management performance through the method of scoring, trying to cover the following three aspects:

a. Framework of performance indicators

References used in the method of assessment of Management Performance Indicators consist in the construction of the reference indicators based on the financial and accounting data of all companies representing the financial sector to which SIF Moldova with the restrictions and limitations described below;

In this category there are defined only the reference indicators calculated using data published by these companies without reference to the name or other details that may lead to the specific identification of companies that are part of the financial sector;

For a symmetry and uniformity of data used in the construction of these references, there are chosen only companies with a degree of similarity of at least 80% of the activity of SIF Moldova;

The reporting of results will be done in a comparative table, in which in parallel there are listed the results of Management Performance Indicators calculated for SIF Moldova and sector average of the financial sector indicators constituted as reference;

The report will also contain representative charts at sector level and with the passage of time, the historical evolution and the dynamics of Management Performance Indicators reported at a period of time.

b. The used indicators – scoring techniques

The indicators on which there are built references/management performance benchmark only from a quantitative point of view - show us intrinsically the managerial performance created in terms of accounting and tax management, finance/investment, and are, in a first stage, considered with equal participation proportion to overall performance index.

In selecting/editing/optimization of structure type of the formula to be applied for highlighting the managerial performance indicators - quantitative/qualitative, as well as for adapting the level of fidelity and realism of Scoring Management at the activity of SIF Moldova, the following have been taken into account:

- The power to obtain growing profit (as value and as margin) from the management of assets available;
- The distribution of dividends that would meet the company's shareholders;
- The setting of a Payout Ratio that would lead to the calibration of a part of the net profit available for the company, which could make possible the carrying out of further investments;
- The activity carried out in terms of controlled risk.

Through the application of Management Performance Indicators and analysing the results of the comparative analysis towards the benchmark as well as the individual trend, there will be taken into account the transformation of Scoring into an effective instrument. Thus, according to the official financial reporting (semester and year) of the considered benchmark components, the interpretation of the Scoring results will give clues as to the level of performance as well as on the possibilities of action of the management of calibration of some segments of activity in order to achieve the set objectives through the declared strategies.

It is worth mentioning that the systems to be implemented use a little of the standard techniques of analysis and evaluation in standardized form and therefore, a good portion of formulas, algorithms, procedures, etc. can be found in adapted form, specific to the activity of SIF Moldova.

Ch.17. THE PROCESS OF RESTRUCTURING/REORGANISATION OF THE COMPANY

The Board of Directors has permanently in view the optimization of the organizational structure for the active and performant management of the portfolio.

SIF has defined an internal compliance policy that is a complex program including regulatory activities, risk management, substantiation of investment decision, staff training and continuous adaptation of the **organizational structure** for streamlining and increasing the efficiency of decision-making.

The optimisation process aims at **harmonising the organisational structure with the developments in the environment in which the company operates** and aims of **valuing the expertise of personnel in terms of the quality and speed of their decision-making**.

In this continuous process the Board of Directors analyses the opportunity to adopt measures relating to:

- reconfiguration/optimisation of the organisational structure and decisional flows;
- establishment of hierarchical structures/levels and responsibilities of departments;
- integrating activities/operations for shortening the business cycle analysis-decision-implementation;
- the increase of the expertise levels through the establishment of advisory committees within the Board of Directors;
- the carrying out of the activity using as support an integrated information system;

The restructuring programme has in view the optimal sizing of staff in relation to the company's objectives and performance as well as the **optimisation of costs**, respectively their framing in the specific sector.

The decisions on the restructuring/reorganisation plan of the activity are notified to shareholders, their feedback being important in shaping the directions for action in terms of staff policy and the company's structure.

17.1. Bylaws

The revision of bylaws – is a constant concern of the Board of Directors for the purpose of harmonising its provisions with the applicable legislation and the need to reduce the quorum for the conduct of the meetings, the adoption of decisions and the delegation of competences to the Board of Directors, in agreement with the aspects validated in the general meetings carried out at reference issuers.

In the context of the definition as a strategic priority, the improvement of corporate governance within the SIF Moldova, the review of bylaws is one of the main projects.

The Board of Directors aims at assessing (before the annual general meeting) the environment in which it operates, the macroeconomic context, and other matters that can influence the performance of the company and to analyse the appropriateness of the proposal on the GMS agenda of decisions concerning the amendment of bylaws.

The opportunity for the Extraordinary General Meeting of Shareholders with the proposal to amend the Bylaws, the following aspects will be taken into account:

1. *the evolution recorded in the shareholding structure*, the opinions expressed by shareholders in annual general meetings, on the occasion of bilateral working meetings or in events with international participation;
2. *the policy of shareholding consultation, by means of the General Meetings of Shareholders*;
3. *implementation of the recommendations of the Community acquis*, of CNVM and BVB with respect to the principles of corporate management, principles to be observed by the harmonisation of Bylaws with the applicable legislation;
The Bylaws of SIF Moldova stipulates in article 19 – “Final provisions” that: “*The present Bylaws is completed with the legal provisions and regulations applicable for companies - common law - and with the legal provisions of financial investment companies.*”
4. *the harmonisation* with the best practices in the field as well as providing the framework for the operational implementation of legislative changes at national and international levels.

The Board of Directors takes note that the draft revision of the Bylaws lead to: the implementation of the highest standards of corporate governance, ensuring flexibility in decision-making within GMS and the evitation of decision-making blockages, the delegation of competences from GMS to the Board of Directors – in order to increase the efficiency of the implementation of corporate operations essential to society, providing the framework for an effective and active communication with shareholders, ensuring the functioning of the Board as a collective body, based on correct and complete information, the adoption of clear and transparent structures of corporate governance.

The modification of the Bylaws has as objectives: clarity and simplicity, implementing the best standards of corporate governance, transparency, elimination of any unjustified barriers in pursuit of shareholders’ rights, the aimed result being the elaboration of flexible and modern Bylaws.

In terms of the changes proposed for Bylaws, these refer to:

1. the harmonisation of the content with the legal provisions applicable by the adoption of facilities provided by the legislative framework, leading to:
 - a. the elimination of the existing statutory barriers relating to the quorum of the Annual General Meetings, which would allow further flexibility in the adoption of decisions aiming at increasing the *performance of SIF Moldova*;
 - b. the alignment to the running of Board meetings introduced by Law 441/2006.

2. the possibility of exploiting some opportunities on the national, community and extra community markets by:
 - a. offering the possibility to exploit the opportunities of the national markets, community and extra community markets through by delegating competences to the Board of Directors concerning the increase of the registered capital;
 - b. the opportunity to invest on regulated markets in EU member States and non-member states.

3. the implementation of the corporate governance principles in the functioning and organization of the SIF 2 Moldova, the following being concerned with priority:
 - a. the detailing of the company's object of activity;
 - b. the method of shareholders' representation at general meetings;
 - c. the elimination of any threshold of holding the SIF 2 shares, under the observance of a legislative framework favourable to shareholders;
 - d. the ability to list, in parallel, SIF 2 shares on another regulated market.

4. new provisions relating to the structure and functions of the Board of Directors:
 - a. the expansion of the Board competences;
 - b. the statutory framework that allows the passage to the form of management in the dualist system, if applicable;
 - c. the delegation of competences to a management committee composed of minimum 2 managers.

The Bylaws of SIF Moldova, entity regulated by CNVM, in a form approved by shareholders with the General Meetings of Shareholders is subject to the approval of the National Securities Commission (CNVM).

17.2. The management of running/administration expenses

The Board of Directors has as permanent objective the framing of management costs concerning the fees paid to the management companies by the investment funds (0.10 – 0.45% of the total assets value).

In structure of management costs, an important part is represented by the **expenses with commissions and fees imposed on the company**.

This category, in this case of SIF Moldova - entity regulated by CNVM and BVB listed issuer, includes: commissions and fees owed to CNVM, the depositing company, the registry company, BVB, the external auditor.

Costs vary depending on the monthly net asset value, the number of annual general meetings, as well as the range of services provided by the independent auditor, in accordance with the applicable regulations (audit: financial statements according to the national regulations and separate and consolidated IFRS financial statements, half-yearly reviews, transactions concluded by directors for over 50,000 euro, etc.).

The value of fees cannot be optimised through internal decisions and directly influences the indicators of performance.

Management expenses also include expenses with external provisions of services or costs associated with taxes and fees related to owned properties as well as expenses with the provision of legal services for the recovery of receivables.

In the regular reports, the Board of Directors informs investors with regard to the level of the management expenses and the positioning in relation to the level of commissions paid to management companies by the pension funds.

17.3. The management system

In accordance with the provisions of the Bylaws, SIF Moldova is managed in a unitary system, which is specific to collective investment bodies regulated by CNVM.

SIF Moldova, in accordance with the provisions of article 153 of the law 31/1990, may opt, by decision of the extraordinary general meeting, for a dualist system, to be managed by an executive board and a board of supervisors.

The dualist management system is governed by the companies' law.

At present, the Board of Directors considers that the unitary management system is appropriate for the organisation and functioning of SIF Moldova.

If there was proposed a dualist management system, the managers would inform the shareholders and the market about the reasons for such a proposal, as well as about the fact that the Code will be applied to the new system of management and control.

In the case of the adoption of a dualist management and control, the Corporate Governance Code articles will apply to the extent that they are compatible, adapting the individual dispositions to the adopted specific system adopted, being consistent with the objectives of good corporate governance, with transparency of information, the protection of investors and markets, which are followed by the Code in the light of the criteria laid down in this article.

In the first report of corporate governance, published after the modification of the management and control system, SIF Moldova will describe in detail the way in which the code was applied to such a system. This information will be published also in subsequent reports, indicating any changes to the procedure followed in the implementation of the code in the selected management and control system.

Ch.18. HUMAN RESOURCE POLICIES

SIF Moldova pays particular attention to the human resource and ensures the continuity of training programs for the maintenance of the experience gained during more years of specialisation or for the development of new valences, necessary in increasing the company's performance.

The staff training in various fields of activity (investment consultant, assessor, auditor, technical expert, etc.) has the role of ensuring the growth of the company's reaction capacity to the effects of the prolonged financial crisis, an essential process in the substantiation of decisions in conditions of uncertainty (fundamental analysis, technical analysis, macroeconomics, etc.) and in the field of conformity (internal audit, internal control).

The staff training is a continuous process, accomplished in collaboration with consultants/experts working on the domestic and international capital market.

Within SIF Moldova there is a code of conduct that defines **the company's basic values** and provides the basis for a corporate culture in accordance with the law and based on ethical principles.

The provisions of the **Code of Conduct** are applied and must be observed by all employees of SIF Moldova. Also, all that third parties acting on behalf of/in the name of S.I.F of Moldova must comply with the provisions of the Code of Conduct.

Here are some of the basic values of the Code of Conduct:

Mutual respect, honesty and integrity

We respect the others' opinions their dignity, the right to personal image and the protection of personal information.

We do not tolerate any form of discrimination or harassment on account of nationality, culture, religion, sex, age or physical disability.

We do not tolerate abuse, threats, or physical intimidation or verbal pressures.

The employment, promotion and evaluation of employees are based solely on the criteria of performance.

The request, offer and acceptance of advantages

We do not accept and we do not grant any advantage which does not correspond to the principles of the Code of Conduct.

The employees and people who work for SIF Moldova do not offer amounts of money to public officials or any other persons, to obtain or accelerate the services provided by such persons, to which there is a legal right. Exceptions are allowed only in case of legal interests that are legally protected, such as the situations in which life or integrity is in danger and if the only way of removing this danger is by making such payment.

Correct competition

SIF Moldova applies the requirement of integrity in the market competition.

SIF Moldova observes the rules of a correct competition and the market behaviour rules stipulated by the national and international regulations; we must not engage verbally in any unacceptable situation.

“The code of conduct” may be consulted on the website: [www.sifm.ro/despre noi](http://www.sifm.ro/despre_noi).

CAP.19. REVISION OF THE CODE

Corporate Governance Code will be revised by the Board of Directors whenever necessary, but at least once a year.

Along with the presentation of the Corporate Governance Report – annex to the annual report of the Board of Directors – within the annual general meeting of balance there will be communicated the latest revised form of the Code

The present Corporate Governance Code has been drawn up in two copies and approved in the Board meeting on 28th of February 2013.

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