

Bucharest Stock Exchange Code of Corporate Governance, 2025

The Bucharest Stock Exchange (BVB), in collaboration with the European Bank for Reconstruction and Development (EBRD), released a revised Corporate Governance Code 2025 (the “Code”), aligning it with recent regulatory changes, updated global standards and stakeholders’ priorities. The purpose of the Bucharest Stock Exchange Code of Corporate Governance is to promote effective governance and accountability in companies whose shares are listed on the regulated market of Bucharest Stock Exchange and the underlying practices in the Code aim to achieve through several means.

It provides the criteria for Independent Directors as an initial assessment of independence. Nomination and Remuneration Committees should assess independence on a case-by-case basis when considering candidates. They should take into account factors such as past experience, their character and their personal values as well as formal criteria. The Code has been written to be applied by companies with one-tier board structures. However, the code also provides for interpretation of code for companies with two tier board.

The Code is divided into five main sections, each of which address a different aspect of Companies’ governance arrangement. Each section is divided into three parts: Purpose, Principles and Provisions. The Code follows the “comply or explain” approach, which provides Companies with the flexibility to decide which practices to adopt in order to ensure the effectiveness of their governance and the format for the same is provided in the Code. The principles are summarized as follows:

Section A – “Governing Bodies”

- A.1. The Board should ensure the Company’s long-term success and sustainability for the best interest of the Company and its shareholders and taking into account the interests of other stakeholders. The Board should clearly define and disclose the full scope of its roles and responsibilities.
- A.2. The Board should have an appropriate balance of skills, experience, gender diversity, knowledge and independence to enable it to effectively perform its duties and responsibilities.
- A.3. The Board should ensure that a formal, rigorous and transparent procedure is put into place regarding the nomination of new members to the Board.

- A.4. The Board should establish committees which should assist the Board in the performance of its key responsibilities, dealing with strategic challenges and in managing sensitive issues with high potential for conflicts of interest.
- A.5. The Board should set up robust Board operating procedures as well as Board evaluation and continuous development mechanisms to improve directors’ skills and their ability to effectively deliver their responsibilities.
- A.6. Executive management is responsible for day-to-day management of the Company. The Board should ensure that the executive management is capable of effectively running the Company and that its composition, competence, roles and management incentives support the successful implementation of Company’s strategy and plans.

Section B – “Risk Management and Internal Control Framework”

- B.1. The Company should have an adequate and effective internal control framework and an enterprise risk management framework, taking into account its strategy, size, complexity of operations and risk profile including potential environmental and social impact of its activities.
- B.2. The Audit Committee should assist the Board with ensuring the integrity of financial and non-financial reporting, establishing an effective risk management and internal control framework and maintaining an appropriate relationship with the Company’s external auditors.
- B.3. The Board should ensure the independence of the internal audit function. Company’s internal audit function should provide independent and objective assurance on the effectiveness of risk management framework and internal control framework.

Section C – “Performance, Motivation and Reward”

- C.1. Members of the Board shall receive remuneration corresponding to the volume and weight of powers and their responsibilities, rather than the performance of management or the Company. The structure and amount of director’s remuneration should enable the Company to attract, retain and motivate the competent and qualified directors.

C.2. The Board shall ensure there is a formal and transparent policy and procedure for determining the remuneration of executive management that aligns with the long-term interests of the Company and the Company's strategy. This policy shall be presented, subject for approval, to the General Meeting of Shareholders (GMS) in line with legal requirements.

Section D – “Disclosure and Investor Relations”

D.1. The Company should ensure adequate communications with shareholders, investors, regulators and other stakeholders and establish adequate systems for financial and sustainability reporting.

D.2. The Company should ensure fair and equitable treatment of all its shareholders, as well as availability of all needed tools and information to allow shareholders to exercise their rights in relation to the Company.

Section E – “Sustainability and Stakeholders”.

E.1. The Company should integrate sustainability

aspects in its strategy and mitigate any material negative environmental and social impacts of its operations, to the possible extent.

E.2. The Company should have in place a process for identifying the stakeholders affected by Company's operations. The Board should take into consideration stakeholders' interests and ensure there is active communication between the Company and its stakeholders.

E.3. The Board should adopt a Code of Conduct with adequate scope including guiding principles which reflect the Company's commitment to ethics, integrity and quality of performance.

Companies are expected to comply their practices in line with the Code from January 1, 2025. Every year, BVB will assess the companies' adherence to the Corporate Governance Code, with the assistance of a third party if necessary. It will then compile the findings into an aggregated statement and publicize them.

Source: <https://www.ecgi.global/system/files/2025-02/en-cgc-bvb-2025.pdf>



COMPANY SECRETARY: A GUARDIAN OF CORPORATE GOVERNANCE FOR VIKSIT BHARAT