



MECANICA CEHLĂU

Agricultural machinery and equipment

Corporate Governance Regulations

MECANICA CEHLAU S.A.

The present document was updated on 22.08.2019 in accordance with the provisions of the Corporate Governance Code of the Bucharest Stock Exchange and constitutes a reference document on corporate governance for the company MECANICA CEHLAU S.A.



MECANICA CEAHLAU SA

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1. GENERAL DATA OF THE COMPANY

Company name

The name of the company is 'Mecanica Ceahlau'.

In this Articles of Incorporation, 'Mecanica Ceahlau' is called the 'Company'.

In all documents, bills, announcements, publications and other company acts, the name of the company shall be preceded or followed by the words 'Societate pe actiuni' (Joint stock company) or the initials 'S.A'.

Legal form of the company

The company "Mecanica Ceahlau" S.A. is a private legal entity, of Romanian nationality, having the legal form of a joint stock company.

The company carries out its activity in accordance with Romanian law and this Articles of Incorporation.

Company headquarters

Company headquarters are in Romania, Piatra Neamt, no.6 Dumbraveni Street, county Neamt. The headquarters of the company may be changed to another locality in Romania, based on the decision of the general meeting of the shareholders, according to the law.

The company may have branches, representative offices, agencies or work points located in the same locality, in other localities in the country or abroad.

The branches, agencies, representatives and work points are listed in Annex no. 1 of the Articles of Incorporation.

Company duration

The duration of the company is unlimited, starting with the date of registration with the Trade Registry Office.

Company purpose and object

The purpose of the company is to achieve the business object of activity in order to obtain profit. The main activity of the company is:

- manufacture of agricultural and forestry machinery - NACE CODE 2830





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2. ABBREVIATIONS AND TERMS USED

GSM	<i>General Meeting(s) of Shareholders of Mecanica Ceahlau S.A</i>
Shareholders	<i>Shareholders of the company Mecanica Ceahlau S.A</i>
Financial auditor	<i>Statutory/external auditor of the company Mecanica Ceahlau S.A</i>
BSE	<i>Bucharest Stock Exchange</i>
FSA	<i>The Financial Surveillance Authority, the organism that regulates and oversees the Romanian capital market</i>
Board of Directors/BD	<i>The Board of Directors of the company Mecanica Ceahlau S.A</i>
BSE code	<i>Corporate Governance Code of the Bucharest Stock Exchange</i>
LSC	<i>Law no. 31/1990 on companies, republished and updated</i>
LPC	<i>Law no. 297/2004 on the capital market, updated</i>
Chairman	<i>Member of the BD elected by the BD as Chairman</i>
CEO	<i>Chief Executive Officer of the company Mecanica Ceahlau S.A</i>
RICD	<i>Representative of the Internal Control Department</i>
Internal regulations/IR	<i>Internal regulations of the company Mecanica Ceahlau S.A</i>
RNSC regulations	<i>All regulations (regulations, instructions, measures etc.) issued by RNSC, on the activity of the company Mecanica Ceahlau SA</i>
CGR	<i>Corporate Governance Regulations of the Company MECANICA CEHLAU S.A.</i>

3. CORPORATE GOVERNANCE STRUCTURES

a. General Meeting of Shareholders

The General Meeting of Shareholders is the governing body of the company, which decides on its activity and ensures its economic and commercial policy.

The General Meeting of Shareholders are ordinary and extraordinary.





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i. Convening of the General Meeting of Shareholders

The General Meeting shall be convened by the Board of Directors, whenever necessary, in accordance with the legal provisions.

The assembly term of the General Meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.

The convocation is published in the Official Gazette of Romania, Part IV and in one of the widely spread newspapers in the locality where the company's headquarters are located.

The General Meeting convocation is published on the company's web site and communicated to the Financial Supervisory Authority and the regulated market on which the company's shares are traded.

The convocation shall include the place and date of the meeting, as well as the agenda with the explicit mention of all the issues that will be the subject of the meeting's deliberations.

If the agenda includes the appointment of the administrators, the convocation shall mention the place where one can consult the list containing information on the name, the place of residence and the professional qualification of the persons proposed for the position of administrator and the date up to which new proposals can be made for completing this list.

When the agenda includes proposals for amending the Articles of Incorporation, the convocation must contain the full text of the proposals.

The administrators are obliged to immediately convoke the General Meeting at the request of the shareholders, representing individually or together 5% of the share capital. In this case, the General Meeting shall be convened within no more than 30 days and shall meet within 60 days from the date of receipt of the request.

The General Meeting of Shareholders meets at the company's headquarters or elsewhere in the same locality.

Shareholders holding, individually or together, at least 5% of the share capital, have the right to request the introduction of new items on the agenda of the general meeting through a request addressed to the Board of Directors within 15 days from the date of publication of the convocation.





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The agenda, completed with the points proposed by the shareholders after the convocation, must be published at least 10 days before the general meeting, on the date of the initial convocation.

Shareholders, natural or legal persons, may participate in general meetings, either directly or by representation through special powers of attorney.

The original powers of attorneys are filed at the company's premises 5 days before the meeting under the sanction of losing the right to vote in that meeting.

The shareholders shall present an identity document and the mandate, when the case, for participation in the general meeting.

ii. Organization of the General Meeting of Shareholders

The General Meeting of Shareholders is chaired by the Chairman of the Board of Directors and, in his/her absence, by the Vice-President or another member of the Board appointed in advance by the Board of Directors.

The General Meeting shall choose between 1 to 3 Secretaries who shall check the shareholders list, indicating the share capital of each of them, the minutes drawn up by the Technical Secretary for the determination of the number of shares submitted and the completion of all the required formalities by the law and by the Articles of Incorporation for the holding of the General Meeting.

The Chairman may designate one or more Technical Secretaries from among the employees of the company to take part in the operations referred to in the preceding paragraphs.

The minutes of the General Meeting shall be recorded in a register. The minutes shall be signed by the person who chaired the meeting and by the secretary who drafted it.

To validate the deliberations of the Ordinary Meeting, it is necessary the presence of the shareholders representing at least 1/2 of the share capital and the decisions to be taken with the majority of votes 'for' expressed by the shareholders.

If the Ordinary General Meeting can not work because of non-fulfillment of the above conditions, the meeting that shall meet at a second convocation may deliberate on the issues on the agenda of the first meeting, whatever the share capital represented by shareholders present, with majority.

In order to validate the deliberations of the Extraordinary General Meeting, it is necessary:





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- at the first convocation, the presence of shareholders representing 3/4 of the share capital, and the decisions to be taken by the vote of a number of shareholders representing at least half of the share capital;
- at the following convocation, the presence of shareholders representing 1/2 of the share capital, and the decisions to be taken with the vote of a number of shareholders representing at least one third of the share capital;

3.1.3 Powers of the General Meeting of Shareholders

The General Meeting of Shareholders is the governing body of the company, which decides on its activity and ensures its economic and commercial policy.

The General Meeting of Shareholders are ordinary and extraordinary.

The Ordinary Meeting meets at least once a year, within five months of the end of the financial year.

Aside from debating other issues included in the agenda, the Ordinary Meeting is obliged to:

- a/ review, approve or amend the annual financial statements on the basis of the reports submitted by the Board of Directors, the internal auditor and the financial auditor and to set the dividend;
- b/ elect or revoke, in accordance with the law, the members of the Board of Directors;
- c/ choose or revoke and determine the minimum duration of the financial audit contract;
- d/ choose or revoke and determine the duration of the internal auditor's contract if the law provides for such an obligation;
- e/ set the remuneration and other rights due for the current mandate for the members of the Board of Directors;
- f/ decide on the management of the Board of Directors;
- g/ establish the revenue and expenditure budget and, where appropriate, the work program for the next financial year;
- h/ decide to pledge, rent or dismantle one or more units of the company.





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The Extraordinary Meeting meets as often as necessary for deciding to:

- a/ change the legal form of the company;
- b/ relocate company headquarters;
- c/ change the object of the company's activity;
- d/ repealed by the AGEA Decision no. 2 of 30.10.2014;
- e/ prolong the duration of the company;
- f/ increase the social capital;
- g/ reduce the share capital or its re-listing by issuing new shares;
- h/ merge with other companies or division of the company;
- i/ dissolve the company in advance;
- j/ convert shares from one category to the other;
- k/ issue bonds;
- l/ convert a bond category into another category or into shares;
- m/ sign legal acts by which to acquire, to alienate, to rent, to change or to constitute in collateral goods in the patrimony of the company whose value exceeds, individually or cumulatively, during a financial year, 20% of the total immobilized assets, less the receivables;
- n/ bring any other amendment to the Articles of Incorporation or any other decision for which the approval of the Extraordinary General Meeting is required;

The Extraordinary General Meeting may delegate to the Board of Directors the exercise of its powers referred to in art. 12. point 2, lit. b, c, d and f. The delegation of powers referred to in point 2, letter c cannot regard the domain and the main activity of the company.





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b. The Board of Directors

i. Structure and appointment of the Board of Directors

The Company is managed by 3 directors, natural persons or legal persons elected by the Ordinary General Meeting of Shareholders, which together form the Board of Directors.

Directors shall fulfill four-year mandates, to the extent that they are not revoked by the Ordinary General Meeting of Shareholders before the expiration of that term.

In the case of the holiday of one or more directors, the other directors deliberating in the presence of two thirds and with absolute majority, proceeds to the appointment of a provisional director until the meeting of the Ordinary General Meeting. Incompatibilities for membership in the Board of Directors are those provided by law.

The Board of Directors is headed by a Chairman and may have one or two vice-presidents.

The Chairman of the Board of Directors shall be appointed by the Board of Directors.

The Chairman of the Board of Directors may also serve as company CEO.

The Chairman of the Board of Directors represents the Company in relations with third parties. With the prior approval of the Board of Directors, the right of representation may be transmitted on a special mandate basis.

The current structure of the Board of Directors is:

- **Trifa Aurelian-Mircea-Radu** (re-elected by the Ordinary General Meeting of Shareholders of 24.11.2017) – graduate of the Polytechnic University of Bucharest, Faculty of Aeronautics, Department of Electrical Installations and Instrumentation and of the Institute of Public Administration and Business "ASEBUSS " Bucharest.

He has experience in the field of private and venture capital funds (Private Equity/Venture Capital), Corporate Governance, Strategic Management, Enterprise Restructuring and Privatization. **Mr. Trifa Aurelian-Mircea-Radu** fulfills the position of Chairman of the BD since 25.04.2016 and he was re-elected on 24.11.2017.

- **Ianculescu Carmen** (elected by the Ordinary General Meeting of Shareholders of 25.11.2013) - international business consultant, graduate of the Romanian-American University in Bucharest. Other specializations: Master in International Business. She was elected as a member of the Board of Directors on 29.01.2010 and





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re-elected on this position on 27.04.2012. As from 25.11.2013, she was re-elected by the Ordinary General Meeting of Shareholders as a member of the Board of Directors and, on 24.11.2017, she was re-elected by the Ordinary General Meeting of Shareholders, starting from 24.11.2017.

- **Esanu Romeo-Vasile** appointed as interim Director on 10.01.2018 and confirmed in this position by the Ordinary General Meeting of Shareholders on 19.04.2018.

The Board of Directors shall meet at least once every three months, or whenever necessary.

The Chairman convenes the Board of Directors by fax or e-mail at least 5 days before the fixed date, indicating the date, time, place and agenda. Extraordinary meetings justified by the urgency of the situation and the interest of the company may be convened at least one day before the fixed date.

The Board of Directors is also convened at the motivated request of at least 2 of its members or the CEO. In this case, the agenda is set by the authors of the request. The Chairman is bound to comply with such a request.

Directors and internal auditors may be convened at any meeting of the Board of Directors, with no voting rights, except for directors who are also managers.

The Board of Directors validly deliberates in the presence of at least 3 members and the decisions shall be adopted with minimum 3 votes 'for'. Members of the Board of Directors may be represented in compliance with law provisions.

The Board of Directors shall be able to validly deliberate without fulfilling and observing the convening formalities if all the directors are present.

The Board of Directors meets at the company's headquarters or elsewhere established by convening. The participation in the meetings of the Board of Directors can also take place via means of distance communication: teleconference; video conference; internet or intranet conference and so on. Such meetings may be held only if the technical conditions permit the direct and concurrent identification of the participants by each of the other participants in the meeting and the real-time recording of the deliberations.

The procedure aforementioned may not be used in the case of decisions of the Board of Directors concerning the annual financial statements or the authorized capital.





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In order to fulfill their duties and responsibilities under the law, the directors shall receive a remuneration established by the General Meeting of Shareholders. The additional remuneration of the members of the Board of Directors charged with specific functions, as well as the remuneration of the directors, are established by the Board of Directors. The General Meeting of Shareholders sets the general limits of all the remunerations granted in this way.

ii. Powers of the Board of Directors

The members of the Board of Directors shall be able to exercise any act or operation that is related to the administration of the company in the best interests of the company, within the limits of the rights and attributions granted to them and taking into account legal provisions.

The Board of Directors has the following competencies:

- a. to establish the main directions of activity and development of the company;
- b. to establish the accounting and financial control system and approving financial planning;
- c. to appoint, revoke directors and set limits to remuneration and other rights;
- d. to oversee directors activity, requesting information on operational management;
- e. to prepare the annual report, to organize the General Meeting of Shareholders and to implement its decisions;
- f. to submit the application for the opening of the insolvency procedure of the company;
- g. other tasks delegated by the General Meeting of Shareholders;
- h. to apply the decisions taken by the General Meeting of Shareholders.
- i. to establish and approve the organizational structure of the company as well as the rules for the constitution of the functional and production departments;
- i¹. to approve, by decision, the establishment or dissolution of secondary offices: branches, agencies, representations, showrooms or other such entities without legal personality and the corresponding amendment to Annex no. 1 of the Articles of Incorporation; adopting the necessary measures for the establishment and functioning of these entities without legal personality and the appointment/re-





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appointment of the office manager. The appointment/revocation of the manager of the office without legal personality may be delegated to the Chairman of the Board of Directors or the CEO;

j. to approve the organization and functioning regulations of the company;

k. to negotiate the collective labor agreement with the representatives of trade unions and employees;

l. to present to the Ordinary General Meeting of Shareholders the annual financial statements of the company and its annual activity report;

m. to submit to the General Meeting of Shareholders, within 5 months after the end of the financial year, the annual financial statements, unless the law stipulates otherwise;

n. to approve the signing of legal acts in order to acquire, to alienate, to rent, to change or to constitute as collateral goods in the patrimony of the company, according to the law or as established by the General Meeting of Shareholders;

o. to approve the operating regulations of the Board of Directors and of all the established committees;

p. to approve and amend the directors general mandate, as well as the management committee's organization and operation rules.

r. to establish and propose to the General Meeting of Shareholders the revenue and expenditure budget as well as the activity program for the next financial year;

s. to approve the limits and conditions for granting employee benefits;

Directors are jointly and severally liable for:

a. the reality of the payments made by the associates;

b. the actual existence of paid dividends;

c. the existence of registers required by law and their correct upkeep;

d. the strict fulfillment of the duties imposed by the law, the Articles of Incorporation or the General Meeting of Shareholders;

e. the good management of the company in compliance with the laws in force;





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f. the tasks executed by the directors when the damage would not have occurred had they exercised the supervision imposed by the duties of their function.

The Board of Directors is obliged to provide the shareholders, in due time, before the ordinary or extraordinary general meetings, the following documents: the reports of the board of directors, the auditors reports, the annual financial statements and other documents stipulated by the law.

Directors are forbidden any activities for the benefit of competing firms, companies in the business of the company, or companies that are in commercial relationships with the Company they manage.

This prohibition extends to the wives and husbands of the directors, as well as their relatives and cousins, up to the fourth degree inclusive.

Throughout their term of office, directors are required to keep secrecy on the data and the confidential information about the company's activity. This obligation extends beyond the end of the mandate.

The Board of Directors may delegate the management of the company to one or more directors by appointing one of them the CEO. The CEO may be appointed amongst the directors or from outside the Board of Directors. The Chairman of the company's Board of Directors may also be appointed as CEO.

When the delegation of management attributions is made to several directors, they operate within a management committee.

3.2.3 Remuneration of the members of the Board of Directors

The remuneration policy of the directors is proposed by the Board of Directors within the limits approved by the General Meeting of Shareholders and includes a fixed and a variable component.

The Chairman and the members of the Board of Directors are remunerated with a fixed monthly indemnity plus a variable component, the amounts or structure of which is set by the Ordinary General Meeting of Shareholders.

c. Advisory Committees

The Advisory Committees are constituted, by decision of the Board of Directors ('BD') of the company MECANICA CEHLAU S.A. ('The Company'), based on the provisions of art. 140² of Law no. 31/1990 republished, of the companies and of the Corporate Governance Code of the Bucharest Stock Exchange,





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corroborated with the provisions of the Company's updated Articles of Incorporation. The Advisory Committees are mandatory according to the legal provisions in force and are aimed at conducting investigations and drafting recommendations for the BD, in the specific field of each committee.

The advisory committees consist of at least 2 members, each committee being headed by a chairman, appointed from among its members.

For the Nomination and Remuneration Committee, at least one member must be an independent non-executive director and, for the Advisory Audit Committee, the Chairman must be an independent non-executive director.

The Advisory Committees shall meet regularly, at least once every three months, at the request of the BD or whenever their chairmen consider it necessary.

3.3.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee, founded by the BD Resolution of 22.01.2014, has the following members:

Chairman - Trifa Aurelian

Member – Ianculescu Carmen

The Nomination and Remuneration Advisory Committee conducts investigations and develops recommendations for the BD regarding the remuneration of directors, managers and staff, or the nomination of candidates for the various management positions.

The Secretariat of the Nomination and Remuneration Advisory Committee is provided by the Human Resources Department of the Company.

The Nomination and Remuneration Advisory Committee mainly has the following attributions:

- formulates proposals for the director position;
- recommends the BD candidates for the positions of director and other management jobs;
- coordinates the process of appointing BD members, if the proposals to the General Meeting of Shareholders for the position of administrator are formulated by the members of the Board of Directors;
- recommends the BD and/or the General Meeting of Shareholders the candidates nominated for the position of director and for the occupation of the vacant positions as director;





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- proposes to the BD the selection procedure of the candidates for the positions of director and/or, as the case may be, for other management positions;
- formulate proposals on the remuneration of directors and other management functions appointed by the BD;
- assesses the cumulative professional skills, knowledge and experience for the BD;
- establishes the requirements for occupying a certain position in company management;
- permanently updates the professional competencies of BD members, coordinating the improvement of their knowledge in order to apply the best active practices in terms of corporate governance;
- submits for notification/approval of the BD/General Meeting of Shareholders the remuneration policy for the administrators and directors of the company;
- in determining the remuneration of non-executive directors, shall be respected the principle of proportionality of this remuneration with the responsibility and the time devoted to the exercise of their functions by them;
- presents the BD an annual report on the total amount of directors and managers remuneration, separately on the fixed and variable components of such remuneration as well as other benefits granted to them; The annual report of the Nomination and Remuneration Advisory Committee shall include at least the following information:
 - remuneration structure, explaining the share of the variable component and the fixed component;
 - the performance criteria that underlie the variable component of remuneration, the ratio between performance and remuneration;
 - considerations justifying any scheme of annual bonuses or non-bank benefits;
 - any additional or anticipated pension schemes;
 - information on the duration of the contract, the negotiated notice period, the amount of damages for unjustified revocation.

3.3.2 The Audit Advisory Committee

The **Audit Advisory Committee** was re-organized by the BD Resolution no. 3 as of 25.02.2019, with the following componcece:





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Chairman - Ianculescu Carmen
Member - Esanu Romeo-Vasile

The Audit Advisory Committee has the role of assisting the BD in the performance of its duties on the internal audit line and an advisory function regarding the Company's strategy and policy on the internal control system, internal audit and statutory audit, as well as controlling the way in which significant risks are managed.

At least one member of the Audit Advisory Committee will have skills in accounting and statutory audit, proven by qualification documents.

Any transaction of the company with any other company with which the former is in a close relationship, of a value equal to or larger than 5% of the company's net assets (as per the last financial statement) will be approved by the Board following a mandatory opinion from the Audit Committee.

The Secretariat of the Audit Advisory Committee is provided by the Internal Audit Department within the Company.

The main tasks and competencies of the Audit Advisory Committee are the following:

- monitors the financial reporting process;
- monitors the effectiveness of internal control systems, internal audit, as appropriate, and risk management within the company;
- monitors the statutory audit of the annual financial statements;
- is responsible for the procedure to select the financial auditor or the audit company and it will recommend to the Board of Directors a financial auditor or audit company(ies) to be appointed pursuant to applicable regulations;
- verifies and monitors the independence of the statutory auditor or audit firm and, in particular, the provision of additional services to the Company;
- informs the members of the Board of Directors on results of statutory audits and on explaining how the statutory audit contributed to the integrity of financial reporting and what was the role of the audit committee in this procedure
- regularly reports to the Board of Directors and submits ad-hoc reports, drafted following analyses conducted by the Committee
- supervises the development of methodological norms for the company's internal audit;





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- analyzes and approves the necessary resources for this activity, as well as the normative documents elaborated by the Internal Audit Department of the Company, before being submitted for approval
- analyzes the effectiveness of the internal control and the risk management system
- analyzes and approves the audit reports prepared by the Internal Audit Department
- monitors the way of accomplishing the objectives established by the approved plan, observing the regulations regarding the organization and carrying out of the internal audit activity, maintaining the authority, the independence and impartiality of the internal auditors, the correctness and credibility of the financial information provided to Company management and external users by the internal structures involved
- monitors the application of the best standards and practices by the internal audit
- supervises the work of internal auditors and statutory auditors
- supervises compliance with the principles of independence and authority of the audit function
- revises and endorses the scope of the audit and the frequency of audit engagements
- analyzes the internal audit and statutory audit reports
- researches in order to verify whether situations have occurred to restrict the capacity of the internal audit function to perform its tasks.
- conducts an annual assessment of the internal control system, which must take into account efficacy and the inclusion of the internal audit position, the adequacy of risk management reports and internal control reports submitted by the Audit Committee, the promptness and efficacy of the executive management in solving deficiencies and weak points identified by internal controls and submit relevant reports to the Board of Directors.
- assesses conflicts of interest related to transactions of the company and of its branches with affiliated parties
- analyses and approves multiannual and annual plans for internal audit and approves the required resources for this activity.

3.4 Executive Management

The Board of Directors delegates the executive management of Mecanica Ceahlau S.A. to the CEO, representing the Company in third-party relations.





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3.4.1 The role and responsibilities of the Chief Executive Officer

Operational management of the company shall be ensured by the CEO, the natural person, within the limits of the mandate granted.

The term of office of the CEO may not exceed four years.

Company CEO may be persons who meet the legal conditions as well as those established by the deliberation of the Board of Directors.

The CEO has the following duties:

- is responsible for taking all measures related to the management of the company within the limits of the object of activity of the company, of the legal provisions, of the decisions of the Board of Directors or of the General Meeting of Shareholders and is responsible for the executive management of the company
- is obliged to respect the exclusive powers of the Board of Directors and the General Meeting of Shareholders
- is obliged to inform the Board of Directors on a regular and comprehensive basis on the operations undertaken and the operations envisaged
- notifies the Board of Directors of all irregularities found in the performance of his/her duties
- is obliged to exercise his/her mandate with loyalty and in the interest of company
- has obligations established by law and the mandate granted by the company
- is required to conclude professional liability insurance
- draws up the annual report, draft income and expenditure budget and activity schedule
- negotiates and concludes for and on behalf of the Company the Collective Labor Agreement in the form approved by the Board of Directors
- develops the company's strategies and policies for development and marketing
- draws up business projects and plans
- elaborates the organization and functioning regulation of the company, the organizational structure and personnel structure of the company
- employs/appoints/dismisses/promote/suspends/fires, according to the law, the company's personnel and establishes its rights and obligations
- negotiate employees individual labor contracts





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- establishes the attributions, competences and responsibilities through the job description, for the positions in the organizational structure under direct subordination
- requests executive directors monthly or whenever needed, activity reports
- concludes contracts for the sale and purchase of goods, according to the law and according to the provisions of the mandate contract and the powers granted by the decision of the Board of Directors
- may empower executive directors or any other employee to exercise any powers within his/her sphere of competence, both in terms of the company's activity and in relation to representation in relation to various authorities, public institutions, natural or legal persons, in court etc.
- has the right to sign and has a bank signature specimen (signature I) and decides on the collection and payment operations of the company, these attributions being delegated, in case of impossibility to exercise the attributions, to other persons within the company
- signs minutes of decommissioning of fixed asset/disposing of inventory/downgrading of material goods, if this competence is delegated by the Board of Directors

The executive directors are subordinated to the CEO, are employees of the company, execute the duties established by the CEO and by the regulation of organization and functioning of Mecanica Ceahlau S.A. and by the job description

Decisions within the management committee are made in the presence of half of its members and by a majority vote.

The Director who disagrees with the adopted measures must notify in writing the Board of Directors and the internal auditor within maximum 30 days from the date when the decision was adopted within the Management Committee.

The Director, if convened, is required to attend the Board of Directors meeting.

3.4.2 Appointment and remuneration of the Chief Executive Officer

The CEO of Mecanica Ceahlau S.A. is appointed by the Board of Directors on the recommendation of the Nomination and Remuneration Committee from BD members or outside BD.

The Board of Directors establishes selection criteria that include at least, but not limited to, relevant experience in the management of public or private companies and the private sector. The selection criteria shall be developed and the selection shall be done in accordance with the principles of free competition,





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non-discrimination, transparency and liability and taking into account the specific field of activity of the company.

The General Meeting of Shareholders approves the CEO's remuneration general limits and the terms of its granting. The CEO's remuneration policy is proposed by the Nomination and Remuneration Committee and includes a fixed and a variable component, the level of which is set by the Board of Directors.

4. TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

4.1. Transparency

Mecanica Ceahlau S.A. ensure that appropriate and regular reporting is maintained on all important events relating to its activity, including financial condition, performance, ownership and management, aiming to achieve an appropriate balance between information of a confidential and public nature.

The Mecanica Ceahlau S.A. company draws up and provides relevant information that reflects objectively and accurately the results of its operations. The assumed communication policy is based on the following principles: ensuring investors equal and immediate access information, compliance with legal reporting deadlines and information transparency. Being a company admitted to trading, in category I,

Mecanica Ceahlau S.A. is consistently subject to reporting and information requirements imposed by capital market institutions, by making financial reporting in accordance with the highest international accounting standards – International Financial Reporting Standards (IFRS).

Also, on the company's official website www.mecanicaceahlau.ro, any investor can easily access information about: company strategy, information and events, news, corporate governance, shareholder rights and reports, information available in both Romanian and English. In addition, regarding the relationship with investors, the Mecanica Ceahlau S.A. has an entity dedicated exclusively to the relationship with investors.

4.2. Financial reporting

Mecanica Ceahlau S.A. prepares financial reports according to IFRS and draws up periodical financial statements that are made available to all those interested both through the BSE and the official website of the company www.mecanicaceahlau.ro.

The annual financial statements are reviewed by the financial auditor appointed by the Ordinary General Meeting of Shareholders in accordance with the legislation in force.





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The Audit Committee supports the members of the Board of Directors by regularly reviewing the effectiveness and integrity of financial reporting, verifies the auditor's independence and fairness by monitoring the rotation of the company's affiliates in the audit firm and addresses recommendations to the Board of Directors on the appointment and replacement of the financial auditor as well as the terms of his/her remuneration.

For an enhanced and permanent informing of the investors, the Mecanica Ceahlau S.A. company draws up at each beginning of the year a financial reporting schedule, which it communicates to the BSE and FSA, schedule that can be accessed and consulted also on the company's website www.mecanicaceahlau.ro.

4.3. Internal control system

The monitoring of the activity of the company is carried out by the internal audit structure, whose main responsibility is the monitoring, coordination and methodological guidance of the implementation and development of its own internal/managerial control system.

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

- monitors the financial reporting process
- monitors the effectiveness of internal control and internal audit systems
- monitors the statutory audit of the annual financial statements
- recommendations to the BD regarding the selection, appointment, re-appointment and replacement of the financial auditor, as well as the terms and conditions of his/her remuneration.

The Audit Committee meets whenever necessary, but at least twice a year to analyze the auditor's report and/or the auditor's opinion on the key issues arising from the financial audit and the process financial reporting and shall recommend the necessary measures.

The Audit Committee shall assess at least once a year the assessment of the effectiveness of the risk management system from the point of view of ensuring that the main risks (including fraud and compliance with legislation and related regulations) are correctly identified, managed and reported in compliance with the audit plan approved by the BD.





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5. RELATIONS WITH THE SHAREHOLDERS

Relations with the shareholders-The Company shall respect and protect the rights and legitimate the interests of its shareholders.

The Company shall make every effort to facilitate the exercise of the rights that shareholders have in dealing with the Company. In complying with the law and the Articles of Incorporation, each shareholder of the company Mecanica Ceahlau S.A. has the following rights:

- to participate in the general meeting of shareholders
- to obtain information about the Company's activity, including the information necessary for exercising the right to vote, as well as on the results of voting in the general meeting of shareholders
- to vote in the general meeting of shareholders
- to obtain the payment of their rightful dividends;
- preferably, upon subscription of newly issued shares
- to be treated equally like the other shareholders
- any other rights provided by law or by the Articles of Incorporation

Shareholders must exercise their rights in good faith and respecting the legitimate rights and interests of the Company and other shareholders.

Relationship with interest holders, in general

In the relationship with interest holders, in general, the Company shall act mainly for:

- respecting the rights and legitimate interests of interest holders;
- applying the principles of consensus and good faith;
- adopting an ethical, professional attitude and mutual respect.

In the Relationship with Employees, the Company shall act mainly for:

- avoiding discriminatory practices in hiring, evaluating, promoting, rewarding and remunerating employees work;
- respecting privacy and personal dignity, without any discrimination;
- adequately paying the work of each employee;
- ensuring organizational conditions, working conditions and health and safety conditions suitable for work;





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- ensuring the continuous development of professional skills and aptitudes;
- encouraging ethical and professional behavior and performance;
- encouraging communication and expression of professional opinions;
- informing and consulting employees, whenever it is intended to take any measures that may be prejudicial to their rights and legitimate interests;
- avoiding interference in the activity of trade union/professional associations formed by employees;
- implementing, maintaining and further developing a health and safety management system.

In **the relationship with business partners**, the Company shall act mainly for:

- gaining reputation as a trustworthy, fair, integrated and competent partner;
- carrying out the activity to the highest standards of professionalism, in order to satisfy the interests and exigencies of the business partners;
- respecting the industrial and intellectual property rights of business partners;
- non-involving in anti-competitive acts or unfair competition;
- using economically and efficiently Company resources
- selecting business partners on the basis of transparent and non-discriminatory criteria;
- implementing, maintaining and further developing a health and safety management system.

In **the relationship with public authorities**, the Company shall act mainly for:

- building the reputation of a good taxpayer;
- non-involving in acts of infraction of regulations or of a criminal nature;
- adopting a fair and cooperative attitude, if it is subject to controls, investigations, inquiries, investigations or any other form of activity check by the competent public authorities.

In **the relationship with the community**, the Company shall act mainly for:

- respecting ethnic, cultural and religious diversity;
- promoting a dialog to identify areas of interest, with priority, to communities in areas where the Company predominantly operates;
- supporting activities related to the areas of interest, as a priority, for the communities in the areas where the Company predominantly operates;
- implementing, maintaining and further developing an environmental management system;
- taking effective measures to protect the environment.





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In the **relationship with the public**, the Company shall mainly act for:

- solving, accordingly, petitions formulated by citizens, according to GO no. 27/2002, regarding the regulation of the activity of solving petitions;
- encouraging the notification of non-conformities in the Company's activity;
- ensuring access to information of public interest, according to the Law no. 544/2001, regarding the free access to the information of public interest.

Relations with the shareholders

In order to adequately inform investors, the executive management shall take all necessary measures to establish and operate, in continuity terms, an investors relations department.

In addition to the information provided by the legal provisions, the Company shall include on its website a section dedicated to investors relations, in Romanian and English, with all information of interest to investors, including:

- The main corporate regulations: the Articles of Incorporation, the Corporate Governance Code, the Internal Regulations of the Board of Directors and the decision by which the Board of Directors delegated the Company's management powers to the Director/Directors;
- Policy on the annual distribution of dividends or other benefits to shareholders;
- Remuneration policy for managers and director/directors of the Company
- Professional CVs of members of the Company's governing bodies
- Current and periodic reports (quarterly, semester and annual), including current reports with detailed information on non-compliance with the provisions to be complied with under the Corporate Governance Code of the Bucharest Stock Exchange;
- Information on the general meetings of shareholders: agenda and information materials; the procedure of electing the members of the Board of Directors; the arguments supporting the nomination of candidates for election to the Board of Directors together with their professional CVs; the shareholders questions regarding the items on the agenda and the replies of the Company, including the decisions deliberated;
- Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of a shareholder's rights, including the deadlines and the principles applied to such operations.





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➤ Such information shall be published within a time frame allowing investors to make investment decisions;

Company presentations (for example, investor presentations, quarterly results etc.), financial statements (quarterly, semester, annual), audit reports and annual reports;

Also, the directors annual report of shall include, as a distinct section, a corporate governance statement.

6. RIGHTS OF THE HOLDERS OF FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY MECANICA CEHLAU S.A.

Company shares are nominative, contain the elements stipulated by the law, are issued in dematerialized form and are registered in the shareholders register, and their records are kept by the Depozitarul Central S.A. Bucharest. All shares are of equal value and confer upon the holders equal rights and obligations, in accordance with the articles of incorporation and legislation applicable.

Shareholders registered on the meeting's reference date have the right to participate in the GSM, can express their views and vote, having access to sufficient information on matters subject to the general meeting debate. Shareholders may participate and vote in the general meeting by representation on the basis of a special power of attorney valid for that general meeting, subject to and in accordance with the procedure prescribed by law. Shareholders can vote by correspondence (using the Correspondence vote form).

The Company ensures fair access of shareholders to relevant information (GMS convocation, financial calendar, current reports, financial statements etc.) by publishing them on the official website www.mecanicaceahlau.ro, thus contributing to transparent and equitable shareholder information. Also, there is a section on the company's website showing the shareholders rights information, respectively the rules for participation in the GMS.

Each shareholder may address written questions to the Board of Directors regarding the company's activity before the date of the general meeting, within the term indicated in the convocation of the general meeting, and shall be answerable to the meeting.

Shareholders rights are:

- the right to be informed
- the right to elect and be elected in the company's management structures
- the right to revoke the members of the Board of Directors





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- the right of the shareholders holding individually or together at least 5% of the share capital to call GSM and to request the introduction of new items on the agenda of a General Meeting of Shareholders
- the right to participate in the distribution of dividends in accordance with the provisions and legal provisions, as well as other rights provided by the law and by the articles of incorporation

7. THE CONFLICT OF INTERESTS AND TRANSACTIONS WITH THE PERSONS INVOLVED

Members of the Board of Directors shall make decisions in the exclusive interest of the company and shall not take part in the debates or decisions that create a conflict between their personal interests and those of the company.

Each member of the Board of Directors shall ensure that a conflict of interests directly or indirectly with the company is avoided, and in the event of such a conflict, he/she shall refrain from debating and voting on the matter in accordance with the legal provisions in force.

The director or the CEO who has interests directly or indirectly in a particular operation contrary to the interests of the company must inform the other directors and the internal auditor about this and shall not take part in any deliberations regarding this operation. The same director or CEO has the same obligation if he/she knows in a certain operation that his/her wife/husband, his/her first degree relatives or his/her relatives up to the fourth degree inclusive are interested. These prohibitions do not apply if the subject of the vote is:

- offering for subscription to a director or to the CEO or to the mentioned persons, company shares or bonds
- granting by the director or by the CEO or the mentioned persons of a loan or the provision of a guarantee in favor of the company

In order to ensure the procedural fairness of the transactions with the involved parties, the members of the Board of Directors resort to the following criteria, but not limited to:

- retaining the BD or GMS competence, as appropriate, to approve the most important transactions;
- asking for a prior opinion on the most important transactions from internal control structures;
- entrusting negotiations on these transactions to one or more independent directors or managers who have no links with the parties involved;
- recourse to independent experts





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Under the sanction of nullity, the directors or the CEO may, in their own name, alienate or acquire goods to or from the company with a value of over 10% of the net assets of the company only after obtaining the approval of the Extraordinary General Meeting, under the conditions provided in Law no. 31/1990 on companies.

8. CORPORATE INFORMATION POLICY

The Board of Directors establishes the corporate information disclosure policy, respecting the applicable legislation and the Company's Articles of Incorporation, this policy must guarantee equal access to information for shareholders, investors and significant shareholders, and must not allow abuse of confidential information or information about 'transactions with oneself'.

The members of the Board of Directors, directors and employees of Mecanica Ceahlau S.A. have the obligation to keep the confidentiality of corporate documents and information and to follow the procedures approved by the Board of Directors regarding the corporate information policy.

Administrators and directors shall maintain the confidentiality of the documents and information received during their term of office and shall comply with the procedure adopted by Mecanica Ceahlau S.A. on the internal circuit and disclosure to third parties of such documents and information.

The Board of Directors has adopted internal circuit procedures and disclosing to third parties the documents and information related to Mecanica Ceahlau S.A., giving special importance to the regime of privileged information that may influence the evolution of the market price of the shares issued by the Company.

The BD ensures that the information disseminated to the public is complete, accurate, in a timely manner, so as to allow for objective investment decisions.

Mecanica Ceahlau S.A. ensures the permanent updating of the section on the official website www.mecanicaceahlau.ro dedicated to investors.

Mecanica Ceahlau S.A. disseminates information on its Corporate Governance Policy, implicitly the degree of compliance with the recommendations of the Corporate Governance Code of the BSE.

9. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Corporate Social Responsibility is an integral part of the strategy of Mecanica Ceahlau S.A. and is focusing on the social and environmental impact of business by acting as an integrated policy in the life of society,





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influencing day-to-day decisions as well as organizational action at all levels. Thus, the Company proposes that every employee of the company has a responsible and appropriate social behavior.

Mecanica Ceahlau S.A., consistent with the principles of sustainable development, uses the tools specific to a modern economy, offered by maintaining and continuously improving the Integrated Quality and Environment Management System.

Mecanica Ceahlau S.A. is certified ISO 9001 and ISO 14001 for quality integrated environment management system. The annual audit of the TUV Thuringen certification body for the environmental management system according to SR EH ISO 14001 is carried out annually, recommending measures to improve environmental management processes. The renewal of this certification in 2014 confirms the constant concern to propose, develop and produce agricultural equipment in Romania at internationally agreed quality standards.

10. MANAGEMENT SYSTEM

In accordance with the Statute, Mecanica Ceahlau S.A. has a unitary management system.

In the situation where Mecanica Ceahlau S.A. shall adopt a dualistic management system, the provisions of this Corporate Governance Regulation shall be properly adapted, in full compliance with the objectives of good corporate governance, transparency of information and investor and market protection.

