

Status of compliance of the new BSE Governance Corporate Code as of December 31st, 2017

Governance Corporate Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
<p>A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.</p>		<p>Partial compliance</p>	<p>The terms of reference / Board's responsibilities and key functions of the company management are also included in the company's Articles of Association. This requirement will be analyzed in the Board meetings in 2018.</p>
<p>A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting nonquorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.</p>		<p>Partial compliance</p>	<p>The Articles of Association do not contain any provisions concerning the management of conflicts of interest. However, the recommendation of the Corporate Governance Code is complied with.</p>
<p>A.3. The Board of Directors should have at least five members.</p>	<p>YES</p>		
<p>A.4. The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each member of the Board should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.</p>		<p>Partial compliance</p>	<p>Most of the Board members are non-executive directors. Currently, there are no independent directors. This requirement will be analyzed at Board level.</p>
<p>A.5. A Board member's other relatively permanent professional</p>	<p>YES</p>		

commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.				
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.	NOT			The requirement will be implemented.
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	Partial compliance			Support - legal department
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	NOT			The company will develop a policy / guidance concerning the Board's evaluation and including the purpose, criteria and frequency of the evaluation process.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.		YES		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.		YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	N/A			The company is included in the Standard Category.
B.1. The Board should set up an audit committee, and at least one member should be an independent nonexecutive. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit	NOT			Formation of the Audit Committee is underway. The organization at KMG International Group level also implies the existence of

committee should be independent.				operational support functions with various responsibilities. The relation between the company and the functions at KMG International Group level is regulated by a service agreement See the explanation at B.1.
B.2. The audit committee should be chaired by an independent nonexecutive member.			NOT	See the explanation at B.1.
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.			NOT	See the explanation at B.1.
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.			NOT	See the explanation at B.1.
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.			NOT	See the explanation at B.1.
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.			NOT	See the explanation at B.1.
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.			NOT	See the explanation at B.1.
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.			NOT	See the explanation at B.1.
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES			
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which			NOT	This requirement will be analyzed by the Board in 2018.

<p>it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee.</p>			
<p>B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.</p>	YES		
<p>B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.</p>		Partial compliance	The internal auditor reports directly to the CEO, Board of directors and specific departments of KMG International Group
<p>C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>		NOT	The requirement will be implemented.
<p>D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p>	YES		
<ul style="list-style-type: none"> • D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; 	YES		
<ul style="list-style-type: none"> • D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; 		Partial Compliance	The recommendation is not implemented as concerns other professional commitments of the Board's members, including executive and non-executive positions in the boards of administration of other companies or non-profit institution. It will be implemented.
<ul style="list-style-type: none"> • D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports); 	YES		

<ul style="list-style-type: none"> • D.1.4. Information related to general meetings of shareholders; 	YES		
<ul style="list-style-type: none"> • D.1.5. Information on corporate events; 	YES		
<ul style="list-style-type: none"> • D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; 	YES		
<ul style="list-style-type: none"> • D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports. 	YES		
D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.		NOT	The requirement will be implemented.
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate website.		NOT	The requirement will be implemented.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES		
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net	YES		

<p>profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.</p>	<p>D.9. A company should organize at least two meetings /conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.</p>	<p>Partial Compliance</p>	<p>The regular reports prepared by the company to disclose its financial items are complete, highly transparent and relevant in terms of information necessary for making investment decisions. The organization of such events will be established depending on the requests from investors.</p>
<p>D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.</p>	<p>YES</p>		

CHAIRMAN OF THE ADMINISTRATION BOARD,

Mr. Yerzhan ORYNBASSAROV



GENERAL MANAGER,

Mr. Timur ZHETPISBAYEV

