

GUIDE FOR LISTED COMPANIES

Transparency and Communication Standards
for a listed company

HOW A LISTED COMPANY COMMUNICATES - IN A PROFESSIONAL MANNER

The successful trading debut of company's shares marks the beginning of a new stage in the company's life. From the first day of trading, each listed company has to develop a new product – its own shares. Like with any other product or service offered by a company, issued shares will need promotion and necessary support in order to remain attractive to its potential clients – the investors. This can be achieved through various means of communication, communication that should become an important part of a daily life of a company. As any other core-business activity, active communication with the market will require allocation of financial and human resources. Department for investor and analyst relations will therefore become a vital and important part of a company, replacing its previous, auxiliary role.

Each listed company has to communicate with the market, promote itself within the investor and analyst community and listen carefully to their wishes. The effects of the communication policy will be directly reflected by both, the market price for the company's shares and the direct and sensitive relationship with the investors.

A company should not assume that simply listing the shares on the stock exchange will automatically attract investors with a high degree of interest and will create liquidity. Minimum standards regarding the communication policy that include reporting and transparency requirements are established by the ASF regulations and by the market operator.

Transparency – reporting for the listed companies

Reporting obligations of a listed company can be divided into two categories: continuous reporting and periodical reporting of information, both categories being of vital importance as they are the building blocks behind the investor's decision whether to invest in particular market participants or not.

The reasons behind the reporting / communication requirements:

- ▶ Ensuring equal access of all the market participants to the information necessary for making investment decisions;
- ▶ Preventing unwarranted changes in the market price behavior of the financial instruments that can arise from providing incomplete or asymmetric information;
- ▶ Maintaining integrity and transparency in order to ensure orderly functioning of the stock market;
- ▶ Preventing market abuse caused by using inside information for the trading of financial instruments.

Communications flow

Each listed company is required to provide continuous flow of information that is a necessary for concluding basic investment decisions by the shareholders and potential investors.

Continuous reporting:

The issuer shall moreover provide on a continuous basis and without any delays information regarding:

- ▶ the company's activities and its achievements or failures;
- ▶ significant changes to the financial situation, performance and/or its business prospects.

It is important to mention that this process will always implicate the assessment of the information that is going to become public based on the applicable reporting requirements. It can be nevertheless difficult at times to determine inside information even despite the fact that the reporting requirements are clearly stated in the regulations (in section definitions and classifications).

Periodical reporting :

In order to accomplish this goal, the issuer shall provide the market and its participants a calendar of financial communications that will include all the major events planned:

- ▶ the publication of annual reports;
- ▶ the publication of half-year and quarterly reports;
- ▶ the dates for annual General Shareholders Meeting;
- ▶ any other meeting with analysts, investors or brokers.

Note: Annual, half-year and quarterly reports are to be submitted according to the respective legal provisions. The annual report must also contain a conformity statement with The Corporate Governance Code of BVB.

Providing information on a periodical basis is regarded as periodical reporting and its ultimate goal is to ensure equitable access to the financial information that is necessary for maintaining an orderly market.

INSIDE OR PRICE-SENSITIVE INFORMATION

What is inside information

Definition of inside information – information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers of the financial instruments, or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or the price of related derivative financial instrument – Art.244 (l) of L297/2004

Therefore, every issuer must inform the public, ASF and the market operator without any delay about any inside information that concerns him directly. Moreover, if an issuer, or a person who acts on its behalf or for the account of the issuer discloses any inside information to a third party during its normal course of business, the company must make that information public, simultaneously in the case of intentional disclosure and promptly in the case of an unintentional disclosure – Art. 226(5) of L297/2004

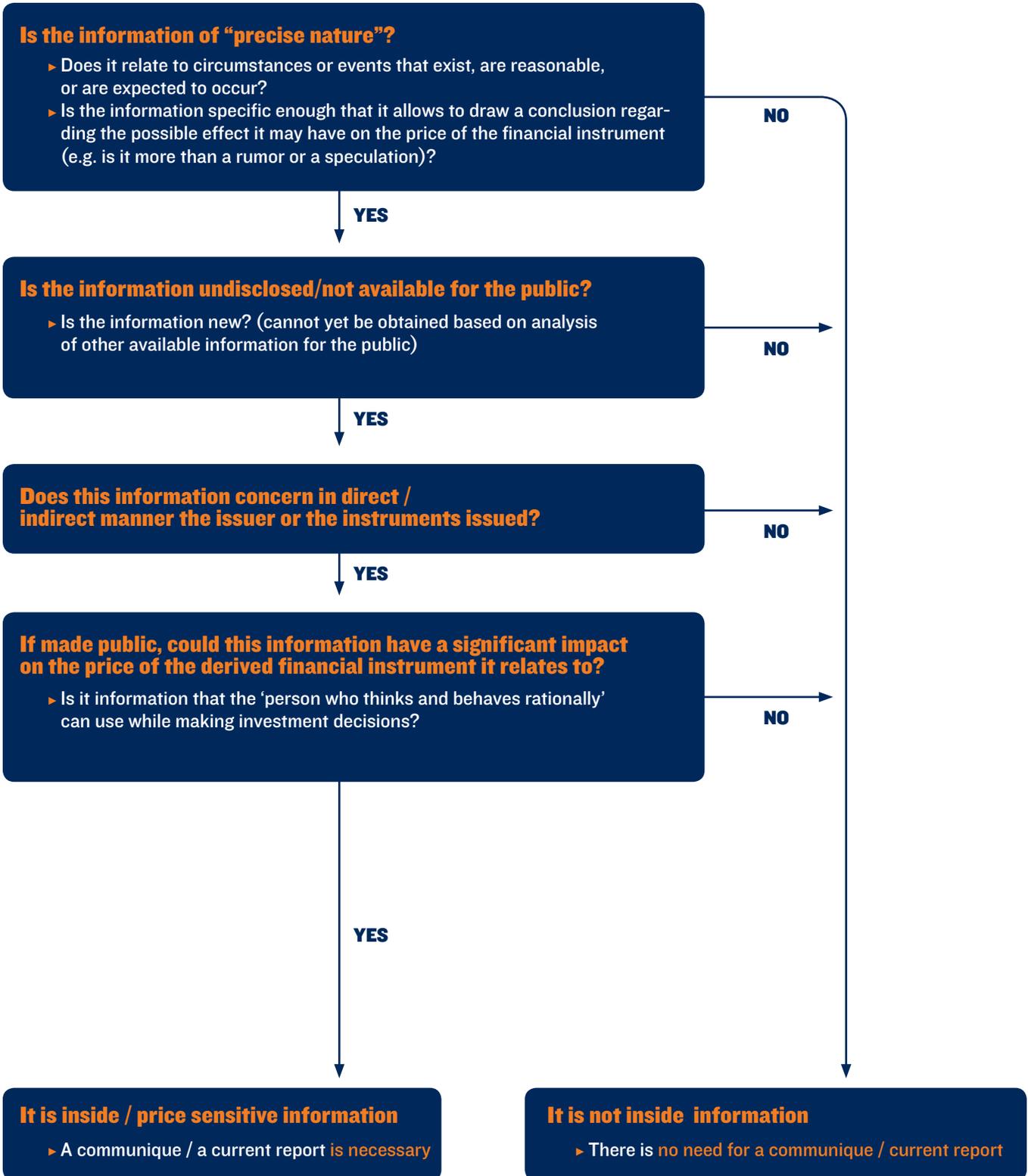
Inside information as defined by ASF regulations:

- ▶ 'precise nature' – information referring to the circumstances that exist or that are reasonably expected to occur or an event that has already occurred or is reasonably expected to occur and based on which, due to their specific nature, it is possible to draw conclusions about the effect of either these circumstances or the event, may have on the price of the financial instruments;
- ▶ 'if made public', it would be likely to have a significant effect on the prices of the financial instruments in question' – information that the investor can use for making investment decisions.

According to European recommendations, the factors to be taken into consideration during the evaluation and classification of inside information are:

- ▶ Precise nature and 'price-sensitive' quality that is evaluated on a case by case basis; the evaluation process is done separately and based on specific information;
- ▶ The subject or the event to which the information refers to is true/credible or it is reasonably to be expected in the future;
- ▶ Information is specific enough to enable a conclusion on the impact on the price of the financial instrument;
- ▶ Information can be considered likely to have a significant impact on the price of the financial instrument even if the disclosure and publication of this information has no effect on the market (changes in volume or the price of the financial instrument traded) – ex-ante evaluation;
- ▶ Information that 'a person who thinks and behaves rationally' can use for making a significant investment decision;

How is inside information identified?



REPORTING OF INSIDE INFORMATION AND COMPLIANCE WITH TRANSPARENCY REQUIREMENTS

Compliance with reporting of price-sensitive information involves both an objective of providing all the relevant information in a timely manner and also ensuring equal treatment of all the investors. According to the regulatory legal framework, through the communication means a listed company should ensure transparency and protection of the market participants.

The issuer must disclose privileged information in a manner that allows quick and complete equal access for all the investors. It moreover has to be accurate and provided in real-time and it may not be providing misleading information.

According to Law 297/2004 and the ASF regulations, the issuer must inform the ASF, market operator and the public, without a delay and within a 24 hours window starting the occurrence of the event or the date on which the information was brought to its knowledge, in case of following events or circumstances:

- ▶ Board's Decision (or other delegated governing bodies), referring to convening the GSM meeting or the Board meeting that has on the agenda delegated GSM prerogatives, according to art.114 from Law 31/1990R;
- ▶ Failure to adopt, as of lack of quorum or lack of majority votes, for a decision of GSM or Board/ Directorate delegated, according to provisions of art. 114, Law 31/1990R;
- ▶ Convening GSM;
- ▶ Decisions of GSM or the Board, taken as delegation of competencies of GSM, according to art.114 of Law 31/1990R;
- ▶ Changes in the control of the company, including changes in company that has control over the reporting issuer;

- ▶ Changes in management - registration to the Trade Registry (ORC) of the management change, or the date on which the change takes place;
- ▶ Communicate the changing of the company's auditor and causes leading to this (recording to ORC or the date on which the change takes place);
- ▶ Closing or reducing contractual relationships that have generated more than 10% of company's revenues in the previous fiscal year;
- ▶ Publishing the Merger/Split Project on „Monitorul Oficial”;
- ▶ Changes in characteristics and/or the rights given by equities, including changes in specifications attached to derivatives written by the issuer that gives rights to its issued shares (recording to ORC or the date on which the change takes place);
- ▶ Litigations involving the issuer;
- ▶ Starting of a procedure of closing, respectively the restarting of the activity, the initiation and conclusion of dissolution, reorganization or bankruptcy;
- ▶ extra sheet operations with significant effects on the financial performance of the issuer;
- ▶ The information contained in quarterly, half-year and annual reports as well as those provided in art.224 para (5), and in art. 259 (supplementary report prepared by the auditor) din L297/2004, which were not made public in accordance with the law, have the legal regime applicable to inside information up to the publication of reports;
- ▶ Changes in the obligations of companies that can significantly affect the activity or financial situation of the company;
- ▶ Substantial acquisitions or alienation of assets. The term „acquisition” refers not only to purchase, but include purchases in the form of leasing or any other method by which to get assets. Similarly, the term „alienation” refers not only to selling, but may include leases, exchanges, etc., and also the disposal, abandonment or destruction of assets; acquisitions or alienation of assets will be considered substantial if these represents 10% of total company assets, either before or after the transaction;
- ▶ Company contracts with a value exceeding 10% of net sales for the last fiscal year, or contracts made outside the current activity of the company;
- ▶ Making a new product or introducing a new service or new development process affecting the company resources;
- ▶ Contracting of new loans and the securities to obtain them.

Since previous classification of inside information is not presented in an exhaustive manner, due to the nature of that information, the BVB Code fills this theme with the following information:

- ▶ detailed information on any event of non-compliance with the Code of Corporate Governance;
- ▶ occurrence of any factor of a financial nature, organizational, legal, environmental and other factors that may significantly affect the operation or activity of an issuer, financial position and profit or loss for the financial year;
- ▶ any change in the objectives or business strategy, investment plans or development goals that could significantly impact the operation or activity of the issuer;

- ▶ any legal action brought against a decision of GSM/Board/Supervision Council, or registered opposition to the Trade Registry;
- ▶ any decision relating to a new issue of financial instruments;
- ▶ any decision to change the members of governing bodies, supervision and control of the issuer;
- ▶ any judicial decision on freezing of accounts of the issuer, to initiate the process of reorganization, liquidation or bankruptcy, or any act of a public authority that would have a major influence on the issuer;
- ▶ any action against the issuer or affiliates, which might influence the price or the decision to invest in the financial instruments of that issuer;
- ▶ any significant change in the structure of staff and every major work conflict;
- ▶ default situations related to financing and other contracts or arrangements that may or may not represent a potential source of conflict;
- ▶ revocation or cancellation of credit lines granted by one or more banks;
- ▶ initiation of insolvency of its major debtors;
- ▶ receiving of bids for important/significant assets;
- ▶ new licenses and/or patents obtained;
- ▶ changes in forecasted profit/loss;
- ▶ synthesis of comments, interviews of members of the governing bodies, supervisory or control of the issuer regarding forecasts and quantitative objectives related to its activity;
- ▶ any other documents or facts that can fill the cases listed above, which may result in price movement or may influence the decision to invest in the financial instruments of the issuer.

Delaying disclosure of privileged information: reasons & circumstances

The issuer may, on his own responsibility, delay public disclosure of the inside information in order not to harm its own interests. Such deferral may not however mislead the public and the issuer should ensure the complete confidentiality of such information.

If the case, the issuer shall inform, without any delay, the ASF regarding its decision to postpone the disclosure of such information. ASF may nevertheless require the issuer to disclose the information in question in order to ensure the transparency and integrity of the market.

The following information can be subject to the request to postpone the disclosure of inside information:

- ▶ ongoing negotiations or any other aspects of such negotiations, when the result thereof could be affected by the disclosure of information to the public. In cases when the financial situation of the issuer is subject to risk and is imminent, but does not relate to the application of insolvency proceedings, the disclosure can be delayed for a limited period of time in situations when such disclosure could seriously affect the interests of existing shareholders or undermine the potential results of the negotiations. Such request can be submitted in order to ensure the long-term financial position of the issuer;
- ▶ decisions taken or contracts concluded by the governing body that require the approval of another body of the issuer in order to become effective; applicable in cases when the organizational structure requires the separation of the two governing bodies. The disclosure of such information can be delayed, provided that receiving this approval could not affect the correct assessment of the information by the public.

According to the ASF regulation, a listed company can ensure the confidentiality of inside information of which the disclosure is intended to be postponed, by undertaking the following actions:

- ▶ taking effective security measures in order to block the access to the information in question to the people who do not hold such access, granted by the issuer;
- ▶ taking all the necessary measures to ensure that the persons who have access to the information in question are aware of the legal obligations and internal rules as well as sanctions applicable in cases of improper use or circulation of such information;
- ▶ having means at place in order to enable immediate public disclosure in case it cannot ensure the confidentiality of privileged information in question.

INSIDERS' TRADING

Starting with the moment of admission to trading of the company's shares, administrative managers and company's executives become 'Insiders'.

According to the applicable legislation, any person who has access to inside information is prohibited from using or disclosing this information with the purpose of acquisition or disposal of shares, from own account or an account of other person, directly or indirectly, of the financial instruments which the information concerns. It is also prohibited to make recommendations based on this information to other persons to acquire or dispose of financial instruments that the information relates to.

Restrictions and obligations applicable to persons that hold managerial functions (such as administrative, management and control bodies) also apply to people that are in close relations or who act in concert. These persons are also considered insiders (or 'initiated persons').

In practice, the persons who have the access to inside information such as administrators or managers are permitted to trade securities of the issuer in case of recommendations for medium to long term investments.

In order to avoid suspicions or allegations about the violation of the rules regarding the use of inside information, which can seriously harm the company's image and the investors' confidence in the securities, the insiders can be allowed to trade within certain time frames. Thanks to this, the insiders as well as other investors can have equal access to the information necessary for making investment decisions. It is a generally accepted practice that the period immediately after the publication of annual and interim reports (half-year, quarterly or projects relating to the preliminary financial results) cannot be used for trading by the insiders, given that they have access to this privileged information.

Note: Periods before publishing the financial results are periods when the insiders are not recommended to trade and in some cases might be even forbidden to trade (referred to as 'closed windows') are set in accordance with the issuer, depending on the type of reporting undertaken. For the annual reports, the period should be at least 21 business days prior to the publication of the document. For interim reports, the period should be at minimum 14 days prior to the publication.

In such situations it is important for the issuer to have own rules of conduct that relate to the insider transactions. A company can voluntarily adopt such rules in order to prevent situations in which the insiders trade using inside information or in situations where there is a suspicion of such actions.

In practice, these rules of conduct can cover a number of restrictions, bans, required notices or accepted practices relating to the trading activity of the insiders, such as:

- ▶ notification/approval of persons designated (the CA president, one of the executive directors etc.);
- ▶ exceptions related to certain types of operations are allowed (subscriptions, direct transfers etc.) in any period;
- ▶ prohibition of any time of transaction involving the acquisition or sale of securities of the issuer in question, in certain periods;
- ▶ accepted practices with time referrals, from the moment of the order execution and the moment in which the respective person came into possession of the inside information.

According to the ASF regulation, the insiders are obliged to disclose to the ASF and to the issuer information relating to all the transactions made in their own account for the shares of the issuer in question or of financial instruments related thereof. This notification shall be made no later than 5 working days following the transaction. The intermediary shall notify the market operator immediately in order to enable it the publishing of the information before the start of the next trading session.

Notification of transactions of the insiders must contain the following information:

- ▶ name/surname of the insider/initiated person and of the intermediary that made the transaction;
- ▶ reason why the insider and the intermediary have the responsibility of making the notification;
- ▶ issuer's name;
- ▶ description of the financial instruments;
- ▶ nature of the transaction (buy/sell);
- ▶ date and place (market identifier) of the transaction;
- ▶ price and volume of the transaction.

RECOMMENDATIONS: company's website - Investor Relations Section (IR)

Menu / Sections	Page	Comments
About us	Presentation of the business	Who are we and what do we do - synthesis
	Strategy	Performance indicators, targets
	History of the company	Evolution in time
	Presentation of services / products	From the investor, not client, perspective
	Key information	The most important business indicators
Corporate Governance	Governing structures	Presentation of the board members, advisory committees structure together with their CVs
	Stake/Ownership of persons in management	Including insider trading information
	Information about senior management	Information about the company's management, other than Board members
	Risk management	Procedures and policies
News & Events	Press releases	Email notifications and RSS
	Current & periodic reports - regulated	From (at least) the previous year. The rest of the reports can be archived
	Financial calendar	Option to set alerts
Results & Meetings	Key financial information	The most recent P&L, Cash-Flow
	Yearly report	In HTML or PDF format
	Presentations	For analyst and investor meetings
Information for the shareholders	GSM	Information required by the regulations
	Significant shareholders	Holding > 5%
	Dividends	Dividend policy, history of payments made
	Market analysis and company's profile	Analyst reports related to the company
Information about the shares	Trading information (graphic representation)	Price, trading volume, including comparison with indexes or other shares in the relevant sector