

**ANNUAL REPORT**  
**of the Nomination and Remuneration Committee**  
**of Antibiotice SA Iasi**  
**2017**

In accordance with the provisions of art.55 paragraph (2) of the Emergency Ordinance no.109/2011 on the Corporate Governance of Public Enterprises, as subsequently amended and supplemented, the Nomination and Remuneration Committee of the Management Board shall prepare an annual report on the remuneration and other benefits granted to managers and the director during the financial year.

The Management Board has established a Nomination and Remuneration Committee by Decision no. 6 of the Management Board Meeting dated April 19, 2016, consisting of 2 non-executive managers, Mrs. Adela Neagoe representing the Ministry of Health and Mrs. Elena Calitoiu representative of SIF Oltenia.

During the exercise of the mandate, the members of the Nomination and Remuneration Committee do not hold any functions or qualities that might be considered incompatible with its mission.

The duties and responsibilities of the Nomination and Remuneration Committee in the Operating Regulations are mainly the following:

- a. formulates proposals for the positions of administrators, draws up and proposes to the council the procedure for the selection of candidates for the positions of director and other managerial positions, recommends to the Management Board candidates for the listed functions, formulates proposals on the remuneration of directors and other management positions,
- b. the assessment, at least once a year, of the independence of the members of the Management Board,
- c. verification of the number of mandates held by the members of the Management Board in other companies
- d. will perform other tasks related to the appointment or revocation of the members of the Management Board, according to its instructions,
- e. will propose to the Management Board the candidates to appoint, reward or revoke them to/from the position of member of the Council. The Committee may reject candidates who do not meet the criteria for holding a Council membership;
- f. will ensure that the candidates for the membership of the Council have the necessary training and expertise to carry out their duties;
- g. draws up an annual report on the remuneration of directors, as well as other benefits granted to them and to the directors of the company, a

report to be submitted by the Management Board to the General Meeting of Shareholders.

### **1. The legal framework for the remuneration criteria and policy for administrators**

Art. 55, par. 2 and 3 of Government Emergency Ordinance no.109/2011 on the corporate governance of public enterprises, with subsequent amendments and completions.

“The Nomination and Remuneration Committee of the Management Board or, as the case may be, of the Board of Supervisors draws up an annual report on the remuneration and other advantages granted to administrators and directors, and to the members of the Board of Supervisors as well as to the members of the Board during the financial year.

(3) The report provided in par. (2) is presented to the General Meeting of Shareholders approving the annual financial statements. The report is made available to shareholders according to art. 39 par. (1) and shall include at least information upon:

- a) the structure of the remuneration, explaining the share of the variable component and the fixed component;
- b) the performance criteria that underlie the variable component of the remuneration, the ratio between performance and remuneration;
- c) the considerations justifying any scheme of annual bonuses or non-bank benefits;
- d) any additional or anticipated pension schemes;
- e) the information upon the duration of the contract, the negotiated notice period, the amount of damages for unjustified revocation”.

#### **a) The structure of remuneration, explaining the share of variable component and the fixed component**

The administrators and the director with a mandate contract (general manager) are entitled to receive a monthly fixed indemnity and a variable indemnity for their work.

The variable indemnity is payable according to the performance indicators and criteria established in the management contracts and the mandate contract.

The monthly fixed indemnity is in accordance with the legal provisions, namely the provisions of art. 37 of Government Emergency Ordinance no.109/2011 upon the corporate governance of public enterprises, with subsequent amendments and completions. The fixed and variable indemnities for the members of the Management Board are approved by the General Meeting of Shareholders.

The general limits on the remuneration of the director with a mandate contract are approved by the General Meeting of Shareholders (as an executive administrator); based upon these general limits, the Management Board sets the amount of the Director's

remuneration (with a mandate contract). The remuneration policy and criteria of administrators and directors are published on the Company's website.

### **The remuneration of the administrators**

In 2017, the fixed remuneration of the members of the Management Board was paid as follows:

- During the period January - May according to the provisions of the OGMA Decision no.7/19.04.2016, the indemnities of the members of the Management Board have been established, which will not exceed the average for the last 12 months of the monthly average gross salary in the branch in which the Company operates, communicated by the National Institute of Statistics prior to the appointment, only in the conditions of the allocation of the amounts related to these types of expenditures in the Revenue and Expenditure Budget approved in accordance with the applicable legal provisions.

According to the Emergency Ordinance no.51/2013, art.37 paragraph (3) “The monthly fixed indemnity of the non-executive members cannot exceed the average for the last 12 months of the monthly average gross earnings from the branch in which the Company operates, communicated by the Institute National Statistics prior to the appointment”.

- During the period June - December, according to the provisions of the OGMA Decision no.2/28.06.2017, the indemnities of the members of the Management Board were established in accordance with Art.37 paragraph (2) of GEO no. 109/2011: “The remuneration of the non-executive members of the Management Board or of the Supervisory Board consists of a monthly fixed indemnity and a variable component. The fixed indemnity cannot exceed twice the average of the last 12 months of the average earnings per month for the grade level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment”.

The total of the fixed component paid in 2017 for the non-executive members of the Management Board (4 members) was ROL 279.946.

The members of the management board, who are part of a consultative committee set up at the council level, benefit from a fixed monthly allowance of ROL 1133 (for all the committees).

The variable indemnity will be paid at the end of each financial exercise within 15 days from the date of approval of the financial statements by the General Meeting of Shareholders, if the Objectives and the Performance Criteria are met.

The variable component paid to non-executive Board m (4 members) is ROL 109.344 (related to the achievement of the Objectives and Performance Criteria for the year 2016).

## **The remuneration of the General Manager (with a mandate contract)**

In accordance with Art.37 paragraph (3) of GEO no. 109/2011: “The remuneration of the executive members of the Management Board or of the Supervisory Board consists of a monthly fixed indemnity that cannot exceed 6 times the average for the last 12 months of the monthly average gross salary for the activity developed according to the main object activity registered by the Company *according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment, and from a variable component. The variable component shall be based upon the financial and non-financial performance indicators, negotiated and approved by the General Meeting of the Shareholders, different from those approved for non-executive administrators, determined in accordance with the methodology provided in art.31 paragraph (5).*

*Par. (4) The variable component of the members of the management board or of the supervisory board shall be reviewed annually, depending upon the level of achievement of the objectives included in the management plan and the degree of fulfillment of the financial and non-financial performance indicators approved by the general assembly of shareholders, the annex to the mandate contract”.*

According to the mandate contract, the Executive Administrator (General Manager) has the remuneration made up of:

- a. the fixed monthly allowance at a value equal to 6 (six) times or the average for the last 12 months of the average gross monthly salary in the branch in which the Company operates, communicated by the National Institute of Statistics;

The level of the fixed annual indemnity of the executive member of the Management Board paid for 2017 was ROL 279.144.

- b. the variable indemnity that is granted annually, subject to the fulfillment of the Annual Performance Objectives and Criteria stipulated in the contract;

The variable indemnity will be paid at the end of each financial year within 15 days of the approval of the financial statements by the General Meeting of Shareholders, subject to the fulfillment of the Objectives and Performance Criteria.

The variable allowance is granted annually, subject to the fulfillment of the Objectives and Performance Criteria. The value paid in 2017 (related to the achievement of the Objectives and Performance Criteria for the year 2016) is ROL 279.144.

**A) The performance criteria that substantiate the variable component of remuneration, the ratio between the performance and remuneration**

**b.1.) The performance criteria that substantiate the variable component of the remuneration, the ratio between the performance and remuneration for the non-executive members**

INDICATORS	Degree of weighting	YEAR 2017		Index	
		Planned	Achieved		
SALES INCOME	0.15	340.188	336.905	0.990	0.15
GROSS PROFIT	0.15	34.945	35.361	1.012	0.15
ARREARS	0.25	0	0	1.000	0.25
TOTAL EXPENDITURE ON 1 000 REVENUES	0.15	899	899	1.000	0.15
<b>Achievement of 3 social responsibility projects/year:</b>	<b>0.10</b>	<b>100%</b>	<b>100%</b>	<b>1.000</b>	<b>0.10</b>
- "School orchard project"		100%	100%		
- "Donate blood! Save a life!"		100%	100%		
- "Be generous! Be Santa Claus!"		100%	100%		
<b>Adapting the company's efficient development strategy</b>	<b>0.10</b>	<b>100%</b>	<b>100%</b>	<b>1.000</b>	<b>0.10</b>
<b>Monitoring of the transparency and communication processes</b>	<b>0.10</b>	<b>100%</b>	<b>100%</b>	<b>1.000</b>	<b>0.10</b>
<b>TOTAL MANAGEMENT BOARD</b>					<b>1.000</b>

b.2.) The performance criteria that substantiate the variable component of the remuneration, the ratio between performance and remuneration for the executive members

INDICATORS	Degree of weighting	YEAR 2017		Index	
		Planned	Achieved		
SALES INCOME	0.15	340.188	336.905	0.990	0.15
GROSS PROFIT	0.15	34.945	35.361	1.012	0.15
ARREARS	0.25	0	0	1.000	0.25
TOTAL EXPENDITURE ON 1 000 REVENUES	0.15	899	899	1.000	0.15
<b>Share of audits without critical observations</b>	<b>0.10</b>	<b>100%</b>	<b>90.9%</b>	<b>0.91</b>	<b>0.09</b>
<b>Achieving a level of customer satisfaction upon the domestic market of at least 80%</b>	<b>0.10</b>	<b>80%</b>	<b>90.9%</b>	<b>1.14</b>	<b>0.11</b>
<b>The average number of hours of constant training per employee</b>	<b>0.10</b>	<b>35</b>	<b>36.26</b>	<b>1.04</b>	<b>0.10</b>
<b>TOTAL GENERAL MANAGER</b>					<b>1.008</b>

B) Considerations that justify any scheme of annual bonuses or non-bank benefits  
- Not applicable;

C) Any additional or anticipated pension schemes - Not applicable

**e) Information on the duration of the contract, the negotiated notice period, the amount of damages and interests for unjustified revocation.**

**A.** Under the contract, the non-executive administrators the mandate may terminate in one of the following situations:

**1.** Dismissal of the Administrator to his/her mandate;

The Administrator may at any time renounce his/her position by submitting the resignation to the General Meeting of Shareholders, subject to a 30-day notice period;

**2.** The expiry of the Administrator's mandate;

The contract will terminate lawfully at the time of the deadline of the Administrator's term if the General Meeting of the Shareholders does not decide to renew the mandate until the expiry date, in which case the Parties may conclude an additional act in this respect. of the term of the Administrator's term if the General Meeting of the Shareholders does not decide to renew the mandate until the expiry date, in which case the Parties may conclude an additional act in this regard.

Any other reasons qualified under the law as causes of termination of the Administrator's mandate.

If the Administrator is revoked or the mandate contract ceases independently of his will, before the expiration of the stipulated term, he or she will be entitled to receive the fixed indemnity due before the date of conclusion of the contract plus the variable indemnity, proportionate to the actual duration under which the contract has produced its effects, with the proper application of the provisions of the contract.

Should the Administrator be revoked without due cause, he will be entitled to damages, which will consist in the payment of all the amounts representing fixed indemnity and variable indemnity that are due until the expiration of the term set by the contract.

**B.** The contract of the Executive Administrator (General Manager) may terminate in one of the following situations:

**1.** The dismissal of the Administrator to his/her mandate;

The General Manager may give up his position if he or she considers that the decision is appropriate, regardless of the reason and even unmotivated, by submitting his or her resignation to the Administration Board, subject to a 30-day notice;

**2.** Expiry of the General manager's mandate;

This contract shall terminate lawfully at the time of the deadline of the General Manager's mandate if the Management Board does not decide to renew the mandate until

the expiration date, in which case the Parties shall conclude an additional act in this regard;

3. By the written agreement of both Parties;

4. Any other qualified reasons, in accordance with the law or the provisions of this contract, as causes of termination of the General Manager's mandate.

If the General Manager is revoked without due cause or the mandate contract ceases independently of his will, before the expiry of the term stipulated in the contract, he or she will have the right to receive the fixed indemnity due in net amount until the date of the conclusion of the contract to which it is added and the net amount of the variable indemnity, calculated proportionally to the actual duration of the contract in which the contract has produced its effects, and the corresponding application of the provisions of the contract as well as an indemnity amounting to 0.2% of the Company's turnover achieved during the last financial year ended.

By contract, the General Manager is held responsible for the non-fulfillment or the inadequate fulfillment of his obligations; he or she is also subject to a series of bans (incompatibility and conflict of interests), loyalty and confidentiality, including for a period of 5 years after the conclusion of the contract.

Upon the termination of the contract, the Company is forced to offer to the Representative, at his or her request a senior position in the Company at a level of attributions, competencies and remuneration similar to those of the executive administrators, for a minimum period of 3 (three) years.

The Nomination and Remuneration Committee,

**Dr. ADELA NEAGOE,**

**Eng. ELENA CALITOIU,**