

ANNUAL REPORT of the COMMITTEE FOR NOMINATION AND REMUNERATION

Pursuant to the provisions of art.55 paragraph (2) of the Emergency Ordinance no.109/ 2011 on 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 remuneration and other benefits granted to directors and administrators during the financial year.

The Management Board has established a Nomination and Remuneration Committee by Decision no. 6 of the Board meeting dated April 19th, 2016, consisting of 2 non-executive directors: Ms Adela Neagoe representing the Ministry of Health and Ms Simona Calitoiu, representative of SIF Oltenia. During the exercise of the mandate, the members of the Nomination and Remuneration Committee shall not hold any titles or qualities that might be considered incompatible with the Committee's mission.

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

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

1. The legal frame regarding policy and remuneration criteria for non-executive administrators

Art. 55, paragraphs 2 and 3 of Government Emergency Ordinance no.109 / 2011 on 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 Supervising Board shall draw up an annual report on remuneration and other advantages granted to administrators and directors, respectively to members of the Supervising Board and to members of the management during the financial year.

(3) The report provided in paragraph (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 on:

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

a) Breakdown of the remuneration, explaining the share of the variable and the fixed component;

Administrators and directors with a mandate contract (general manager) are entitled to receive a fixed monthly allowance and a variable allowance for their work.

The variable allowance 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, respectively the provisions of art. 37 of Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, with subsequent amendments and completions. Fixed and variable indemnity for members of the Management Board is approved by the General Meeting of Shareholders. The general limits on the remuneration of directors on a mandate contract are approved by the General Meeting of Shareholders; based on these general limits, the Board sets the amount of directors' remuneration (with a mandate contract). The remuneration policy and criteria are published on the company's website.

The Administrators' Remuneration

According to provisions of the OGMS no. 7/19.04.2016, the allowances of the members of the Board are established, which will not exceed the average for the last 12 months of the average gross monthly salary communicated by the National Institute of Statistics prior to the appointment, only subject to the inclusion of the amounts related to

these types of expenditure 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 on the last 12 months of the monthly average gross salary applicable to the sector in which the company operates, communicated by the Institute of National Statistics Institute prior to appointment."

The fixed annual allowance of the members of the Management Board currently in office amounts to:

$3.490 \text{ lei / month} \times 4 \times 4 \text{ months} = 55.840 \text{ lei per member, period January-April 2016}$

Whereas in April, the 4-year mandates of 3 members of the Management Board has expired, one of these becoming General Director, the fixed allowance for the new members was calculated according to the average of the indices published in the official releases of the National Institute of Statistics regarding the gross average income in the relevant sector "Manufacture of basic pharmaceutical products and preparations." from December 2014 to November 2015.

$3.877 \text{ lei / month} \times 2 \times 8 \text{ months} = 62.032 \text{ lei fixed allowance of new members of the Board during May-December 2016}$

$3.490 \text{ lei / month} \times 2 \times 8 \text{ months} = 55.840 \text{ lei fixed allowance of members with contracts in force between May-December 2016.}$

The total fixed component for the members of the Board is 173.712 lei. The members of the Board, who are within an advisory committee set up within the Board, benefit from an additional fixed monthly allowance of 1133 RON. Payment is made once a month, regardless of the number of sessions/meetings in that month.

According to the management agreement, the non-executive members of the Board also benefit from the payment of a variable component that is calculated and is actually awarded according to the degree of fulfilling the company's performance objectives and criteria.

Remuneration of Directors (mandate contract) and of the General Director

According to provisions of art.37 of Government Emergency Ordinance no.109 / 2011 on corporate governance of public enterprises, with subsequent amendments and completions, the gross fixed monthly allowance of directors may amount to maximum 6 times the average on the last 12 months of the average monthly gross salary, relative to the company's field of activity, communicated by the National Institute of Statistics prior to the appointment.

The average salary for the sector "Manufacture of basic pharmaceuticals and pharmaceutical products" from February 2015 to January 2016, according to the official quarterly reports of the National Institute of Statistics, is 3.877 lei/month.

The variable allowance is granted annually, based on meeting the performance objectives and criteria.

b) Performance criteria underlying the variable component of remuneration; ratio between the performance obtained and remuneration

| No. | Indicators estimated 12 months 2016 as per Income & Expenditure Budget | Planned | Obtained | Ratio | Rate of success | |
|---------------|--|---------|----------|-------|-----------------|--------------|
| 1 | SALES REVENUE (ths RON) | 339,085 | 332,435 | 25% | 0.980 | 0.245 |
| 2 | PROFIT BRUT (ths RON) | 34,161 | 34,882 | 25% | 1.021 | 0.255 |
| 3 | ARIERATE (ths RON) | 0 | 0 | 25% | 1.000 | 0.250 |
| 4 | TOTAL EXPENSES per 1000 LEI REVENUE | 902 | 899 | 25% | 1.004 | 0.251 |
| *ths=thousand | | | | | | 1.001 |

Non-Executive Administrators will benefit from the following rights, in accordance with relevant legislation and Internal Regulations:

- daily allowance and reimbursement of expenses related to mobility in the company's interest, according to the Internal Regulations;
- medical leave according to the Relevant Legislation, without affecting the Remuneration;
- professional civil liability insurance, according to the Relevant Legislation, subject to the costs borne by the company;
- the logistics necessary for the fulfillment of the obligations stipulated in this Contract;

- c) **Considerations that justify any scheme of annual bonuses or non-bank benefits: N/A**
- d) **Any additional or anticipated pension schemes: N/A;**
- e) **Information on the duration of the contract, the negotiated notification period, the amount of damages for unqualified dismissal.**

The Contract for the Administrators will terminate in one of the following situations:

- a. The Administrator may at any time renounce his/her position by submitting his/her resignation to the General Meeting of Shareholders, subject to a 30-day notice period;
- b. Expiry of the Administrator's term of office; the hereby Contract shall cease when the Administrator's mandate reaches end term, unless the General Meeting of the Shareholders decides to renew it by the expiry date, in which case the Parties may conclude an additional addendum;

- c. Any other qualified reasons, in accordance with the law or provisions of this Agreement, as grounds for termination of the Administrator's mandate.

If the Administrator is revoked or the Mandate Contract ceases independently of his will, before the expiry of the stipulated term (4 years) (s)he will be entitled to receive the fixed allowance due until the termination of the contract plus the variable indemnity/allowance, in proportion to the actual duration in which the Contract has been in effect, with the corresponding application of the provisions of article 7.1, letter b of the Contract "the variable allowance that is granted annually subject to the fulfillment of the Objectives and Performance Criteria provided in Annex A of this agreement".

If the Administrator is dismissed without due cause, he will be entitled to damages, which will consist in the payment of all amounts representing fixed allowance and variable allowance that are due until the expiry of the specified term (4 years term of office).

These amounts will be paid within 5 (five) days since the termination of the Contract under the above conditions, in case of delay penalties of 0.1% being applicable for each day of delay. The Director General's contract will cease in one of the following situations:

- a. the General Director renounces his/her mandate; The Director General may waive his position if he considers that this decision is appropriate, for any reason and even unmotivated, by submitting his resignation to the Management Board of Directors, subject to a 30-day notice;
- b. the expiry of the General Director's term of office; the hereby Contract shall cease *de facto* the moment when the General Director's mandate reaches its end, unless the Management Board decides to renew it by the expiry date, in which case the Parties may conclude an additional addendum;
- c. by written agreement of both Parties;
- d. any other qualified reasons, in accordance with the law or provisions of this Agreement, as grounds for termination of the General Director's mandate.

The Committee for Nomination and Remuneration,

Dr. ADELA NEAGOE,

Eng. ELENA CALITOIU,