

**INTERNAL REGULATIONS  
of the BOARD OF DIRECTORS**

**1. GENERAL PROVISIONS**

- 1.1. The company AEROSTAR S.A. operates in the unitary administration system.
- 1.2. The administration of the company is provided by a Board of Directors consisting of 5-7 natural persons or legal entities, Romanian or foreign, elected by the General Meeting of Shareholders for a period of 4 years, with the possibility of being re-elected. Their number will always be odd.  
The persons elected as Directors must explicitly accept the position by signing an undertaking to conclude an administration agreement with the company.  
In case of vacancy of one or several positions of Director, the Board of Directors proceeds to appoint provisional Directors until the Ordinary Meeting of Shareholders takes place.  
The Ordinary General Meeting of Shareholders shall elect a new Director to fill the vacancy for a period which cannot exceed the period remaining until the expiry of his predecessor's mandate.  
At the first meeting of the newly elected Board of Directors, a President shall be appointed from among the members.
- 1.3. The Board of Directors of the company is organized and operates under the provisions of the Companies Act no. 31/1990, republished with its subsequent modifications and additions, of the Company's Constitutive Deed and the decisions of the General Meeting of Shareholders.
- 1.4. The Board of Directors has attributes and competences regarding the supervision, coordination and administration of the activities of the company in accordance with the Constitutive Deed, applicable laws and the resolutions of the general meeting of shareholders. Subject to the compliance with the restrictions set by the Constitutive Deed and by law, the Board of Directors can execute all the competences which can be executed by the company.
- 1.5. The Board of Directors must ensure being properly informed to perform its duties.
- 1.6. Unless otherwise decided by the Board of Directors or if the regulations in force do not require their disclosure, the Board members shall strictly observe the confidentiality of the proceedings, debates and decisions.
- 1.7. The President of the Board of Directors is also the General Director of the company.  
The President of the Board of Directors coordinates the activity of the Board and reports on this to the General Meeting of Shareholders. The President supervises the proper functioning of the company's bodies .
- 1.8. The Executive Management is provided by the General Director and by the Financial Director.

- 1.9. The Board of Directors can create consultative committees made up of at least two members of the Board of Directors, with the task to perform investigations and make recommendations for the Board of Directors, in areas such as audit, remuneration of the Directors, executive staff and personnel, or nominate candidates for various management positions.  
The Committees must submit to the Board of Directors regular reports on their activity.  
The organization and functioning of the consultative committees shall be in compliance with the applicable legal provisions.

## 2. MEETINGS OF THE BOARD OF DIRECTORS

- 2.1. The Board of Directors meets at the company's headquarters, whenever necessary, but at least once every three months.  
The Board meetings are convened and presided by the President of the Board of Directors or by another member of the Board appointed by him.  
The President of the Board of Directors appoints a secretary who will attend the Board meetings and write-up the minutes of the meetings.  
The decisions made are written in a register book by the appointed secretary.  
The validation of the decisions requires the presence of at least half of the number of the Board members. The decisions are made with the majority of the present members.
- 2.2. The responsibility for the acts of the members of the Board of Directors as to their omissions does not extend on to the members who:
- did not attend the meeting when such decision was made and within one month from becoming aware of it, made their opposition in writing, in the decisions register book of the Board of Directors;
  - participated in the debates, but their opposition was noted in the decisions register book of the Board of Directors;
  - did not take part in the deliberation of the issues for which, directly or indirectly, he, his wife, relatives or in-laws up to the fourth degree, have interests contrary to those of the company and notified the other members of the Board of Directors as to this problem.
- 2.3. The convening for the meetings includes the proposed agenda, place, date and time of the meeting and any other additional documentation considered necessary by the President of the Board of Directors.  
The regular meetings of the Board of Directors can be held at any time without being convened, if all the Directors are present or if those who are not present expressly waive in writing the right to have the meeting convened.
- 2.4. When necessary or at the written request of more than one third of the Directors, special meetings of the Board of Directors can be convened by the President of the Board of Directors, by a written Convening Notice sent to each Director.  
The Convening Notice will comprise the purpose of the meetings and will include the proposed agenda, place, date and time of the meeting and any other additional documentation considered necessary by the President of the Board of Directors, or the Directors requesting the convening.  
The Convening Notice will be sent to each Director, in writing, by fax, electronic mail, other means of communication permitted by law, as applicable, before the date proposed for the meeting, by the secretary of the Board of Directors.  
The special meetings of the Board of Directors can be held at any time without being convened, if all the Directors are present or if those who are not present expressly waive the right to convene the meeting.

- 2.5. The Director who attends the meeting by tele or video call will be considered present in terms of meeting the quorum and voting conditions determined only if within 3 working days from the meeting he sends to the secretary of the Board of Directors, by fax or submits his explicit vote directly for each item on the agenda.
- 2.6. The Management can present at the meeting of the Board of Directors written reports about the operations executed and, as the case may be, the register book of the meetings and deliberations of the Management. The Directions and specialized departments of the company can present o reports/ reviews / informing documents. The documents for the Board meetings are made available to the secretary of the Board of Directors, who prepares and distributes them to the Board members. The secretary of the Board of Directors shall also provide the secretarial activity of the Management.  
The executive directors of the company and other invited guests cat participate in the meetings of the Board of Directors without the right to vote.
- 2.7. At each meeting, a Minutes is made in Romanian, comprising the (names of) present Directors, the agenda, the decisions made, the number of votes received and the separate opinions. The minutes is made by the secretary of the Board of Directors and is signed by the President of the Board of Directors and the Vicepresident of the Board of Directors.
- 2.8. The decisions of the Board of Directors are mandatory for all the Directors of the company, even for those who did not attend the meeting, if they do not oppose, in writing, within one month since the date when they became aware of the adoption of such decisions. To be valid, the oppositions must be noted in the register book of meetings and deliberations of the Board of Directors and, made known, in writing, to the financial auditor.
- 2.9. The Minutes are written in the Register book of the Board of Directors in the chronological order of the Board of Directors' meetings. The register book of the Board of Directors is numbered, sealed and stamped by the legal department, which will certify, on the back of the last page, by the signature of a representative, the number of pages of the Register book. The numbers of the Minutes are allocated in chronological order, on each calendar year. The secretary of the Board of Directors has the responsibility for the correct writing and and updating of the Register book of the Board of Directors.
- 2.10. The Corporate Governance statement must contain a report, prepared by the secretary of the Board of Directors and signed by the President of the Board of Directors, which must include data on the number of meetings of the Board of Directors and of the Committees over the past year, the participation of the Directors (in person and in absentia) and a report of the Board of Directors and of the committees on their activities.

### 3. MANAGEMENT OF THE CONFLICTS OF INTEREST

- 3.1. The Board members must notify the Board of Directors regarding any conflict of interest which arose or may arise, and must abstain from participating in the discussions (including by not attending, unless their absence prevents meeting the quorum) and from voting to make a decision on the matter giving rise to this conflict of interest.
- 3.2. The wording "conflict of interest" means, further to the cases stipulated by the Law 297/2004 (art. 130 par. 3) and Companies Act no 31/1990 (art. 144 ^ 3, 144 ^ 4, 150), also any situation which refers to the patromony or to the personal interests of a member of the Board of Directors or his/ her spouse, relatives and in-laws up to the fourth degree, and who are directly or indirectly related to the scope of activity of AEROSTAR S.A. and/ or its patromony.
- 3.3. Most members of the Board of Directors are non-executive directors. The Corporate Governance Code promoted by the Bucharest Stock Exchange recommends the appointment of an independent Director, closely linked to the set-up of the consultative committees.

- 3.4. Each member of the Board of Directors at the time of the nomination for election and every year thereafter, as well as when there is any change in one's status must file a declaration using the form in Annex. 1, of this Regulation.
- 3.5. The President of the Board of Directors will evaluate on a yearly basis, based on the declarations filed by the members of the Board of Directors, their compliance regarding the Conflict of Interest and will present the key measures and the changes resulting from this evaluation to the Board of Directors.
- 3.6. The declaration referred to in section 3.4. envisages also the compliance with the Code of Conduct and Ethics of AEROSTAR S.A.

#### 4. RISK MANAGEMENT AND INTERNAL CONTROL

- 4.1. The recommendation of the Corporate Governance Code for the Board of Directors is to setting up an auditing committee, where at least one member must be an independent non-executive Director. The majority of the members, including the President, must have proven to have appropriate qualifications relevant for the functions and responsibilities of the committee. At least one member of the auditing committee must have auditing or accounting experience.
- 4.2. The President of the auditing committee must be an independent non-executive member. As part of its responsibilities, the auditing committee must perform an annual evaluation of the internal control system.  
The evaluation must take into consideration the effectiveness and scope of the internal auditing function, the adequacy of the risk management and internal control reports submitted to the auditing committee of the Board of Directors, how prompt and effective is the executive management in the settlement of the deficiencies or weaknesses identified by the internal control and present relevant reports in attention to the Board of Directors.
- 4.3. The company has organized the Internal Audit with personnel who are members of the Chamber of Financial Auditors of Romania.  
In order to ensure the fulfilment of the main functions of the internal audit department, it must report in functional terms to the Board of Directors through the auditing committee. For administrative purposes and as part of the management obligations to monitor and reduce the risks, it must report directly to the General Director.  
The auditing committee must monitor the application of the legal standards and generally accepted internal audit standards. The auditing committee must receive and evaluate the reports of the internal audit team.  
Whenever the Corporate Governance Code of Bucharest Stock Exchange specifies reports or reviews initiated by the auditing committee, they must be followed by (at least annually) or ad hoc reports, which must be afterwards submitted to the Board of Directors.
- 4.4. The annual Internal Audit Plan is approved by the Board of Directors.  
It shall include at least the following:
  - a. evaluation of the conflicts of interest in connection with the transactions of the company and its subsidiaries with the related parties;
  - b. evaluation of the effectiveness of the internal control and risk management system;
  - c. reflecting the fact that no shareholder can be given preferential treatment over other shareholders in connection with the transactions and agreements executed by the company with shareholders and their affiliates.
- 4.5. The Board of Directors must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations, whose value is equal to or larger than 5% of the net assets of the company (according to the latest financial report), is approved by the Board of Directors, after a mandatory opinion was issued by the auditing committee of the Board of Directors and correctly released to the shareholders and potential investors, to

the extent in which such transactions fall within the category of events which are the object of the reporting requirements.

## 5. FAIR REWARD AND MOTIVATION

- 5.1. The remuneration ( allowance) for the current year for the non-executive members of the Board of Directors is decided by the General Meeting of Shareholders.
- 5.2. The additional remuneration for executive members of the Board of Directors is set by the Board of Directors, and can be up to maximum 10 times higher than the remuneration of the non-executive members of the Board of Directors.
- 5.3. The personnel of the company is hired and fired by the General Director according to the labour legislation in force.  
The remuneration of the personnel shall be done according to the labour legislation taking into account the level of professional education/ background, the work actually done, the importance and the responsibility of the work carried out, contribution to making the profit of the company.  
The payment of the salaries, taxes on salaries and social security quota is made according to the law in force.  
The rights and obligations of the company employees are set forth in the Collective Labour Agreement, individual employment contracts and the company's internal regulations.
- 5.4. The members of the Board of Directors are responsible for civil, criminal or administrative offences, individually or jointly, as appropriate, towards the company, for the damages brought from law infringements or deviation, for the deviations from the Constitutive Deed or errors in the administration of the company; in such cases, they can be revoked by the decision of the General Meeting of Shareholders.  
The members of the Board of Directors will conclude a professional liability insurance.

Approved in the Board of Directors meeting of 12.02.2016

President of the Board of Directors,

Eng.

Grigore FILIP

**DECLARATION  
regarding the Conflict of Interest**

The undersigned \_\_\_\_\_, with residence in \_\_\_\_\_ identified with BI/CI (identity card) serial number \_\_\_\_\_ and having CNP (personal index) \_\_\_\_\_, member of/candidate for the Board of Directors of SC AEROSTAR SA Bacau, I hereby declare on my own responsibility:

1. I am/ am not independent member of the Board of Directors as:
  - a. I am/ am not the General Director/ Executive Director of the company or of a company controlled by it and I have not held such a position during the last five (5) years;
  - b. I am/ am not an employee of the company or of a company controlled by it and I have not held such a position during the last five (5) years;
  - c. I receive/ do not receive and I received/ did not receive an additional remuneration or other benefits from the company or a company controlled by it, apart of those corresponding to the position of non-executive director;
  - d. I am/ am not or I was/ was not employed or I have/ do not have or I had/ did not have in the previous year a contractual relation with a significant shareholder of the company, a shareholder who controls more than 10% of the voting rights, or with a company controlled by such shareholder;
  - e. I have/ do not have and I had/ did not have in the previous year a business or professional relation with the company or a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board of Directors/ administrator, General Director/ executive director or employee of a company if, by its substantial nature, such relation can my objectivity;
  - f. I am/ am not and I was/ was not, in the last three years, the internal or external auditor, partner or associate employee of the current external financial auditor or internal auditor of the company or a company controlled by it;
  - g. I am/ am not the General Director/ Executive Director of another company where another General Director / Executive Director of the company is non-executive Director (administrator);
  - h. I was/ was not non-executive director of the company on a period longer than twelve years;
  - i. I have/ do not have family ties with a person in the situations provided in paragraphs a. and d.
2. I have other arguments and relatively permanent professional obligations, including non-executive and executive positions in the Boards of Directors of some companies and non-profit institutions, as follows:

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3. I have the following relations with the shareholders who directly or indirectly hold shares representing more than 5% of the voting rights:

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4. Any other situations which could be considered conflicts of interest in the meaning of the law and/ or regulations of the Financial Supervisory Authority (ASF)/ Bucharest Stock Exchange (BSE):

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5. I have read the provisions of the Code of Conduct and Ethics of AEROSTAR S.A. and I undertake to comply with them exactly.

Signature,

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Date: \_\_\_\_\_