

BUCHAREST STOCK EXCHANGE - COMMUNICATION WITH STAKEHOLDERS

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BUSINESS STRATEGY

1. How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?

Sustainability is a very important aspect of BVB's current strategy. We are currently putting a big focus on promoting the Romanian capital market but most importantly, educating the Romanian stakeholders. Local engagement in the capital markets is still relatively low, with a growing prospect, thus it requires our particular input into the financial education projects. With regard to the investment community, we have a number of educational initiatives that target investors, current and potential, of different ages. Some examples of our initiatives are: educational competition [BVB Invest Quest](#), optional educational modules, seminars as well as production of educational materials (videos, guides etc).

With regard to educating and engaging issuers, BVB has recently developed a new Corporate Governance Code that will enter into force in the first half of 2015. BVB has worked on this project together with the European Bank for Reconstruction and Development (EBRD) as a joint project of improving the local corporate governance climate. Under this project, the Corporate Governance Code, in force since 2008 was completely re-designed. In developing the new Code, it was taken into consideration the international standards in this field, the changes of incident legal frameworks in Romania and EU, the experience gained following the implementation of the first Code, and also the new aspirations of the society, in general, and of the parties directly covered by responsibilities and management of business.

Moreover, BVB supports the development of entrepreneurship in Romania by supporting Small and Medium Sized enterprises in adjusting to values such as transparency and, as already mentioned, corporate governance. We achieve that through 'AeRO' – BVB's equities market segment that targets SMEs as well as start-ups. AeRO market, even though it offers less reporting obligations to the issuers, at the same time provides sufficient transparency for the investors in order to motivate them to trade. We achieve that by imposing, in a restrained form, a Corporate Governance Code for AeRO listed companies. We consider this as a supporting tool for the AeRO issuers on the side of post-listing transparency and reporting requirements, but, most of it, as a great tool to increase their investability.

All in all, sustainability is a significant matter for the Bucharest Stock Exchange and it aims to remain as such in the years to come. Together with the entry into force of the new Corporate Governance Code that will be applicable to all the BVB-listed companies, we hope to introduce a

new standard of transparency and accountability in Romania that will bring a more sustainable environment for all.

2. How does your exchange's senior leadership and organizational structure support the promotion of corporate sustainability in its market(s)?

BVB does not have a sustainability team/committee at the moment, nevertheless there is a dedicated staff that takes care of sustainability-related initiatives, including the participation to the UN SSE initiative. At the moment, all sustainability-related decisions are up to the CEO. There are no mandates or incentives for the management in charge of sustainability.

3. What goals/objectives does your exchange have in regards to advancing sustainability in your market?

Currently BVB envisages the following goals in terms of sustainability for the incoming period:

- Further intensify our educational efforts towards both – individual investors as well as entrepreneurs;
- To have the Corporate Governance Code enter into force and be applicable to all the listed companies. The text of the Code is already ready;
- To roll-out a corporate governance index or a ranking;
- To engage in a number of actions and projects carried by UN SSE initiative.

We are planning to enhance our dedication to creating a sustainable and transparent environment for all the stakeholders as well as to participate in global forums and cross-country projects in order to discuss best practices and to learn from the fellow partner exchanges as well as the other key stakeholders.

The biggest challenges we envisage at the moment for our stock exchange is a still relatively low interest of Romanian retail investors. Sustainability is not yet a deciding factor for them when making investment or even purchasing decisions and we expect it to take some time, and education, to convince them that sustainability should be a significant factor behind decision-making process.

TRANSPARENCY AND ISSUER REPORTING

4. Describe your exchange's approach to promoting sustainability disclosure by companies.

Also as part of BVB efforts to improve the corporate governance climate, starting January 2015, for companies included in BET Index there will come into force eligibility criteria regarding transparency and IR oriented services. The criteria refers to the following requirements: reporting in English, IFRS reporting, disclosure through BVB website and/or other platform designated by BVB, call conferences/analyst and investor direct meetings when quarterly results are released.

Once the new and adjusted Corporate Governance Code is in power, we expect higher transparency and issuer reporting standards to be imposed on all our listed-companies. The new code will not only address the rather classical topics that are usually covered by the codes of corporate governance but we will expect the listed companies to publish, inter alia, their dividend policies, in order to inform the investors on the guidelines they follow when deciding on the dividend policy.

5. What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during this process?

BVB imposes minimum listing requirements for both the Regulated Market as well as for AeRO, BVB's market for equities that targets SMEs and start-ups. We welcome stakeholders comments during the process.

6. How do you track sustainability reporting of your listed companies?

At the moment, we do not track sustainability reporting of our listed companies. We therefore do not measure the number of listed companies that are issuing sustainability-related data points or reporting. Nevertheless, the objective of Corporate Governance Code that is set to enter into force later this year, is to enhance key corporate governance practices of listed companies and their disclosure, by improving the recommendations of the Code, and to strengthen its monitoring and implementation.

7. What incentives (i.e., public recognition/awards) and sanctions do you have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?

One of the incentives that we have in place since January 2015 is that companies that are included in the BET Index, have to fulfill a number of eligibility criteria regarding transparency and IR oriented services. The criteria refers to the following requirements: reporting in English, IFRS reporting, disclosure through BVB website and/or other platform designated by BVB, call conferences/analyst and investor direct meetings when quarterly results are released. We believe that this is a good incentive for companies that are either already included in the BET Index or are aspiring to be.

8. What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?

The new Corporate Governance Code has been developed in line with both Romanian and international standards.

ISSUER CAPACITY BUILDING

9. If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.

At the moment, BVB does not offer sustainability guidance for companies. Nevertheless, we are planning to develop such programme in the near future, once the Corporate Governance Code enters into force later in 2015.

10. Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?

Neither BVB nor the regulator (ASF) provide such guidance.

COLLABORATION AND ENGAGEMENT

11. Who does your exchange view as its key stakeholders and how does it engage and collaborate (or plan to do so) with these and potentially other stakeholders?

We very much value the involvement of all our stakeholders. As an example, development of the new Corporate Governance Code was a joint project of BVB and the European Bank for Reconstruction and Development (EBRD). We have worked very closely with EBRD and its team of consultants on redesigning the code.

We moreover view as important stakeholders, inter alia, the Romanian Pension Funds' Association (APARP), which is a professional, non-governmental, non-political, independent and non-profit organization that works to protect interests and foster promotion, cooperation and collaboration in the field of private pensions in Romania. Moreover, we also view the Central Bank of Romania as an important actor, particularly their involvement in the development of the new Corporate Governance Code, given their expertise in this field as well as the fact that a number of banks is listed on the Bucharest Stock Exchange.

Last but not least, the Romanian Financial Supervisory Authority (ASF) is a definitely a stakeholder to BVB. ASF sets the operational principles of the capital markets in Romania, as well as the rules applied to the market and system operators, listed companies and investment funds. We are constantly engaged with ASF and value their input.

We plan to continue our dialogue and engagement with the stakeholders as well as we are happy to welcome input from other organizations as well.

SUSTAINABLE PRODUCTS

12. How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc)?

At the current moment, we do not offer such products in Romania.

EXCHANGE NEEDS

13. Are there specific resources (meetings, commissioned research, webinars etc.) that you would like from the SSE or other relevant groups to help you in your sustainability work?

Given the fact that the market, in terms of sustainability, has still a long development path ahead, we are looking forward to exchanging views with fellow exchanges as well as the UN SSE experts. We would also be interested in cooperating in the future with regard to BVB developing its sustainability/corporate responsibility index or ranking as well as our educational initiatives.

14. Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?

As we have shown on the example of the Corporate Governance Code creation and consultation, we count on all the stakeholders to be involved in our sustainability-related initiatives in order to create a market with international standards in place.