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## **NOMINATION AND REMUNERATION COMMITTEE**

### **2013 Annual Report**

#### **of the Nomination and Remuneration Committee**

#### **of S.N.G.N. „ROMGAZ” – S.A. Medias**

The Nomination and Remuneration Committee of S.N.G.N. „ROMGAZ” – S.A. Medias is a permanent advisory committee, directly subordinated to the Board of Directors of S.N.G.N. „ROMGAZ” – S.A. Medias and currently comprises the following members:

- Mr. Constantin Adrian VOLINTIRU
- Mrs. Aurora NEGRUT
- Mrs. Eufemia MUSAT

This report is drafted in accordance with the provisions of Article 55(2) of the Government Emergency Ordinance No. 109/2011 on public companies corporate governance, as amended (**OUG 109/2011**) providing as follows: *“The Nomination and Remuneration Committee of the Board of Directors, or of the Supervisory Board, as the case may be, elaborates an annual report on the remunerations and other benefits granted during the financial year to directors and executive directors, or to the supervisory board members and directorate members, respectively. The report mentioned in Par. (2) is presented to the General Meeting of Shareholders which approves the annual financial statements. The report is available to the shareholders according to Article 40, par. (1) and includes at least the following information:*

- a) *Remuneration structure, explaining the weight of variable component and fixed component;*
- b) *Performance criteria which substantiate the remuneration variable component, the report between the achieved performance and remuneration;*
- c) *Reasons that justify any annual bonus schemes or non-cash benefits;*
- d) *Possible supplementary or early pension schemes;*
- e) *Information regarding the duration of the contract, the negotiated period of notice, the quantum of damage - interest for unjust dismissal;*

**1) The remuneration structure granted to non-executive directors in 2013:**

- The total remuneration granted to non-executive directors in 2013 was 533,003 lei (gross value) where:
  - a) *The remuneration structure granted to non-executive directors until their appointment in accordance with OUG 109/2011, respectively until May 2013:*
    - The total remuneration granted to non-executive directors in 2013 until their appointment in accordance with OUG 109/2011 was 23,048 lei, where:
      1. The remuneration granted to non-executive directors in 2013 until their appointment in accordance with OUG 109/2011 was 2,096 lei;
      2. The amount granted to the committee members of the Board of Directors of "ROMGAZ" was 20,952 lei.
  - b) *The remuneration structure, in gross value, granted to non-executive directors after their appointment in accordance with OUG 109/2011 beginning with May 2013:*
    - The total remuneration granted to non-executive directors in 2013 was 509,955 lei, where :
      1. The fixed component granted to non-executive directors in 2013 was 162,427 lei;
      2. The variable component granted to non-executive directors in 2013 was 347,528 lei.
      3. The weight of the variable component granted to non-executive directors towards the fixed component was 214%.

The two components were established by the governing authority, as it is defined by the provisions of OUG 109/2011, taking into account its provisions, where Article 37 specifies the following:

„Article 37. -

- (1) *The remuneration of the Board of Directors members or, as the case may be, the supervisory board members, is established by the General Meeting of shareholders within the structure and the limits provided in paragraph (3) and (4).*
- (2) *The remuneration of the Board of Directors members or, as the case may be, the supervisory board members, is formed of a monthly fixed allowance and a variable component which consists in a participation to the company's net profit, a pension scheme or another remuneration form based on performance indicators.*
- (3) *The monthly fixed allowance of the non-executive directors may not exceed the average for the last 12 months of the average monthly gross earnings in the company's activity field, communicated by the National Institute of Statistics previously to the appointment*  
.....
- (5) *The variable component level is established in accordance with the highly motivated recommendations, formulated on a comparative study basis regarding the remuneration conditions for similar positions in other companies, in the same field of activity, having as major or sole shareholder the Romanian state, and from other European countries, by the Nomination Committee or, as the case may be, by human resources recruiting experts*

*whose services have been contracted to carry out the procedure of selection of the Board of Directors/supervisory board members.*

.....”

correlated with Resolution no. 5/2013 of the General Meeting of Shareholders which approved:

*„Approves, by majority of votes, the monthly net remuneration of the Board of Directors members of Societatea Nationala de Gaze Naturale „ROMGAZ” S.A. in amount of 20% of the monthly gross remuneration of the director general.*

*The variable remuneration is established in accordance with the administration plan elaborated according with Article 30 of Government Emergency Ordinance no. 109/2011 regarding the corporative governance of public enterprises in conjunction with specific duties, the number of meetings, the objectives and the performance criteria established”.*

Another aspect which should be mentioned is the fact that subject to the provisions of Article 61, paragraph (9) of the Government Emergency Ordinance no. 109/2011 which specifies:

*„(9) The public governing authority, through its representatives in the general meeting, might propose candidates for the position of member of the Board of Directors. These proposals are made on the basis of a prior selection carried out by an independent expert, whose services are contracted by the public governing authority in accordance with the law. In this case, the public governing authority shall bear the costs of the selection procedure. The provisions of paragraph (5) – (8) apply properly.”.*

the contract with the human resources recruiting experts, respectively S.C. QUEST ADVISORS S.R.L and S.C. TRANSEARCH INTERNATIONAL S.R.L. was performed by the Ministry of Economy through the Office of State Ownership and Privatisation in Industry.

## **2) Statement of the director general remuneration for 2013:**

- The total remuneration granted to the director general was, in gross value, **391,524 lei**, where:

1. The total fixed component was **274,740 lei**;
2. The total variable component was **116,784 lei**;
3. The total weight of the variable component in the fixed component was **42.5%**.

### **a) The remuneration structure granted to the director general until his appointment in accordance with OUG 109/2011 until June 2013:**

- The total remuneration granted to the director general was **104,373 lei**, where:
  1. The total fixed component was **72,373 lei**;
  2. The total variable component **32,000 lei**;
  3. The weight of the variable component in the fixed component was **44.22%**.

### **b) The remuneration structure granted to the director general after his appointment in accordance with OUG 109/2011 starting with June 2013:**

- The remuneration granted to the director general was **287,151 lei**, where:
  1. The fixed component was **202,367 lei**;
  2. The variable component was **84,784 lei**;

3. The weight of the variable component in the fixed component was **41.90%**.

The two components were established by the governing authority, as it is defined by the provisions of Article 37, paragraph (40) and Article 38, paragraph (1) and (2) of OUG 109/2011 which specify:

*„Article 37 (4) The monthly fixed allowance of the non-executive directors may not exceed 6 times the average for the last 12 months of the average monthly gross earnings in the company's activity field, communicated by the National Institute of Statistics previously to the appointment.”*

*Article 38 (1) The remuneration of the directors is established by the Board of Directors and may not exceed the level of the remuneration established for the executive members of the Board of Directors. It is the unique form of remuneration for the directors who are pursuing their position as members of the Board of Directors, as well.*

*(2) The remuneration is composed of a monthly fixed allowance established within the limits provided in Article 37, paragraph (4) and of a variable component which consists in a share of participation to the company's net profit, a pension scheme or another remuneration form based on performance indicators.”;*

*corroborated with Resolution no. 14/2013 of the General Meeting of Shareholders, which specifies:*

*„Item 1. Establishes the general limits of the remuneration of the director general of S.N.G.N.*

*„ROMGAZ” — S.A., executive director of the Board of Directors, as follows:*

*- for the monthly gross fixed allowance between 4 and 6 times the average for the last 12 months of the average monthly gross earnings in the company's activity field, communicated by the National Institute of Statistics previously to the appointment;*

*- for the monthly between 0.75 and 2 monthly gross fixed allowances, granted in accordance with the provisions of the Contract of Mandate of the director general. The establishment of the remuneration due to the executive directors appointed in accordance with Article 143 of Law no. 31/1990, in correlation with the degree of achievement of the performance criteria and objectives is the responsibility of the Board of Directors.”*

**3) Information regarding the duration of contracts, the negotiated period of notice, the quantum of damage – interest for unjust dismissal**

**a. Duration of contracts:**

**• Director's Contracts:**

According to Article 6 of the Contract, the Director's Contract is concluded for a 4 (four) year period, starting with May 10, 2013 until May 10, 2017, and it may be renewed by General Meeting of Shareholders Resolution, only in terms of proper compliance of the attributions/obligations provided by this Director's Contract

**• Contract of Mandate:**

According to Article 6 of the Contract, the Contract of Mandate concluded for a 4 year period, starting with June 12, 2013 until June 13, 2017 and it can be renewed, by means of an addendum, by General Meeting of Shareholders Resolution, in terms of proper compliance of the attributions/obligations provided by this Contract of Mandate

**b. *Negotiated period of notice:***

There is no period of notice established for Director's Contract but for the Contract of Mandate the notice period is 30 days.

**c. *Damage – interests Quantum***

• ***Director's Contracts:***

According to Article 37 of the Director's Contract, in case the Director is dismissed unexpectedly and unduly, the Director has the right to receive from the Company a compensation for a non-performed term of the Director's Contract, regardless of the dismissal date, but not more than 12 monthly fixed allowances, determined as follows:

- a) If the Director is dismissed at any time before the beginning of the last mandate year, the Director will receive a compensation representing 12 monthly fixed allowances;
- b) If the Director is dismissed in his last contract year, the compensation will be paid consistent with the number of months left until the end of the mandate, but not greater than 6 monthly fixed allowances.

• ***Contract of Mandate:***

According to Article 38 of the Contract of Mandate, in case the Director General is dismissed for non-attributable reasons, the Director General has the right to receive from the Company a compensation for a non-performed term of the Contract of Mandate, regardless of the dismissal date, as follows:

- a) If the Director General is dismissed during the first year of mandate, the Director General will receive a compensation representing 12 monthly fixed allowances;
- b) If the Director General is dismissed before the ending of the second year of mandate, the Director general will receive a compensation representing 6 monthly fixed allowances and the equivalent of half of the variable allowance received during the year of mandate;
- c) If the Director General is dismissed during the third year of mandate, the Director General will receive 6 monthly fixed allowances and the equivalent of half of the first variable subcomponent of the second year of mandate.
- d) If the Director General is dismissed during the last year of mandate, the Director General will receive a compensation corresponding to the number of months remaining until the end of the mandate.

1) EVALUATION OF PERFORMANCE INDICATORS AND CRITERIA FOR 2013

Crt. No.	Description	Type of indicator	M.U.	Weighting factor	Performance criteria	Annual target value *)	Achieved in 2013	Rate of fulfilment %	Share in the rate of fulfilment
0	1	2	3	4	5	6	7	8=7/6 sau 6/7	9=8*4
1	EBITDA	maximizing	thou. RON	0.25	4.5%	1 875 132.8	2 283 995.5	121.8	30.45
2	Revenue	maximizing		0.20	+6%	4 108 683.1	3 894 267.3	94.8	18.96
3	Labour productivity (W)	maximizing	thou. RON revenue/person	0.10	+6%	711.8	618.4	86.9	8.69
4	Operating expenses for RON 1000 operating revenues **)	minimizing	RON	0.10	-0.6%	739.4	607.1	121.8	12.18
5	Geological resource volume (Gas in Place)	maximizing	million cm	0.10	+1%	1 640.2	2 060.0	125.6	12.56
6	Gas production decline	minimizing	%	0.15	1.5%	5 578.3	5 650.8	101.3	15.20
7	Overdue payments	-	Thou. RON	0.10	0	0.0	.0	110.0	11.00
<b>TOTAL - Rate of fulfilment of performance criteria and objectives</b>									<b>109.04</b>

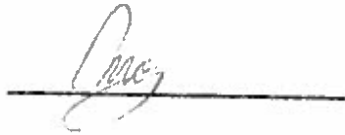
**\*) target values calculated as arithmetic mean of the last three years (2010,2011,2012) weighted by the performance criteria from column 5**

**\*\*) are calculated as target/achieved value**

**This Report was signed in two original copies.**

**The members of the Nomination and Remuneration Committee authorize Mrs Aurora Negrut to sign this report:**

**Aurora Negrut**

A handwritten signature in cursive script, appearing to read 'Aurora Negrut', is written over a solid horizontal line.