

No. 12212/April 4, 2019

**Request for Approval  
of the  
Proposal to Approve the Variable Component of the SNGN ROMGAZ SA Board  
members' Remuneration**

***Appointment of Board Members***

Following the implementation of selection procedures as regulated by *GEO no. 109/2011 regarding the corporate governance of public enterprises*, according to Resolution no. 8/July 6, 2018, further to exercising the cumulative vote, the company's shareholders appointed the following persons as Board members for a 4-year term: Nistoran Dorin Liviu, Volintiru Adrian Constantin, Ungur Ramona, Grigorescu Remus, Ciobanu Romeo Cristian, Jude Aristotel Marius, Jansen Petrus Antonius Maria;

***Drafting and Approval of the Governance Plan (GP)***

The governance plan is a working instrument of the Board members and of the managers materialised as a document prepared with the scope of establishing the roadmap of a public enterprise during their mandate term. The Governance Plan has two components: governance component, drafted by the Board members, and management component, drafted by the managers.

The Board of Directors drafted a proposal for the governance component of the Governance Plan, according to EGO no. 109/2011, art. 30, par. (1).

The company's managers prepared and presented to the Board a proposal for the management component of the Governance Plan with the scope of achieving financial and non-financial performance indicators.

The Board of Directors approved the Governance Plan for 2018-2022, in its entirety, and negotiated with public supervising authority the financial and non- financial performance indicators.

***Establishing the remuneration of Board Members***

According to art. 153<sup>18</sup> of the Company Law no. 31/1990, as subsequently amended and supplemented, the remuneration of Board members is established by the General Meeting of Shareholders.

The remuneration of Board members comprises a fixed monthly indemnity and a variable component, according to art. 37 and 38 of GEO no. 109/2011.

The *fixed indemnity* for the non-executive Board members cannot exceed two times the average for the past 12 months of the monthly gross average wage for the activity performed in accordance with the company's scope of activity at wage class level according to the national classification of economic activities communicated by the National Institute for Statistics prior to the appointment. For the executive Board members the fixed indemnity cannot exceed six times the average previously indicated.

The fixed indemnity for the Board members was established by the General Meeting of Shareholders Resolution no. 8 of July 6<sup>th</sup>, 2018.

The *variable component* is established based on financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders. The variable component total of the non-executive members cannot exceed maximum 12 monthly fixed indemnities.

In November 2018, at Romgaz request, Transearch International SRL drafted a "*Comparative Study for the Establishment of the Variable Component of the Remuneration for the Non-Executive Members of the Board, CEO and CFO of SNGN Romgaz S.A.*" with the scope of providing to the decision factors a solid basis for "*the substantiation of the remuneration offered to SNGN Romgaz S.A. Board members, CEO and CFO so that it is equitable and in line with their positions, competencies and responsibilities*".

The study showed that the annual average values of the total remunerations' annual average values given by the companies included in the study are:

- ✂ For the non-executive members of the Board: **EUR 90 thousand**;
- ✂ For the CEO: **EUR 1,172.2 thousand**; and
- ✂ For the CFO: **EUR 669.7 thousand**.

The recommendations issued by the specialised consultant Transearch International SRL are the following:

- "*the maximum gross annual variable remuneration for **non-executive Romgaz Board members** is to be determined as difference between EUR 90 thousand and the fixed gross annual remuneration set by the General Meeting of Shareholders in compliance with the legal applicable provisions*";
- "*the maximum gross annual variable remuneration for Romgaz **CEO** is to be determined as difference between EUR 1,172.2 thousand and the fixed gross annual remuneration set by the General Meeting of Shareholders in compliance with the legal applicable provisions*"; and
- "*the maximum gross annual variable remuneration for Romgaz **CFO** is to be determined as difference between EUR 669.7 thousand and the fixed gross annual remuneration set by the General Meeting of Shareholders in compliance with the legal applicable provisions*".

### **Calculation Method of the Variable Component of Remuneration**

$$CV_n = CV \times GTI_n$$

where:

- $CV_n$  - variable component of remuneration for year "n", RON;
- $CV$  - variable component of remuneration provided in the Addendum to the Contract of Mandate, RON;
- $GTI_n$  - total fulfilment degree of the key performance indicators in year "n".

$$GTI_n = \sum_{i=1}^{16} (I_{i_n} \times p_i)$$

where:

- $I_{i_n}$  - fulfilment degree of key performance indicator “i” in year “n”;
- $p_i$  - weighting coefficient related to the key performance indicator “i”.

Also, in case:

- $GTI \geq 100\%$ , the variable component of remuneration is fully granted;
- $50\% \leq GTI < 100\%$ , the variable component of remuneration is granted pro rata;
- $GTI < 50\%$ , Board members and managers may be revoked.

**In accordance with the provisions of Company Law no. 31/1990 Article 153<sup>18</sup> corroborated with the company’s Articles of Incorporation Article 12, par. (4), letter d) and EGO no. 109/2011 Article 37 and taking into account the results of the comparative study performed by Transearch International SRL and its recommendations, we submit for analysis and approval the annual variable component of the Board members’ remuneration in amount of 12 fixed monthly indemnities.**

**Chairman of the Board of Directors,  
Nistoran Dorin Liviu**

