

ROMGAZ

Societatea Națională de Gaze Naturale Romgaz S.A. - Mediaș - România



NOMINATION AND REMUNERATION COMMITTEE

2019 ANNUAL REPORT on the Remuneration and other Benefits granted to the Members of the Board and Managers of S.N.G.N. Romgaz S.A.

I. Preamble

This report is drafted in accordance with the provisions of Article 55, paragraph (2) and (3) of Government Emergency Ordinance No. 109/2011 on public companies corporate governance, as subsequently supplemented and amended (Law no. 111/2016) according to which:

- “(2) *The Nomination and Remuneration Committee of the Board of Directors, [...] elaborates an annual report on the remunerations and other benefits granted to members of the Board and managers during the financial year.*
- “(3) *The report specified in paragraph (2) is submitted to the General Meeting of Shareholders for approval of the annual financial statements. The report is available to the shareholders in accordance with Article 39, paragraph (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 ratio 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 damages for unjust dismissal.*

II. Legal and internal regulations on remuneration and other benefits granted to members of the Board and managers

The legal and internal regulation taken into account for determining the rules on remuneration of members of the Board and managers of the Company are the following:

Capital social: 385.422.400 lei
CIF: RO 14056826
Nr. Ord.reg.com/an : J32/392/2001
RO08 RNCB 0231 0195 2533 0001 - BCR Mediaș
RO12 BRDE 3305 V024 6190 3300 - BRD Mediaș



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1) Articles of Incorporation of the Company

- Article 12, paragraph (4), item d) provides as main power of the General Meeting of Shareholders „*the election and dismissal of the Board of Directors' members, and establishing their remuneration*”.

2) Company Law 31/1990, as subsequently supplemented and amended

- Article 111, paragraph (2), item c) provides that GMS has to „*establish the remuneration of the Board of Directors' members for the current period [...], if not established by the Articles of Incorporation*”;
- Article 142, paragraph (2), item c) includes among the key powers of the Board of Directors that cannot be delegated to managers “*the appointment and dismissal of managers and establishment of managers remuneration*”;
- Article 153¹⁸, paragraph (1), provides that :”*The remuneration of the Board of Directors' members is established either by Articles of Incorporation or by resolution of the General Meeting of Shareholders*”;
- Article 153¹⁸, paragraph (4) provides that: “(4) *The General Meeting of Shareholders, the Board of Directors, respectively [...], and, if the case may be, the Remuneration Committee, shall ensure, when establishing the remuneration and other benefits, that these are in accordance with the specific duties of the respective persons and with the economic status of the company*”.

3) Government Emergency Ordinance No. 109/2011 on public companies corporate governance, as subsequently supplemented and amended, approved by Law 111/2016

- Article 37, paragraph (1) provides that: “*The remuneration of Board of Directors' members [...] is established by the General Meeting of Shareholders in terms of structure and within limits specified in paragraph (2) and (4.)*”;
- Article 37, paragraph (2) provides that: “*The remuneration of non-executive members of the Board of Directors [...] consists of a monthly fixed remuneration and a variable component. The fixed monthly remuneration shall not exceed twice the average of the monthly gross average salary over the last 12 month for work carried out in accordance with the company's main business, at the level of class of activity, in accordance with the classification of activities of the national economy, as communicated by the National Institute of Statistics, prior to nomination.*

The variable component is established based on financial and non- financial performance indicators negotiated and approved by the General Meeting of Shareholders, which are not similar to the performance indicators approved for executive members, determined in compliance with the methodology provided in Article 3¹, paragraph (5), and which are also aiming for a long term sustainability of the company, and compliance with the principle of good governance.

The variable component for non-executive members cannot exceed a maximum of 12-monthly fixed remuneration”;

- Article 37, paragraph (3) provides as follows: *“The remuneration of the executive members of the Board of Directors [...] consists of a monthly fixed remuneration that shall not exceed six times the average of the monthly gross average salary over the last 12 months for the work carried out in accordance with the company’s main business, at the level of class of activity, in accordance with the classification of activities of the national economy, as communicated by the National Institute of Statistics, prior to nomination and a variable component.*

The variable component is established based on financial and non- financial performance indicators negotiated and approved by the General Meeting of Shareholders, which are not similar to the performance indicators approved for non-executive members, determined in compliance with the methodology provided in Article 3¹, paragraph (5).

- Article 37, paragraph (4) – provides that *“the variable component of the remuneration of the Board of Directors’ members [...] is annually revised in accordance with the level of achievement of the objectives provided in the governance plan and the level of fulfilment of the financial and non-financial performance indicators approved by the General Meeting of Shareholders, attached to the Contract of Mandate”.*
- Article 37 paragraph (5) provides as follows: *“The General Meeting of Shareholders shall ensure, when establishing the fixed monthly remuneration for each member of the Board [...] as established pursuant to paragraph (2) and (4), that these are in accordance with the specific duties, the responsibilities within the advisory committees, the number of meetings, objectives and performance criteria provided in the contract of mandate.*
- Article 38, paragraph (1) – provides as follows *“the remuneration of the members of the Board is set by the Board of Directors and cannot exceed the level of remuneration set for the executive members of the Board of Directors. It represents the sole remuneration form for the managers serving also as members of the Board. “*
- Article 38, paragraph (2) - provides as follows *“the remuneration consists of a monthly fixed remuneration set within the limits provided in Article 37, paragraph (3) and a variable component representing a participation share to the company’s net profit, granting of shares, stock -options or an equivalent scheme, a pension scheme or another form of remuneration based on performance indicators”;*
- Article 38, paragraph (2) - provides as follows *“The approved financial and non-financial performance indicators represent elements for determining the variable component of remuneration for the company’s directors”;*
- Article 39, paragraph (1) provides as follows: *“Remuneration and other benefits granted in accordance with the law and the contract of mandate to directors and managers in one tier system [...] shall be recorded in the annual financial statements and in the annual report of the nomination and remuneration committee, and Board*

of Directors [...] and will include the remuneration and other benefits granted by the company and its subsidiaries”;

- Article 39, paragraph (3) provides as follows: *“The remuneration policy and criteria for the members of the Board and managers, in a one tier system [...] as well as the level of remuneration and other benefits granted to each member of the Board and managers, are made available to the public on the company’s web page, by the chairman of the Board of Directors [...]”.*

4) GMS and Board of Directors’ Resolutions

- GMS Resolutions appointing the members of the Board of Directors holding that position during 2019, and approving the form of the director’ agreement (during 2019):
 - Resolution no. 8 of July 6, 2018, following the cumulative vote, appointing the following persons as member of the Board for a four years mandate: Mr. Nistoran Dorin Liviu; Mr. Volintiru Constantin Adrian; Mrs. Ungur Ramona; Mr. Grigorescu Remus; Mr. Ciobanu Romeo Cristian; Mr. Jude Aristotel Marius; Mr. Petrus Antonius Maria Jansen and approving the form and content of the Director Agreement;
 - Resolution no. 6 of June 26, 2019, following the cumulative vote, appointing the following persons as member of the Board for a four month mandate: Mrs. Stan-Olteanu Manuela-Petronela; Mr. Havrilet Nicolae; Mr. Ciobanu Romeo-Cristian; Mr. Parpală Caius-Mihai; Mr. Hărăbor Tudorel; Mr. Cîmpeanu Nicolae; Mr. Jansen Petrus Antonius Maria and approving the form and content of the contract of mandate.
Mr. Ciobanu Romeo-Cristian and Mr. Jansen Petrus Antonius Maria were reconfirmed as board members, continuing their four years mandate according to OGMS Resolution no.8 of July 6, 2018;
 - Resolution no. 8 of October 28, 2019 approving the extension of mandates for the interim board members for a period of two months from their expiry date;
 - Resolution no.11 of December 23, 2019 electing following persons as interim members of the Board of Directors for a four month mandate: Mr. Jude Aristotel Marius; Mrs. Stan-Olteanu Manuela-Petronela; Mr Hărăbor Tudorel; Mr. Marin Marius-Dumitru; Mr. Botond Balazs, approving the form of the contract of mandate;
- GMS Resolution no.14 of August 26, 2013 setting the general limits for the remuneration of the Chief Executive Officer;
- Board of Directors Resolutions concerning the company’s managers- the Chief Executive Officer and the Chief Financial Officer;

- Resolution no. 45 of October 1, 2018 appointing Mr. Volintiru Constantin Adrian as Chief Executive Officer for a mandate of four years;
- Resolution no. 48 of October 9, 2018 approving the contract of mandate for the Chief Executive Officer;
- Resolution no. 30 of November 2, 2017 appointing Mr. Bobar Andrei for the position of Chief Financial Officer ;
- Resolution no. 39 of August 28, 2018 appointing Mr. Andrei Bobar for the position of Chief Financial Officer for a limited period, starting on August 28, 2018 until November 02, 2021 and approving the contract of mandate to be concluded with the Chief Financial Officer.
- Resolution no. 39 of November 04, 2019 establishing the vacancy of the position for Chief Financial Officer and approving the appointment of Mr. Veza Marius Leonte for the position of interim Economic Director until December 28, 2019, in accordance with the Law and recommendation of NRC.

III. Composition of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors to fulfil its responsibilities as regards the composition and structure of the Board, the selection and remuneration of the members of the Board and managers.

↳ *The current composition of the Nomination and Remuneration Committee as of December 31, 2019 is as follows:*

Item	Surname and name	Position
1	Balazs Botond	chairman
2	Hărăbor Tudorel	member
4	Stan- Olteanu Manuela- Petronela	Member

↳ *Composition of the Committee as of December 31, 2018 was as follows:*

Item	Surname and name	Position
1	Grigorescu Remus	chairman
2	Nistoran Dorin-Liviu	member
3	Ungur Ramona	member
4	Ciobanu Romeo Cristian	Member

During 2019, the composition of the Nomination and Remuneration Committee underwent changes mainly due to changes within the Board of Directors, namely:

- July 3, 2019: By Resolution no. 28, the Board of Directors approved the composition of the Nomination and Remuneration Committee as follows: Mrs. Stan- Olteanu Manuela- Petronela - chairperson, Mr. Hărăbor Tudorel- member, Mr. Parpală Caius-Mihai- member;
- December 27, 2019: By Resolution no. 47, the Board of Directors approved the composition of the Nomination and Remuneration Committee: Mr. Balazs Botond- chairman, Mr. Hărăbor Tudorel- member, Mrs. Stan- Olteanu Manuela- Petronela- member.

IV. *Remuneration structure and its quantum, the share of each component of remuneration related to members of the Board and managers*

During 2019:

- the Board members received, for the activity developed by them, a monthly fixed remuneration in accordance with the director's agreements in force for each member;
- the CEO received a monthly fixed remuneration for his activity;
- the CFO received a monthly fixed remuneration for his activity;
- the Interim CFO received a monthly fixed remuneration for his activity;
- the fixed remuneration for the members of the Board of Directors as well as the general limits for the CEO's remuneration were approved by the GSM;
- the remuneration for managers was approved by the Board of Directors;
- the variable remuneration was not granted to the Board members, but it will be established by Addenda after the approval of financial and non-financial performance indicators by the GSM;
- the Board members benefited from the professional liability insurance in the amount approved by the Board of Directors until December 17, 2019 inclusive;
- the managers benefited from a Directors & Officer Liability type of professional liability insurance, at the expense of the company, in compliance with the provisions of the Company Law No. 31/1990 republished, as subsequently amended and supplemented, until December 17, 2019 inclusive.

4.1. The structure of remuneration granted to non-executive members of the Board of the Directors

The total net remuneration related to all non-executive Board members of the company for 2019 was in amount of **RON 836,852**.

4.1.1. The monthly fixed remuneration was established in accordance with the above-mentioned legal provisions and as provided in the director's agreements approved by the appropriate GSM Resolutions.

The fixed net remuneration granted to all non-executive Board members of the Company for 2019 and related exclusively to 2019 was in amount of **RON 836,852**.

4.1.2. The variable remuneration. By the date of this Report no variable remuneration was granted for 2019.

4.1.3 The net fixed remuneration related to each member of the Board is detailed in the table below:

Item	Name and surname	Fixed remuneration	Variable Remuneration			Other benefits under the agreement
			Related to 2018 paid in 2019	Related to 2019 paid in 2020	Related to 2019 paid in 2020	
1	Nistoran Dorin Liviu	63,237	-	-	-	-
2	Volintiru Constantin Adrian	0	-	-	-	-
3	Ungur Ramona	63,237	-	-	-	-
4	Grigorescu Remus	63,237	-	-	-	-
5	Ciobanu Romeo Cristian	128,732	-	-	-	-
6	Jude Aristotel Marius	65,529	-	-	-	-
7	Jansen Petrus Antonius Maria	128,732	-	-	-	-
8	Havrilet Niculae	57,770	-	-	-	-
9	Stan-Olteanu Manuela-Petronela	66,595	-	-	-	-
10	Balazs Botond	2,291	-	-	-	-
11	Harabor Tudorel	66,595	-	-	-	-
12	Cimpean Nicolae	64,303	-	-	-	-
13	Marin Marius-Dumitru	2,291	-	-	-	-
14	Parpala Caius Mihai	64,303	-	-	-	-

4.1.4. The general performance objectives completed by the specific criteria and based on which the variable remuneration was granted to the Board members will be submitted for the GMS approval.

4.2. The structure of the remuneration granted to the executive directors

When serving as a member of the Board of Directors, the CEO concluded both a director's agreement for the position of Board member and a contract of mandate for the position of CEO. The CEO was entitled to receive the remuneration pursuant to the contract of mandate.

4.3. The structure of the remuneration granted to the managers of the Company

The remuneration of the Company's managers was established by the Board of Directors in the contracts of mandate concluded with each person.

The total fixed net remuneration for the Company's managers for 2019 was in amount of **RON 713,780**.

No **variable remuneration** was granted for 2019.

4.3.1. Remuneration granted to the CEO

The monthly fixed remuneration was granted in accordance with the above-mentioned legal provisions and the Contract of mandate.

The net fixed remuneration was in amount of **RON 391,463**.

No **variable remuneration** was granted for 2019.

No **other benefits** were granted for 2019.

4.3.2. The CFO Remuneration

The monthly fixed remuneration was granted in accordance with the above-mentioned legal provisions and the Contract of mandate.

The net fixed remuneration was in amount of **RON 280,381**.

No **variable remuneration** was granted for 2019.

Other benefits entitled to for 2019 under the contract: rent (net RON 20,882), utilities (net RON 10,996), holiday allowance (net RON 23,169).

4.3.3. Remuneration granted to the interim CFO

The monthly fixed remuneration was granted in accordance with the above-mentioned legal provisions and the Contract of mandate.

The net fixed remuneration was in amount of **RON 41,936**.

No **variable remuneration** was granted for 2019.

No **other benefits** were granted for 2019.

v. Information regarding the directors' agreements and the contracts of mandate

5.1. Director's Agreement

The Directors' Agreements were concluded for a four (4) years' period and the Contracts of mandate for interim directors were concluded for periods shorter than 4 years.

The status of the directors' agreements for the Board members who served on the Board during 2019 is described below:

Item	Name and Surname	Effective Date of Agreement	Termination date of agreement	Appointment/reconfirmation document	Agreement termination before expiry
1	Nistoran Dorin-Liviu	07.07.2018	07.07.2022	OGMS 8/ 2018	26.06.2019
2	Volintiru Constantin Adrian	07.07.2018	07.07.2022	OGMS 8/ 2018	26.06.2019
4	Ungur Ramona	07.07.2018	07.07.2022	OGMS 8/ 2018	26.06.2019
5	Grigorescu Remus	07.07.2018	07.07.2022	OGMS 8/ 2018	26.06.2019
6	Jude Aristotel Marius	07.07.2018	07.07.2022	OGMS 8/ 2018	26.06.2019
7	Ciobanu Romeo-Cristian	07.07.2018	07.07.2022	OGMS 8/ 2018 and 6/2019	-
8	Jansen PetrusAntonius Maria	07.07.2018	07.07.2022	OGMS 8/ 2018 and 6/2019	-
9	Stan Olteanu Manuela Petronela	27.06.2019	27.12.2019	OGMS 6/ 2019	23.12.2019
10	Stan Olteanu Manuela Petronela	24.12.2019	24.04.2020	OGMS 11/ 2019	-
11	Havrileț Niculae	27.06.2019	23.12.2020	OGMS 6/ 2019	06.12.2020
12	Balazs Botond	24.12.2019	24.04.2020	OGMS 11/ 2019	-
13	Hărăbor Tudorel	27.06.2019	27.12.2019	OGMS 6/ 2019	23.12.2019
14	Hărăbor Tudorel	24.12.2019	24.04.2020	OGMS 11/ 2019	-
15	Cimpeanu Nicolae	27.10.2019	27.12.2019	OGMS 6/ 2019	23.12.2019
16	Jude Aristotel Marius	24.12.2019	24.04.2020	OGMS 11/ 2019	-
17	Marin Marius Dumitru	24.12.2019	24.04.2020	OGMS 11/ 2019	-
18	Parpală Caius Mihai	27.06.2019	27.12.2019	OGMS 6/ 2019	23.12.2019

The Director's agreements include clauses on:

- Compensation for unjust dismissal;
- A 30 days' notice in case a Board member resigns.

During 2019 no Board member was revoked due to non-fulfilment of obligations under the agreement;

5.2. Contracts of Mandate

The Contracts of Mandate for the Company's Managers are concluded for a 4 (four) years' period. In accordance with the law, the duration of the interim managers' mandate is of 4 months, and may be extended, on reasonable grounds, up to 6 months.

By Resolution No. 45 of October 1, 2018, the Board of Directors appointed Mr. Volintiru Constantin Adrian as CEO, thus becoming an executive director for a period of 4 years.

The Contract of mandate concluded by the CEO with the Board of Directors does not include the performance indicators and criteria. These will be established subsequently by the Board of Directors through an Addendum pursuant to the legislation.

By Resolution No. 30 of November 2, 2017, the Board of Directors appointed Mr. Bobar Andrei as CFO for a period of four months. The mandate has extended automatically for a period of four months until the appointment of a Board of Directors selected under GEO 109/2011 establishing the remaining period of the mandate.

By Resolution No. 39 of August 28, 2018, the Board of Directors appointed Mr. Bobar Andrei as CFO under GEO 109/2011, for a determined period, as of August 28, 2018, until October 2, 2021.

The Contract of Mandate of the CFO did not include the performance indicators and criteria.

By notice no. 28593 of August 22, 2019, Mr. Bobar Andrei resigned from the Contract of Mandate, with a 30 days notice, in accordance with the contract's provisions. The notice of resignation ended on September 21, 2019.

By Resolution no. 39 of November 04, 2019, the Board of Directors established the vacancy of the position for Chief Financial Officer and approved the appointment of Mr. Veza Marius Leonte for the position of interim Economic Director until December 28, 2019.

The Contract of Mandate of the interim CFO included the performance indicators and criteria.

CHAIRMAN

of the Nomination and Remuneration Committee,

Balazs Botond

A handwritten signature in blue ink, appearing to be 'Balazs Botond', written over a horizontal line.