

**To**

The Ordinary General Meeting of Shareholders SNGN ROMGAZ SA

25602/August 6, 2021

**Report on the appointment of Ernst & Young Assurance Services SRL as auditor of SNGN ROMGAZ SA and the approval of the duration of financial audit service contract**

S.N.G.N. Romgaz S.A. („Romgaz”/”the Company”) has the obligation to audit the annual individual and consolidated financial statements, in accordance with the Ministry of Public Finances Order No. 2844/2016 for approving Accounting Regulations in accordance with International Financial Reporting Standards:

**„ARTICLE 7**

*(1) The annual individual financial statements prepared by entities according to IFRS accounting regulations are scope of the statutory audit, according to the Law.*

*(2) Also, the annual consolidated financial statements in accordance with IFRS prepared by entities as parent company are scope of the statutory audit, according to the Law.*

**Chapter 6****Section 6.1.**

*34. (1) The annual financial statements of the entities are audited by one or more statutory auditors or audit firms.*

*(2) Also, the statutory auditor (auditors) or the audit firm (firms):*

*a) express an opinion concerning:*

*i) the consistency of the directors’ report with the annual financial statements for the same financial year; and*

*ii) the preparation of the directors’ report in compliance with the applicable legal requirements;*

*b) declare if, based on the knowledge and understanding acquired during the audit regarding the entity and its environment, has/have identified material misleading information described in the directors’ report, indicating the nature of these misleading information:*

*35. (1) Provisions of item 34 paragraph (1) are also applicable to annual consolidated financial statements.*

*(2) Provisions of item 34 paragraph (2) are also applicable to the annual consolidated financial statements and the consolidated directors’ report as well.”*

Furthermore, besides auditing the annual financial statements, the financial auditor has other obligations as well, in accordance with the legislation applicable to the Company:

- a) In accordance with Regulation No. 5/May 10, 2018 of the Financial Supervisory Authority regarding the issuers of financial instruments and market operations:

*„ARTICLE 144*

*Issuers whose securities are admitted to trading on a regulated market prepare, publish and transmit to Financial Supervisory Authority and market operator the following reports:*

*C. Reports through which it submits for publishing the additional reports provided at Article 94 paragraph (1) letter b) of Law 24/2017.*

*(1) Shareholders representing at least 5% of the total voting rights in GMS of an issuer may require the preparation of additional reports by the financial auditors, in accordance with the provisions of Article 94, paragraph (1) letter b) of Law no 24/2017, regarding the operations that are part of the reporting framework defined by the international accounting standards or the reporting field regarding the periodic or continuous information provided by the Law no. 24/2017 and this Regulation.”*

- b) According to Law 24/2017 on issuers of financial instruments and market operations:

*„ARTICLE 92<sup>3</sup>*

*(5) In case significant transactions have been concluded, at the end of each semester, the financial auditor/audit firm analyses the transactions reported during the respective semester according to paragraph (1) and shall draw up, within a maximum of 30 days of the end of the reporting period, a report assessing whether the transaction is correct and justified from the point of view of the issuer and non-affiliated shareholders, including minority shareholders and explains the assumptions on which they are based and the methods used.”*

- c) According to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding the statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, article 11:

*„(1) Statutory auditors or audit firms carrying out statutory audits of public-interest entities shall submit an additional report to the audit committee of the audited entity not later than the date of submission of the audit report.”*

- d) As a company listed on BVB, Romgaz must comply with the provisions of the Transparency Directive 2004/109/EC of the European Parliament and Committee on the harmonisation of the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (1) as supplemented by the Commission delegated Regulation (EU) 2018/815 as regards the regulatory technical standards on mentioning a single electronic reporting format (“ESEF”). Therefore, the annual financial report shall be prepared using the XHTML format and the consolidated financial statements shall be tagged with XBRL language, in accordance with the legal requirements. The financial auditor shall express an assurance conclusion in connection with ESEF.

Additional to the legal requirements:

- the Company requests the financial auditor to review the interim consolidated financial statements of Romgaz Group for the three-month and six-month periods ending on June 30, 2021 and June 30, 2022 and June 2023.
- Romgaz concluded a number of association/joint operating agreements with various partners, holding a share of the participating interests of the rights and obligations deriving from those agreements. The association/joint operating agreements include the "AUDIT" clause enabling the Non Operator partners to audit the joint accounting for each association;
- if Romgaz needs additional reports issued by the financial auditor on various cases, other than those prohibited by Regulation 537, Article 5, the auditor shall provide these services on the basis of an addendum to the agreement;
- Romgaz requests the company's management to issue a letter containing the shortcomings of the internal control system found during the audit of the financial statements and the risks attached to it.

Therefore, based on the provisions of Law No. 99/2016 on sectorial procurements, the Company organised together with S.N.G.N. ROMGAZ S.A. - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. („Depogaz”) the sectorial procurement procedure by open bid for financial audit services for 2021-2023 and also for the audit of joint accounting of the associations for 2020-2023, in line with the approvals received from the Audit Committees and the Board of Directors of both companies. Depogaz identified its own auditing obligations.

The award criteria for the audit contract was the best price-quality ratio. The price taken into account was the total price for the services that are going to be provided for Romgaz and Depogaz.

Two audit firms sent their offers during the procurement procedure, the most advantageous one being received from Ernst & Young Assurance Services SRL.

The evaluation committee awarded the contract to Ernst & Young Assurance Services SRL further to the procurement procedure for financial audit services.

The results of the procurement procedure were presented to the Audit Committee that recommended Romgaz Board of Directors the appointment of Ernst & Young Assurance Services SRL as Romgaz financial auditor for 2021-2023.

Romgaz Board of Directors endorsed the appointment of Ernst & Young Assurance Services SRL as Romgaz financial auditor, further to the Audit Committee's proposal.

According to Law No. 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other laws:

*“Article 62*

*Appointment of financial auditors or of audit firms*

- (1) The financial auditor or the audit firm is appointed by the general meeting of shareholders or by the audited entity's partners. The statutory audit is performed under the statutory audit*

*contract concluded in writing, after the appointment date of the financial auditor or audit firm by the general meeting of shareholders or by the audited entity's partners".*

In compliance with Law 31/1990 on companies:

"Art.111

*(2) Besides debating other items included on the agenda, the general meeting is obliged:  
b^1) in case of companies whose financial statements are audited, to appoint or to revoke the financial auditor and to set the minimum term of the financial audit contract".*

Considering the above mentioned, we submit for the approval of S.N.G.N. Romgaz S.A. Ordinary General Meeting of Shareholders the following:

- a) To approve the appointment of Ernst & Young Assurance Services S.R.L. as financial auditor of S.N.G.N. Romgaz S.A.;
- b) To set the minimum term for the financial audit contract to three years for providing specific services for years 2021, 2022 and 2023 and auditing the joint accounting of the associations for the period 2020-2023.

**Chief Executive Officer  
Aristotel Marius JUDE**

**Chief Financial Officer  
Răzvan POPESCU**

**Director of Legal Department  
Endre IOO**