

REMUNERATION POLICY

SNGN ROMGAZ SA



March 2022

## Preamble

SNGN ROMGAZ SA (“ROMGAZ” or the „Company”) is a joint-stock company administrated in a unitary system in accordance with good corporate governance principles, transparency and responsibility towards its shareholders.

ROMGAZ mission is to produce and supply energy under quality, safety, continuity and flexibility conditions. ROMGAZ uses resources in a responsible and ethical manner in order to obtain profit on long term.

ROMGAZ aims at being an active, profitable and competitive player on the energy production and supply market.

ROMGAZ pursues development both on the local market and regionally aiming at becoming an important player on the regional energy market.

Concurrently, ROMGAZ aims at providing the necessary human resources in order to carry out its development strategy under an increased dynamic of the labour market.

In order to comply with the requirements of the Bucharest Stock Exchange Code of Corporate Governance, the GEO 109/2011 and Law No 24/2017 as subsequently amended and supplemented, Romgaz decided to adopt and publish this Remuneration Policy.

## Chapter 1. Terms and expressions definitions

**Articles of Incorporation** – ROMGAZ Articles of Incorporation, in the latest form, updated and approved by the General Meeting of Shareholders<sup>1</sup>;

**Director** – member in ROMGAZ Board of Directors;

**Executive director** – the person who is director and Company manager at the same time;

**Non-executive director** – the person who is director, but not Company manager at the same time;

**GMS** – General Meeting of Shareholders;

**BSE** – Bucharest Stock Exchange;

**BOD or Board** – ROMGAZ Board of Directors;

**Variable component** – directors’ and/or managers’ remuneration component comprised in the annexes to the mandate contract, its granting depending directly on the fulfilment of the performance indicators approved by the GMS;

**Executive** – BOD member, Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer;

**NRC** – Nomination and Remuneration Committee;

**Manager** – person charged by the Board of Directors with managing the Company and concluded a mandate contract with the Company. The term manager also includes the Chief Executive Officer, but does not include the executive managers;

**Fixed allowance** – directors’ and/or managers’ remuneration component comprised in and regulated by the mandate contract, its granting not being directly connected to the Company’s performance;

<sup>1</sup>During the August 9, 2017 meeting

**Law 31/1990** – Law No. 31/1990 on companies, republished, updated;

**Law 24/2014** – Law No. 24/2017 on financial instruments and market operations issuers;

**GEO No. 109/2011** – Government Emergency Ordinance No. 109/2011 on public companies, as subsequently amended and supplemented, approved by Law No. 111/2016;

**Company's website** – [www.romgaz.ro](http://www.romgaz.ro);

**Remuneration** – payment received by ROMGAZ directors and/or managers for the work carried out for executing the mandate contract concluded with the Company;

**Remuneration report** – document presenting, in the structure imposed by the law, information on the Remuneration Policy implementation during a financial year, as well as the actual remuneration received by the directors and managers.

## Chapter 2. Purpose and Objectives of the Remuneration Policy

The purpose of the Remuneration Policy is to establish the principles and the remuneration framework applicable to ROMGAZ directors and managers during exercising the directors or, as the case may be, managers mandate.

The Remuneration Policy has the following objectives:

- a) To establish clear remuneration thresholds
- b) To establish the remuneration structure

## Chapter 3. Approval of the Remuneration Policy

ROMGAZ Ordinary General Meeting of Shareholders approves the Remuneration Policy of directors and managers following each significant amendment and, in any event, at least once every 4 years.

In case the policy is revised, a description and an explanation of all significant amendments shall be included, as well as the way the shareholders' votes and opinions on the remuneration policy are taken into consideration.

In case ROMGAZ GMS does not approve the new proposed remuneration policy form, the Company shall continue to pay the directors' and/or managers' remuneration according to the existing approved policy and shall submit a revised policy for approval within the next GMS.

## Chapter 4. Remuneration Policy decision making process

The decision making process related to ROMGAZ Remuneration Policy is regulated according to Law No. 31/1990, GEO No. 109/2011, Law No. 24/2017 as well as ROMGAZ Articles of Incorporation, as follows:

**The public supervisory authority** has the following competencies:

- monitor and evaluate, through its representatives within the general meeting of shareholders, the board of directors performance, in order to ensure, on behalf of the state, that the Company's activity is compliant with the economic efficiency and profitability principles;

- appoints its representatives within the general meeting of shareholders to negotiate and approve the financial and non-financial performance indicators for the board of directors;
- appoints and evaluates, through its own corporate governance structures, the financial and nonfinancial performance indicators annexed to mandate contracts.

**ROMGAZ General Meeting of Shareholders** has the following competencies:

- approves the directors and managers remuneration policy, following each significant amendment, in any event, at least once every 4 years;
- establishes BOD members' remuneration level;
- approves the form (terms and conditions) of the mandate contract concluded between the Company and BOD members;
- establishes the general limits of the Chief Executive Officer's and the Managers' remunerations;
- puts to vote the remuneration report related to the latest financial year. Shareholders' viewpoints on the Remuneration Policy shall be assumed from the questions they addressed ahead of the GMS meeting, or from the actual debates during the GMS, as these are recorded in the meeting protocol.

**The Board of Directors** has the following competencies:

- appoints and dismisses ROMGAZ managers and establishes the remuneration thereof;
- approves mandate contracts concluded with ROMGAZ managers;
- elaborates the annual directors' report;
- revises the Remuneration Policy and submits it for the Company's shareholders approval.

**The Nomination and Remuneration Committee** has the following competencies:

- drafts proposals for the GMS related to directors' remuneration level;
- drafts proposals related to managers' remuneration, within the general limits established by the GMS and the law;
- drafts and submits for BOD approval a Policy regarding directors' and managers' remuneration;
- drafts an annual report regarding the remuneration and other benefits granted to directors and managers which shall be presented within the GMS approving the annual financial statements.

## Chapter 5. Remuneration Principles

The general principles underlying the remuneration policy of directors and managers are the following:

- engage, keep and motivate the best directors and managers;
- ensure long term sustainability of Company profits and activity and generate long term value;
- reward achievement of objectives;
- maintain competition on the remuneration market;
- bring remuneration in line with the recommendations on good corporate governance;
- promote transparency of remuneration and of the criteria for establishing the remuneration;
- maintain a fair balance between the fixed allowance and the variable component of remuneration.

## Chapter 6. Directors' Remuneration Policy

### 6.1. Directors' Mandate Contract

The Ordinary General Meeting of Shareholders appoints and dismisses directors pursuant to the legal provisions and to the provisions of ROMGAZ Articles of Incorporation.

The rights and obligations of directors, as well as the incompatibility cases, are set out in the mandate contracts/directors agreements concluded with ROMGAZ, in ROMGAZ Articles of Incorporation and in the legal provisions.

The mandate contracts/directors agreements are concluded for 4 (four) years except for the cases provided for in the Articles of Incorporation or the law. The director mandate terminates for the reasons and under the conditions provided by the mandate contract/directors agreement and/or by the law.

### 6.2. Directors Remuneration

Executive and/or non-executive directors' remuneration is established by the General Meeting of Shareholders and comprises:

- a) fixed indemnity and
- b) variable component.

Taking into consideration the complexity of Romgaz activity and turnover, the **fixed allowance**:

- for the *non-executive directors* it is established in compliance with GEO 109/2011, to twice the average of the monthly gross average salary over the last 12 months for the activity carried out in accordance with ROMGAZ' 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 the appointment;
- for the *executive directors* it is established in compliance with GEO 109/2011, on corporate governance and public companies, to 6 (six) times the average of the monthly gross average salary over the last 12 months for the activity carried out in accordance with ROMGAZ' 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 the appointment.

When establishing each ROMGAZ BOD member's fixed allowance, the GMS shall ensure that it is justified according to the specific assignments, duties within the consultative committees, the number of meetings held, the performance objectives and the criteria set forth in the mandate contract concluded with each director.

The **variable component** of non-executive and/or executive directors is established based on financial and non-financial performance indicators, which are different for non-executive directors and/or executive directors, established in compliance with GEO 109/2011 and negotiated/approved by the

GMS, which are aiming including for the long term sustainability of the company and for the compliance with the principles of good governance.

The variable remuneration is established based on the non-executive directors' responsibilities, respectively, identifying the long term strategy, developing governance policies, representing shareholders' interests, communicating with shareholders and supervising Company's strategies implementation by the management.

The variable component equivalent for the remuneration of ROMGAZ BOD members', non-executive or executive, cannot exceed maximum 12 monthly fixed allowances.

Non-executive and/or executive directors' remuneration variable component is reviewed annually, depending on the level of achievement of objectives included in the management plan, and achievement of financial and non-financial performance indicators as approved by the GMS, by an Addendum to the Director's Agreement.

## Chapter 7. Managers' Remuneration Policy

The Board of Directors assigns all or part of ROMGAZ management competencies to one or more managers, appointing one of them as Chief Executive Officer.

The Board of Directors appoints the managers and assigns them with ROMGAZ management competencies, in compliance with GEO 109/2011 provisions and Company Law No. 31/1990 provisions.

The managers are responsible with making all decisions related to ROMGAZ management, within the business activity limits and in compliance with BOD and GMS exclusive competencies provided by the law or the Articles of Incorporation.

### 7.1. Managers' mandate contract

ROMGAZ Managers' mandate contracts are concluded for a maximum period of 4 (four) years.

The managers' mandate terminates according to the conditions provided in the mandate contract and/or the law. The mandate contract may terminate for one of the following reasons:

- a) mandate expiry;
- b) managers' mandate duration fulfilment;
- c) manager dismissal by the BOD;
- d) manager's renunciation to mandate;
- e) manager's death, incapacity or ROMGAZ insolvency or bankruptcy;
- f) parties agreement;
- g) definite impossibility to exercise the mandate/occurrence of a legal impediment;
- h) other clauses provided in the Articles of Incorporation or the law for mandate termination.

In case of dismissal for reasons not attributable to the manager, he/she has the right to be compensated by ROMGAZ for the period in which the mandate contract was no performed, regardless of the date of

revocation, with an amount equal to the fixed monthly allowance for the remainder of the mandate contract execution period. The payment of the compensation thereof shall be made within the term provided in the mandate contract.

In case of dismissal for reasons attributable to the manager, he/she shall have no right to any compensation for the period in which the mandate contract that was not executed.

Renunciation to mandate contract is possible upon prior notice (written) to ROMGAZ BOD, with at least 30 calendar days before the actual termination date of the manager's mandate.

## 7.2. Chief Executive Officer Remuneration

The CEO's remuneration is established by the Board of Directors and consists of:

- a) fixed allowance and
- b) variable component.

Chief Executive Officer's fixed allowance is established in compliance with GEO 109/2011 and ROMGAZ turnover and activity complexity, up to 6 (six) times the average of the monthly gross average salary over the last 12 months, for the activity carried out in accordance with ROMGAZ main business at level of class of activity, according to the classification of the activities in the national economy, as communicated by the National Institute of Statistics, prior to nomination.

The CEO's remuneration variable component may consist of a participation share in ROMGAZ net profit, granting of shares, stock-options or an equivalent scheme, a pensions scheme or another remuneration form based on the performance indicators.

## 7.3. Managers' Remuneration, others than the CEO

ROMGAZ managers' remuneration, others than the CEO, is established by the BOD and consists of:

- a) fixed allowance and
- b) variable component.

Having in view ROMGAZ complex activity and turnover, the fixed allowance of the managers, others than the CEO, is established in compliance with GEO 109/2011, up to 6 (six) times the average of the monthly gross average salary over the last 12 months, for the activity 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.

Similar to the CEO position, the managers' remuneration variable component, others than the CEO, may consist of a participation share in ROMGAZ net profit, granting of shares, stock-options or an equivalent scheme, a pension scheme or another form of remuneration based on performance indicators.

## Chapter 8. Other benefits and advantages granted to directors and/or managers

The directors' agreements and/or mandate contracts concluded with the directors and/or managers, include provisions on granting benefits and/or other advantages for executing the mandates. The categories of benefits and/or other advantages that may be granted, without limitation thereof:

### For ROMGAZ BOD members:

- the right to benefit from a professional liability insurance at the expense of the Company
- the right to expenditures settlement related to mandate execution, in the equivalent corresponding the CEO position, representing, unlimited: accommodation, transportation, and allowance per diem;
- the right to use some of ROMGAZ inventory items/fixed assets necessary for carrying out the activity;
- the right to benefit from specialised legal assistance for substantiating/reasoning ROMGAZ BOD decisions, as well as legal assistance in case of claims by third parties, against the directors, related to the fulfilment of their responsibilities under the mandate contract

### For ROMGAZ Managers:

- the right to benefit from a professional liability insurance at the expense of the Company;
- the right to benefit from all of the Company's communication systems (landline, mobile, fax other electronic communication systems), at the Company's expense;
- the right to benefit from other types of social insurance, in the same conditions as the Company's employees;
- the right to service accommodation;
- the right to transportation;
- the right to payment/settlement of travel expenditures related to mandate execution (accommodation, protocol, etc.);
- the right to payment of business travel allowance, the equivalent of 30% of the monthly fixed allowance/day;
- the right to medical leave, according to law.

Following the negotiation, at the moment the directors' agreements and/or mandate contracts are concluded, the benefits and advantages granted to each person shall be individualized and determined and these shall be included in the mandate contracts.

## Chapter 9. Particular cases. ROMGAZ Directors and/or Managers on interim mandate

By exception and within the limits provided by the law, ROMGAZ directors and/or managers may be appointed for executing interim mandates.

Interim mandate contracts/directors agreements are concluded for a period of 4 (four) months, and may be extended, for reasonable grounds, up to maximum 6 (six) months.



## Granted remuneration

In case of directors and/or managers appointment for interim mandates, their remuneration shall be established in accordance with the provisions in Chapter 7 and Chapter 8 of the Remuneration Policy and with the following rules:

- interim directors and/or managers benefit from a fixed allowance exclusively for the mandate execution;
- interim directors and/or managers may not benefit, in any case, from a remuneration variable component;
- interim directors and/or managers may benefit, from all or part of the benefits and other advantages categories, as these are enunciated in Chapter 9 of this Remuneration Policy. The benefits and/or advantages granted, are individualized, for each interim director and/or manager at the moment the mandate contract is concluded.

The *interim directors'* mandate contracts may terminate as follows:

- a) directors' renunciation to mandate, for causes not attributable, upon notice to Company with maximum 10 days prior to the date the termination becomes valid, the Company may waive this deadline;
- b) director's dismissal by Company, without prior notice and without the Company owning interests, considering the interim nature of the mandate;
- c) expiration of mandate term;
- d) by right, in other cases provided by law;
- e) in case the National Registry of Secret State Information Office authorisation is cancelled/not granted;
- f) by parties agreement;
- g) in case of definite incapacity to exercise the mandate or legal exercise impediment of the interim director, he/she having the obligation to notify immediately the Company regarding the physical incapacity/impossibility and to attach the related evidence.

*Interim managers* mandate contracts may terminate as follows:

- a) dismissal of the interim manager by unjust cause, he/she having the right to receive from the Company a compensation according to the mandate contract;
- b) interim manager dismissal for just cause, in this case the Company shall not own any compensation for the unexecuted period of the mandate;
- c) renunciation to mandate by the interim manager, by notifying ROMGAZ at least 30 days ahead;
- d) by interim manager dismissal, with immediate effect, by ROMGAZ BOD, following breach of obligations undertaken by the mandate contract.

## Chapter 10. Reporting obligations related to directors and managers remuneration

In order to comply with the provisions of Art. 39 of GEO No. 109/2011, in connection with the provisions of Art. 107 of Law 24/2017, ROMGAZ Remuneration and Nomination Committee elaborates an annual Remuneration Report.

The annual Remuneration Report contains information on the remuneration of each ROMGAZ director or manager, structured as follows:

- Total remuneration broken down on components, the relative share of fixed and variable remuneration, including:
  - Explanation of the total remuneration compliance with the adopted remuneration policy, including the way it contributes to the Company's long term performance;
  - Information on the implementation of the performance criteria;
- Other rights, under the form of benefits and/or other advantages that, according to law, are not part of the remuneration granted to ROMGAZ directors or managers for the mandate execution;
- Annual amendment of the remuneration, of ROMGAZ performance and of the average remuneration based on the full-time equivalent of Company's employees that are not directors nor managers for at least the last 5 financial years, presented together in a comparable manner;
- Any remuneration received from an entity pertaining to the same group;
- Information on making use of the possibility to recover the variable remuneration;
- Information on the contract duration, the negotiated notice period, damages equivalent for unjust dismissal;
- The number of shares and stock options granted or offered, as well as the main conditions for exercising the rights related thereof, including the exercise price and date, together with any amendments;
- Reasons substantiating any annual bonuses schemes or non-cash benefits;
- Possible supplementary or early pension schemes;
- Information regarding any deviation from the Remuneration Policy implementation procedure.

The Remuneration Report related to the latest financial year is put to vote within ROMGAZ GMS, and it is made public on the Company's website, following the approval, for free, for a 10 years period.

## Chapter 11. Derogations

Derogations are not permitted from ROMGAZ Remuneration Policy within its implementation process.

## Chapter 12. Final Provisions

The Remuneration Policy may be revised and/or update as often as necessary and with every significant amendment it shall be submitted to RMGAZ GMS vote and, in any case, at least once in 4 years, according to the legal regulations.

In case of policy revision, a description and an explanation of all significant amendments shall be included, and the way the shareholders' viewpoints and votes on the remuneration policy are taken into consideration.

Following the GMS approval, the remuneration policy is immediately published on the issuer's Company website and shall remain available for the public for free, for at least as long as it is valid.

This Policy represents the complete and adapted form of the first Remuneration Policy adopted according to Art. 106 of Law No. 24/2017. Having in view that at the time of drafting this remuneration policy:

- the Board of Directors continues to be composed of interim directors
- the managers are appointed on an interim basis

this remuneration policy shall be significantly revised and/or update upon:

- directors appointment in compliance with Article 29 of GEO 109/2011 on corporate governance of public enterprises;
- managers appointment in compliance with Article 35 of GEO 109/2011 on corporate governance of public enterprises.

This Remuneration Policy was approved by Romgaz Ordinary General Meeting of Shareholders on .....with a total number of ..... votes.