

# SNGN “ROMGAZ” SA 2022 RISK PROFILE

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January 2022

ROMGAZ

## Introduction

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The Risk Profile provides an overall picture of the company in terms of risk.

Pursuant to the Code of Corporate Governance, SNGN “ROMGAZ” SA has the obligation to implement and develop the internal management control system including an effective risk management system.

As part of the development process of the internal management control system, under the risk management process, the Company systematically analyses, at least annually, the risks related to its objectives and activities, prepares treatment plans to limit possible consequences of these risks and appoints the persons responsible for the implementation of such plans. The process targets all activities of the organizational units and all management levels.

## Introduction (continued)

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At company level, the risk management system aims at complying with the following provisions:

- Law no. 111/2016 for the approval of GEO no. 109/2011 on corporate governance of public enterprises;
- Law no. 174/2015 for the approval of GEO no. 86/2014 on setting certain reorganization measures at the level of the central public administration and for amending and supplementing certain legislative acts.
- ISO 31010:2011 “Risk Management: Risk Assessment Techniques”;
- Order of the General Secretariat of the Government no. 600/2018 on the approval of the Code of Internal Management Control of public enterprises;
- Order of the General Secretariat of the Government no. 201/2016 on the approval of Methodological Rules concerning coordination, methodological guidance and supervision of the implementation and development status of the internal management control system in public enterprises;

## Introduction (continued)

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Within Romgaz, risk management is a continuous process targeting all company activity areas and requires the participation of all employees in identification of risks within their area of activity which would prevent them from achieving their goals in order to take the necessary steps in a timely manner.

Identification of risks is closely related to the activities within the specific objectives, the achievement of which could be hindered by materialization of risks.

Strategic objectives are defined at the level of the top management while general and specific objectives are defined by the heads of organizational units together with the subordinated personnel.

## Introduction (continued)

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Risk assessment takes into account two key parameters with a measurement scale of the value of such parameters:

- Probability of materialization and
- The impact, namely the effect or consequences of risk materialization.

Risk management methodology establishes a uniform general framework for risk identification, analysis and management at the level of organizational units and provides an instrument to facilitate risk management in a controlled and effective manner in order to achieve the objectives.

## Introduction (continued)

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Risk management is performed on 3 levels:

- Lower level: represented by the persons in charge with the risk at the level of organizational units;
- Medium level: represented by structures (risk management committees) that facilitate and coordinate the risk management process and which are established ad hoc whenever necessary in accordance with the legal provisions in force;
- Upper level: represented by the top management (the Monitoring Committee) which approves the risk reports in accordance with the risk appetite and company objectives and actually leads the process when necessary by analysing, assessing and treating the risks that may have a significant impact on achieving company objectives.

# The probability-impact matrix

The Risk Profile graphically captured below through the probability-impact matrix results from regrouping the risks identified, assessed and ranked in terms of the amount of exposure deviation from the risk tolerance.

<i>Very high (5)</i>	IMPACT	6	4	1	2	-
<i>High (4)</i>		14	56	19	3	-
<i>Medium (3)</i>		21	67	78	6	-
<i>Low (2)</i>		45	209	39	3	1
<i>Very low (1)</i>		33	29	12	2	1
		PROBABILITY				
		<i>Very low (1)</i>	<i>Low (2)</i>	<i>Medium (3)</i>	<i>High (4)</i>	<i>Very high (5)</i>

## Risk Profile Analysis

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Following conclusions can be drawn from the Risk Profile Analysis, such as:

- according to the approved tolerance limit, there are 6 “intolerable” (“critical”) risks (red coloured risks that represent only 0.92% of the total reported and identified risks (651); the relative low share for such risks is a positive aspect for the company showing the prudent and rigorous manner of performing activities;
- the above mentioned risks require identification and approval of a measurement plan for their treatment;

## Risk Profile Analysis (continued)

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Following conclusions can be drawn from the Risk Profile Analysis, such as:

- there are 107 “low tolerance” risks – recording an increase as compared to the last year (73 in 2021) – namely 16.44% of all identified risks; these risks imply a careful monitoring, so as to avoid their “migration” to “intolerable” risks;
- the rest of the identified risks 82.64%, are risks that do not require careful monitoring, namely urgent treatment measures or short term measures, representing 538 risks out of the total 651 identified risks;

## Global Risk

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The value of the company's Global Risk (GR) is calculated based on the number of risks identified and classified in the Risk Profile, as weighted average of risks exposure value.

The Global Risk Value lies between the value 1 – represented by the minimum exposure calculated as product between probability and impact (1x1) – and the maximum value – represented by the maximum exposure calculated as product between probability and impact (5x5).

Whereas:

$$RG_{2022} = \frac{33 \times 1 + 74 \times 2 + 33 \times 3 + 225 \times 4 + 7 \times 5 + 106 \times 6 + 59 \times 8 + 78 \times 9 + 5 \times 10 + 25 \times 12 + 1 \times 15 + 3 \times 16 + 2 \times 20 + 0 \times 25}{651} = 5,34$$

## Evolution of Global Risks

Evolution of Company's global risks for 2013-2022 is shown in the table below:

Global Risk	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Value	7.00	6.22	5.62	5.30	5.17	4.95	5.29	5.19	5.01	5.34

By analyzing the 10 annual values of the Global Risk, we state the value of the company's Global Risk for 2022 is higher than the value for 2021.

## Global Risk Analysis

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Main causes that led to a higher value of the Global Risk (5.34):

- increase of intolerable risks identified in 2022 to 6, as compared to only 2 risks in 2021, due to methodological guidance and awareness actions on the importance of risk management for the company's economy, on the need to perform an objective risk evaluation and to correctly identify their exposure, to present and approve measure plans on risk treatment in the Monitoring Committee;

## Global Risk Analysis (continued)

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Main causes that led to a higher value of the Global Risk (5.34):

- increase of “low tolerance” risks from 73 identified in 2021 to 107 identified for 2022 – recording an upward trend in their share of total identified risks due to a rigorous implementation of risks management and an objective evaluation of risks exposures;
- proper implementation of risks management according to the above mentioned and of the risk identification degree that increased from 69% to 74%, which continues to lie below the objectives identification degree of 84.3%.

## Conclusions

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It is necessary to continue actions to inform and raise awareness of persons responsible for implementing the risk management so as to ensure for both management tools - objectives and risks - the same implementation level.