

ROMGAZ

SNGN ROMGAZ SA

2023 RISK PROFILE

September 2023

Company Overview in Terms of Risks

A decorative graphic consisting of several overlapping, semi-transparent green wavy shapes that resemble a stylized wave or a series of peaks and valleys. The waves are layered, creating a sense of depth and movement. The colors range from a light, pale green to a slightly darker, more saturated green. The graphic starts on the left side of the page and extends towards the right, partially overlapping the text.

Company Overview in Terms of Risks

In line with the Corporate Governance Code, S.N.G.N. ROMGAZ S.A. has the obligation to implement and develop the internal management control system including an effective risk management system.

As part of the process of developing the internal management control system in the risk management process, the company systematically analyses, at least once a year, the risks associated with its objectives and activities, draws up treatment plans to limit the possible consequences of these risks and designates those responsible for implementing these plans. The process covers all activities of organizational units and all management levels.

Legal Framework

The risk management system complies with the following provisions:

- Government Emergency Ordinance No.109/2011 on corporate governance of public companies, approved by Law No.111/2016;
- Government Ordinance No. 119/1999, on the internal/management control and preventive financial control, republished, as subsequently amended and supplemented;
- Order of the General Secretariat of the Government No. 600/2018 on the approval of the Internal Management Control Code of public enterprises;
- Order of the General Secretariat of the Government No. 201/2016 on the approval of Enforcement Guidelines on coordination, methodological guidance and supervision of implementation and development status of the internal management control system in public enterprises.

Risk Management - a continuous process within Romgaz

Risk management covers all areas of the company's business and requires participation of all employees in identifying risks related to their activity, that 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, their achievement could be hindered by materialization of risks.

Risks are assessed by taking into account two key parameters, having a scale to measure their value: the materialization probability and the impact, namely the effect or the consequences of risk materialization.

Risk Profile



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	10	5	2	1	-
<i>High (4)</i>		16	57	34	7	1
<i>Medium (3)</i>		18	80	64	6	4
<i>Low (2)</i>		47	235	32	1	1
<i>Very low (1)</i>		39	34	12	4	1
		PROBABILITATY				
		<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

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

- according to the approved tolerance limit (the bold black line in the matrix), the 15 (critical) intolerable risks (marked with red in the matrix) represent 2.11% out of the total 711 identified and reported risks. The relative low share for such risks represents a positive aspect for the company and shows the cautious 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)

- there are 110 low tolerance risks - recording a slight increase compared to 107 the last year, representing 15.47% share out of the total identified risks. These risks imply a careful monitoring so as to avoid their “migration to intolerable risks;
- the rest of 586 risks, 82.42% out of a total of 711 identified risks, are risks that do not require careful monitoring, namely urgent tor short term treatment measures.

Global Risk



Global Risk Value

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 25 – represented by the maximum exposure calculated as product between probability and impact (5x5).

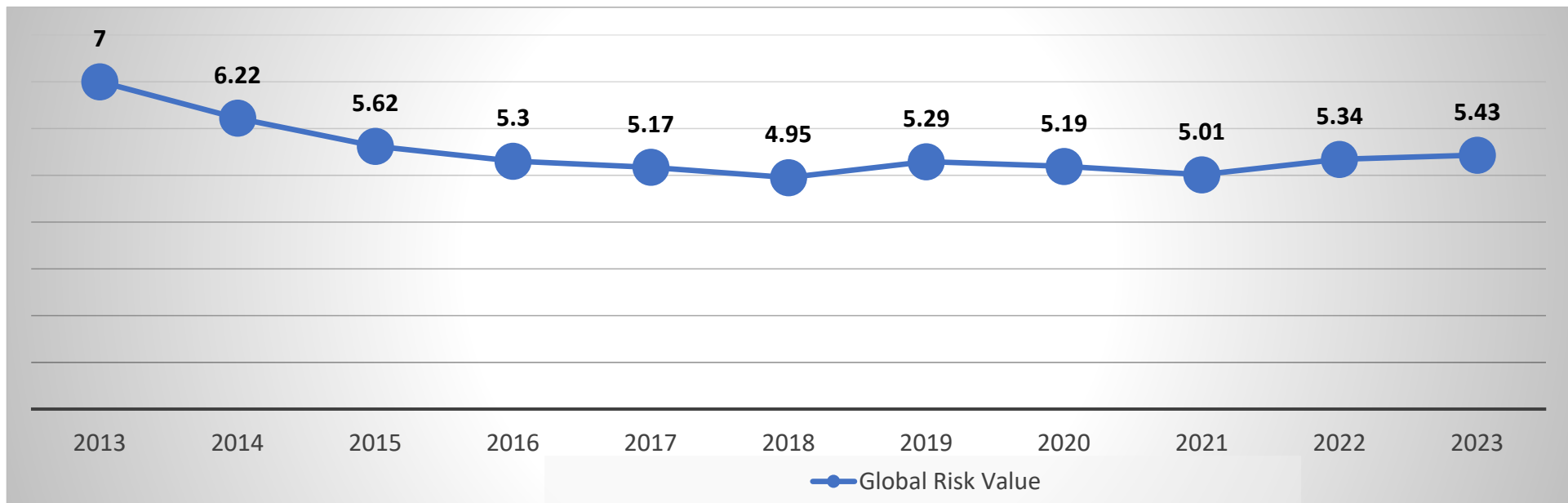
Whereas:

$$GR_{2023} = \frac{39 \times 1 + 81 \times 2 + 30 \times 3 + 255 \times 4 + 11 \times 5 + 112 \times 6 + 58 \times 8 + 64 \times 9 + 6 \times 10 + 40 \times 12 + 6 \times 15 + 7 \times 16 + 2 \times 20 + 0 \times 25}{711} = 5.43$$

Global Risk Evolution

Evolution of company's global risk for 2013-2023 is shown below:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Global Risk Value	7.00	6.22	5.62	5.30	5.17	4.95	5.29	5.19	5.01	5.34	5.43



Global Risk Analysis

The analysis of the 11 Global Risk annual values, shows that the value for the company's 2023 Global Risk is higher compared to last year.

The main causes that led to the Global Risk's increase (5.43) are:

- The increase of intolerable risks from 6 in 2022 to 15 in 2023;
- The increase of low tolerance risks from 107 in 2022 to 110 in 2023;

due to methodological guidance and awareness on risk management importance in the company's economy.

These actions resulted in realistic risk assessments and the correct identification of risk exposures, while increasing the total number of risks identified and the level of risk identification from 74% to 83%.

Conclusions

It is necessary to continue information and awareness-raising activities so that each employee is aware of the usefulness and necessity of risk management and the impact it may have on the achievement of the company's objectives, thus ensuring the main elements on which the risk management process depends:

- the existence of defined objectives that meet SMART requirements;
- allocating adequate resources for implementing risk management measures to reduce the likelihood that the objective or activity will not be achieved;
- using information on risk management for decision making.

A decorative graphic consisting of overlapping, semi-transparent blue waves that flow from the right side of the page towards the center, creating a sense of movement and depth. The waves are layered, with some appearing more prominent than others, and they transition from a light blue at the top to a darker blue at the bottom.

ROMGAZ

Risk Management and
Objectives Office