

To The General Meeting of Shareholders of S.N.G.N ROMGAZ S.A

Endorsed,
Chairman of the Board of Directors,
Dan Dragoş Drăgan

Report on taking legal action against Mr. Adrian Constantin Volintiru to recover the amount of RON 146,321 representing the net value of prejudice as found by the Court of Auditors' Decision NO. 2/ January 30, 2023, not recovered as of present day

I. Facts of the Case

Following the verification action "*Control of the status, development and way of managing the state public and private patrimony, as well as the lawfulness of incomes and expenditures*" performed by the Court of Auditors of Romania during the period October 17, 2022 - November 29, 2022, the Control Report No. 46.705/November 29, 2022 was drawn up.

As a result of the control action, the external public auditors found that, as concerns S.N.G.N. ROMGAZ S.A., "the way of managing the state public and private patrimony, as well as the lawfulness of incomes and expenditures failed to be in accordance in all aspects with the scope, objectives and tasks set out in the legislative acts which established the entity, and the failure to comply with all aspects of the principle of legality, regularity, value for money, efficiency and cost-effectiveness principles."

The Control Report No. 46.705/November 29, 2022 includes item 3.5.2.3.1, i.e. "Payment of salary rights as added amounts for taking additional duties with no legal basis". According to "Statement of 2021 Personnel Costs" it has been found that costs amounting to RON 693,128,542 were performed under the Collective Labor Agreement. Such amount included salary rights and assimilated ones such as bonuses, luncheon vouchers, support for various events. Based on such Report, the Court of Auditors issued the Decision No. 2/January 30, 2023 imposing the obligation of taking measures for debt recovery.

The review of personnel files showed that several employees were nominated to perform additional duties and, interim, coordinator duties of other S.N.G.N ROMGAZ S.A structures by concluding addenda to the individual employment contracts. According to the addenda, the employees benefited from fixed bonuses granted proportionally with the actual time worked during normal working hours. Such amounts were granted from 2019.

The audit team found that in the period 2019 - 2021, payments were performed within S.N.G.N ROMGAZ S.A., with no legal grounds, to persons with coordination powers of the activity of several specialized structures of the entity, by indemnifications in fixed amounts as added amounts for taking duties. Moreover, it was found that payment of such additional amount was performed under addenda, signed by the employees, lacking the in-house Preventive Financial Control endorsement, in a manner contrary to the regulations providing that all legal commitments shall be subjected to such control.

Bearing in mind the above, the audit team found that unjustified additional payment, related to additional amounts for additional duties, amounting to an estimated gross value of RON 261,931 and **net value of RON 153,236** were performed with no legal basis during 2019 - 2021.

One of the recommendations of the Report No. 46.705/November 29, 2022 is to review the causes that led to such irregularities, and determinate the extent of the prejudice as a result of additional payments performed without legal grounds, as well as recovery of such in accordance with the law.

Steps taken to the present day

Following an in-house review, it was decided to notify the former SNGN Romgaz SA CEO Mr. Adrian Constantin Volintiru, in view of the Mandate Contract registered under NO. 21683/10/10/2018 for the position of CEO which he held up to the time of taking the BoD Decision No. 1/January 13, 2021.

The legal basis underlying such Decision is Article 1350 of the Civil Code on Contractual Liability, corroborated with Article 2018 (paragraph 1) of the Civil Code, thesis I on the agent's due diligence, corroborated with Article 8 (paragraph 1) Chapter VII CEO's Obligations of the Mandate Contract NO. 21683/10/10/2018 and corroborated with Article 2, item i of BOD Decision 49/2018 setting forth the CEO's powers.

Under the provisions of BoD Decision 49/2018 Mr. Volintiru, as CEO, had the power to negotiate the provisions of both the Collective Labor Agreement as well as the individual employment contracts concluded by the company. Moreover, under the provisions of the said document the CEO was also empowered to negotiate the salary costs by complying with the provisions of the Collective Labor Agreement.

“Negotiates the Collective Labor Agreement and the individual employment contracts by complying with the provisions of the Collective Labor Agreement - salary and social costs and limits of funds provided in the Income and Expenditure Budget approved by the General Meeting of Shareholders of the Company - BoD Decision No. 49/2018, Article 2, item i).

Therefore, by negotiating the addenda to the individual employment contracts, additional salary amounts were negotiated without legal grounds, failing to comply with the provisions of the Collective Labor Agreement, thus resulting in a prejudice to the company amounting to a gross estimated value of RON 261,931 and a net calculated value of **RON 153,236**.

Considering the provisions of Article 8 (paragraph 1) Chapter VII CEO's Obligations of the Mandate Contract NO. 21683/10/10/2018, which retains the provisions of Article 2018 (paragraph 1) of the Civil Code, thesis I on the agent's due diligence, according to which in case the mandate is onerous, the agent is bound to execute the mandate with the due diligence of a good owner, and the agent is liable to the principal for his errors.

Moreover, for the prejudice caused to the company, under the concluded contract and taking into account the provisions of Article 1350 of the Civil Code on Contractual Liability, the contractual debtor is liable for the caused prejudice.

Considering the aforementioned, and the approval of Information Report J/E/54/11.07.2023 by BoD Resolution no. 72 of July 13, 2023, the following actions were made:

- In an initial phase, notification of payment no. 25323/June 29, 2023 was send to Mr. Adrian Constantin Volintiru (on July 20, 2023) by courier, which was returned to the company's headquarters due to receiver's refusal of acceptance);
- Considering the passivity of Mr. Adrin Constantin Volintiru to comply with notification 25.323/June 29, 2023, notification no. 32194/August 21, 2023 was sent by BEJ Rotaru Zărnescu Daniel (Rotaru Zărnescu Daniel bailiff office), as part of enforcement proceedings file no. 43/2023.

Mr. Adrian Constantin Volintiru did not comply with any of the notifications of payment sent by the Company.

Moreover, the Company's own legal structure proceeded to sending notifications of payment also to the employees who benefited from additional responsibility bonus. As such, two notification sets were sent to 11 people.

Considering the fact that the notified people did not undertake any action to make payments to the Company, it has been decided to file a legal case in order to recover outstanding amounts.

Following compliance with the procedure provided by GEO no. 26/June 6, 2012 on measures to reduce public spending and to strengthen financial discipline, substantiation note no. 35350 of September 14, 2023 was filed for approval.

As such, BoD Resolution no. 9/September 19, 2023 approved the initiation of a selection procedure to contract services of a legal firm to file action against employees and former employees who fulfill conditions provided by art. 19 of GMS Resolution no. 3/April 25, 2019, namely persons who occupy positions as directors, officers, former officer, executive.

Following these proceedings, services contract no. 43435/October 26, 2023 was concluded with S.C.P.A Șomlea și Asociații. In-house legal counselors sent information required by the lawyers of Șomlea și Asociații and, as such, the application for trial was filed for employees who fulfill conditions provided by art. 19 of GMS Resolution no. 3/April 25, 2019. Case file no. 2671/85/2023 was initiated before Sibiu County Court of Law.

Simultaneously, for employees/former employees who did not fulfill the conditions provided in GMS Resolution no. 3/April 25, 2019 and for whom legal assistance and representation contract was not concluded, parallel case file no. 2947/85/2023 was initiated before Sibiu County Court of Law against 4 people for the recovery of amounts representing additional responsibility bonus.

Until now, RON 6,915 has been amiably recovered, and as such, the Company will waive all claims against the people who have fulfilled payment obligations until the first trial date.

Regarding a potential legal action against former CEO, Mr. Adrian Constantin Volintiru, the law firm Șomlea și Asociații sent a legal opinion by e-mail on January 5, 2024. Consequently, proceedings for liability can be initiated against Mr. Adrian Constantin Volintiru, as provided by article 155 of Company Law no. 31/1990, the legal action being grounded on the Mandate Contract concluded on October 9, 2018.

As provided by Article 155 of Law no. 31/1990, *“legal action on grounds of liability against founders, directors, managers, members of directorate and supervisory council, and against censors and financial auditors, for damages they caused through breaching duties in relation to the company represents the responsibility of general meeting of shareholders, which will resolve with the majority stipulated at Article 112.”*

Moreover, to exercise the action, the General Meeting of Shareholders must resolve to this extent, and also on the person tasked to initiate the case file.

The legal best practice finds that this action has a subsidiary and residual nature, namely:

- it can be exercised if a prior action was initiated against employees for amounts unduly paid - this condition is fulfilled, as case files no. 2671/85/2023 and no. 2947/85/2023 are pending before Sibiu County Court of Law.
- It can be exercised only for amounts not recovered from the employees.

In relation to this aspect, the trial of an eventual action should be suspended until the final settlement of case files initiated against employees, and only for amounts that could not be recovered from them.

Considering the notification No. 32.194/ August 21, 2023, submitted through BEJ Rotaru Zarnescu Daniel on August 23, 2023, and under Article 2540 of the Civil Code according to which Statute of Limitations is interrupted by formal notice to the person benefiting from lapse of time only if such is followed by taking legal action within 6 months against such person, legal action was taken against Mr. Adrian Constantin Volintiru before the Sibiu County Court of Law on February 21st, 2024.

Considering the above, and the establishment of conditions for initiating legal action against Mr. Adrian Constantin Volintiru, former CEO of SNGN Romgaz S.A. we request the urgent convening of SNGN Romgaz S.A. GMS in order to approve initiation of court proceedings for recovering RON 146,312, representing additional responsibility bonus granted to employees without legal grounds. Simultaneously, in connection with provisions of Article 155, par. (2) of Company Law no. 31/1990, we appreciate that the person

appointed to initiate court proceedings is SCPA Șomlea și Asociații, according to legal services contract no. 43435/October 26, 2023.

Resolution draft:

“In consideration of Request for Approval no. 8276/27.02.2024, SNGN Romgaz S.A. General Meeting of Shareholders

1. approves legal action to be taken against Mr. Adrian Constantin Volintiru for recovering RON 146,312, representing additional responsibility bonus granted to employees, without legal grounds;
2. approves ratification of legal action taken against Mr. Adrian Constantin Volintiru before the Sibiu County Court of Law.”

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