

ROMGAZ

Societatea Națională de Gaze Naturale Romgaz S.A. - Medias - România

Ho. 27244/2809.2015



REQUEST FOR APPROVAL

to S.N.G.N. ROMGAZ S.A. General Meeting of Shareholders

Provisions of the Rules of Organisation and Operation of Advisory Committees

Subject to Chapter 4 – Responsibilities and Duties of Advisory Committees, paragraph 1 – Responsibilities and Duties of the Nomination and Remuneration Committee, stating that the above mentioned committee:

-
- identifies criteria and objectives required for elaboration of the performance-based remuneration scheme;
-
- drafts the directors and executive directors remuneration policy that will include at least:
 - the remuneration structure, with explanations on the fix and variable component weight;
 -
-
- requests the Board to submit the remuneration policy to GMS for approval; such remuneration policy is applicable for setting the remuneration of board members, ...;
-

The Nomination and Remuneration Committee, hereinafter referred to as the **Committee**, drafts and submits on behalf of the Board of Directors this Request for Approval addressed to the General Meeting of Shareholders of S.N.G.N. ROMGAZ S.A.

Capital social: 385.422.400 lei

CIF: RO 14056826

Nr. Ord.reg.com/an : J32/392/2001

RO08 RNCB 0231 0195 2533 0001 - BCR Medias

RO12 BRDE 3305 V024 6190 3300 - BRD Medias



S.N.G.N. Romgaz S.A.
551130, Piața C.I. Motas, nr.4
Medias, jud. Sibiu - România
Telefon 004-0269-201020
Fax 004-0269-846901
E-mail: secretariat@romgaz.ro
www.romgaz.ro

Proposals to amend the director's agreement concluded with directors of S.N.G.N. Romgaz S.A.

The obligations of companies where the state is sole or major shareholder, whose shares are traded on a regulated market, in our case Bucharest Stock Exchange (BVB) and London Stock Exchange (LSE), should not devolve upon the company or on its directors any additional reporting obligations against companies with private or majority private capital. We believe that, both by means of general and specific laws for listed companies, private shareholders imposed on the companies they invested in, reporting obligations that are necessary and sufficient to monitor the activity of the company and of its directors.

Whereas:

- S.N.G.N. Romgaz S.A is an economic operator whose shares are traded as shares on Bucharest Stock Exchange and as GDR's (Global Depositary Receipts) on London Stock Exchange;
- the company has to observe the transparency and publicity terms and procedures provided by the rules and regulations of ASF (Financial Supervisory Authority) and /or BVB;
- all shareholders are informed on the company results by means of these reports;
- the costs and time necessary for organising and holding the general meeting of shareholders,

We propose to make the presentation semi-annually and not quarterly.

Related to the award of the first subcomponent of the variable component, further to approving the manner for fulfilling the indicators, we propose to be eliminated considering the following:

- the company posts on BVB all financial information of each quarter;
- the possible non-fulfilment of an indicator weighted by the fulfilment degree of the other indicators;

The director's agreement provides adjustment of the amounts awarded to directors.

In this respect we propose to amend Article 7 items 7.19 and 7.21 as follows:

Item no.	Existing clause	Amendment proposal
1.	<p>Art. 7. The director will be bound to perform the following main obligations, together with the other members of the Board of Directors:</p> <p>7.19. to submit a <u>quarterly</u> report in the General Meeting of Shareholders on the governing activity, which includes information on the performance of contracts of mandate of executive directors, details related to operational activities, company's financial performance and company's semi-annual accounting reports;</p> <p>.....</p> <p>7.21 to elaborate <u>quarterly</u> reports that will include, without limitation, the level of fulfilment of performance criteria, considering the weighting of each indicator and its variation as compared to the established target level, reports that will be submitted for approval to the Company General Meeting of Shareholders, and the first subcomponent of the variable component, as mentioned in Art. 18 herein shall be granted only upon approval of quarterly reports.</p>	<p>Art. 7. The director will be bound to perform the following main obligations, together with the other members of the Board of Directors:</p> <p>7.19. to submit a <u>semi-annual</u> report in the General Meeting of Shareholders on the governing activity, which includes information on the performance of contracts of mandate of executive directors, details related to operational activities, company's financial performance and company's semi-annual accounting report;</p> <p>.....</p> <p>7.21 to elaborate <u>semi-annual</u> reports that will include, without limitation, the level of fulfilment of performance criteria, considering the weighting of each indicator and its variation as compared to the established target level, reports that will be submitted for approval to the Company General Meeting of Shareholders</p>

Considering that the director is obliged to present during the first General Meeting of Shareholders of S.N.G.N. Romgaz S.A. the execution of the legal instrument, the semi-annual and the annual reporting provides for presenting a summary of such legal instrument.

Thus Art.12 shall be amended as follows:

Item no.	Existing clause	Amendment proposal
2.	<p>Art. 12. The Director, together with the other Directors, is obliged to submit semi-annually, <u>quarterly</u> and annually to the General Meeting of Shareholders, in a special sub-chapter, the legal instruments concluded under Art. 8 and 9, providing the following elements: the parties to the instrument, the date of execution and the nature of instrument, description of the scope, total value of the instrument, reciprocal debts, provided guarantees, terms and methods of payment and any other essential and material information related to such</p>	<p>Art. 12. The Director, together with the other Directors, is obliged to submit <u>semi-annually</u> and annually to the General Meeting of Shareholders, in a special sub-chapter, the legal instruments concluded under <u>Art. 10</u>, providing the following elements: the parties to the instrument, the date of execution and the nature of instrument, description of the scope, total value of the instrument, reciprocal debts, provided guarantees, terms and methods of payment and any other essential and material information</p>

Item no.	Existing clause	Amendment proposal
	instruments, as well as any information required for establishing the effects of such instruments on the financial status of the Company.	related to such instruments, as well as any information required for establishing the effects of such instruments on the financial status of the Company.

In accordance with the "Governing Plan of Societatea Nationala de Gaze Naturale "ROMGAZ" – S.A. for the period 2013-2017" as approved by GMS Resolution, "the performance indicators provided herein, resulted from the strategic objectives set and from the action plan to be achieved for their fulfilment, shall be reanalysed in order to be approved by the General Meeting of Shareholders if it will be found that for reasons outside the control of the directors, or because of external causes (electricity or natural gas market decline, amendments to the law or regulations etc.) or as a result of restating the financial statements according to International Financial Reporting Standards (IFRS) the objectives and performance indicators cannot be met." – summary of the Governing Plan (the last paragraph).

Some objective, unpredictable causes outside of the control of the Board of Directors:

- Not complying with the calendar related to the gradual increase in the trading price of gas from domestic production, considered when drafting and approving the Governing Plan, with a significant impact on the company revenue and profit;
- issuance of fiscal regulations which may negatively impact the company's performance; for example, Emergency Ordinance no. 7 dated January 23, 2013 which imposes the taxation of additional revenue gained by natural gas producers as a result of gas price deregulation "[...] by December 31, 2014, inclusive", which was extended to December 31, 2015 by Emergency Ordinance no. 80 dated December 10, 2014;
- general decrease of national natural gas consumption, especially at industrial level;
- decrease of natural gas and of electricity consumption due to accelerated development of renewable energy at national level.

...there is no justification for limiting the variable component of the remuneration; such should incentivize not only the members of the Board but also the company and the Romanian state as majority shareholder.

In case limitation continues to be a topic, such limitation of the Board members' remuneration component should be strictly connected to the performance they assumed and exceeded and for which they shall receive the fixed remuneration, although it is a bit unusual in the field of managing private-owned companies or majority private-owned or even state-owned companies in Romania; therefore, we propose for this limitation to relate to an amount comparable to the amounts granted by other Romanian majority state-owned companies whose shares are listed on a regulated market even if such companies' activity is not comparable in terms of complexity and size with Romgaz's activity. In this respect, we propose to multiply by 3 the fixed annual remuneration.

In this respect, we propose to modify below-indicated paragraphs (5) and (7) of Article 18 regarding the value of subcomponents of the variable component, in line with the following principles:

- gradual differentiation of the value of the first variable subcomponent depending on KPI achievement level;
- increasing the upper limit of the second variable subcomponent which leads to the achievement of the indicator generated by the difference between net resulted profit as compared to the estimated one;

<p>3.</p>	<p>Art. 18, par. (5) – If during the relevant period of calculation, the Quarterly Global Indicator I_T is achieved 100% or more, 100% of the amount of the first quarterly tranche of the first variable subcomponent will be paid. If during the relevant period of calculation the quarterly global indicator I_T is achieved below 100%, only 75% of the amount of quarterly tranche of the first variable subcomponent will be paid.</p> <p>If at the end of the year, the Yearly Global Indicator I_A is achieved 100% or more, the Director will be paid the differences retained from the first part of the variable component related to the quarters when the Quarterly Global Indicator was below 100%.</p>	<p>Art. 18, par. (5) - If the Quarterly Global Indicator I_T is achieved:</p> <p>a) between 85.01 %- 100.00% <u>inclusive</u> during the period for which the calculation is made, the same percentage of the quarterly tranche of the first subcomponent of the variable component shall be quarterly paid. For the achievement of indicators below 85.00%, the members of the Board shall not benefit from the quarterly tranche of the first variable subcomponent of the variable component for the period in question.</p> <p>In case at the end of the year the Global Annual Indicator I_A is <u>100%</u> achieved, the difference retained from the first part of the variable quarterly component when the global quarterly indicator was below <u>100%</u> shall be paid to the Board member.</p> <p>b) between 100.01 % - 125.00% <u>inclusive</u>, during the period for which the calculation is made, 110% of the value of the first quarterly tranche of the first subcomponent of the variable component shall be quarterly paid.</p> <p>c) between 125.01 % - 150.00% <u>inclusive</u>, during the period for which the calculation is made, 125% of the value of the first quarterly tranche of the first subcomponent of the variable component shall be quarterly paid.</p> <p>d) more than 150.01 % during the period for which the calculation is made, the following shall be quarterly paid: 125% of the value of the first quarterly tranche of the first subcomponent of the variable component to which the percentage exceeding 150.01% is added.</p>
	<p>Art. 18, par. (7) - The second subcomponent of the variable component paid to the Non-Executive Directors will depend on objectives fulfilment, namely meeting the performance indicators annual target level, meaning the degree of achievement of annual global indicator I_A, and it shall be set at a level of 0.4% of the amount representing the difference between the actually achieved net profit and the estimated net profit for each financial year, but not more than the value of the fixed annual allowance determined according to Art. 16 of this agreement.</p>	<p>Art. 18, par. (7) The second subcomponent of the variable component paid to the Directors will depend on the fulfilment of objectives, namely meeting the performance indicators annual target level, meaning the degree of achievement of annual global indicator I_A, and it shall be set at a level of 0.4% of the amount representing the difference between the actually achieved net profit and the estimated net profit for each financial year, <u>but not more than 3x the value of the fixed annual remuneration determined according to Art. 16 of this agreement.</u></p>

For clarifying the types of expenditures which may be born by the Company in connection with the director's performance of mandate Agreement, below is the proposal to modify Article 19:

4.	<p>Art. 19. The expenses incurred by the Director for fulfilment of his mandate are paid based on supporting documents, in amount applicable to the Director General, including, without limitation: the accommodation, per-diem allowance, transportation and any other expenses related to fulfilling of the mandate, irrespective whether they were incurred locally or abroad, and use of inventory/fixed asset goods, including means of transportation and relating expenses required for performance of activity.</p>	<p>Art. 19. The expenses incurred by the Director for fulfilment of his/her mandate are paid based on supporting documents, in amount applicable to the Director General, including, without limitation: the accommodation, per-diem allowance, transportation and any other expenses related to fulfilling of the mandate, irrespective whether they were incurred locally or abroad, and by use of <u>inventory/fixed asset goods, including means of transportation and relating expenses</u> required for performance of activity.</p>
----	---	---

For ensuring stability and consequently for involving the director in the activity he/she performs in this quality, we propose to amend Article 37 as follows:

5.	<p>Art. 37 – If the Director is unexpectedly or unjustified dismissed, he/she has the right to receive from the Company a compensation for the non-performed term of the Director Agreement, regardless of the dismissal date, but not more than 12 monthly fixed allowances, determined as follows:</p> <p>a) If the Director is dismissed at any time before the beginning of the last mandate year, the Director will receive a compensation representing 12 monthly fixed allowances;</p> <p>b) If the Director is dismissed in his last contract year, the compensation will be paid consistent with the number of months left until the end of the mandate, but not higher than 6 monthly fixed allowances.</p>	<p>Art. 37 – If the Director is unexpectedly or unjustified dismissed, he/she has the right to receive from the Company a compensation for the non-performed term of the Director Agreement, regardless of the dismissal date, which is to be calculated as follows: <u>average of monthly income gained during the previous year multiplied by the number of outstanding months to the end of mandate, but not less than 12 months.</u></p>
----	---	---

In support of the above-mentioned, please find attached hereto the Report prepared by the specialised consultant Quest Advisor specifying the existing difference between Board

members' remuneration of international companies similar to Romgaz and the remuneration scheme currently implemented for S.N.G.N. Romgaz S.A. Board Members.

Proposals

In consideration of the foregoing, we seek the General Meeting of Shareholders' review and approval on the following items:

- to amend the Director's Agreement in accordance with the above-indicated amendments;
- to conclude an Addendum similar in substance to the one presented in the Annex hereto.

Board of Directors

Aurora NEGRUȚ
Chairman

**ADDENDUM TO THE DIRECTOR'S AGREEMENT
NO./2013**

Concluded today _____

I. Recital

Whereas:

- Government Decision No. 575/14 June 2001 on establishing Societatea Nationala de Gaze Naturale „ROMGAZ” – S.A. Medias;
- the provisions of GEO. No. 109/2011 on corporate governance of public companies (GEO. No. 109/2011 as subsequently amended and supplemented);
- the provisions of Law 31/1990 on companies, republished, as amended and supplemented, (Law No.31/1990);
- the provisions of GEO No. 79/2008 on economic-financial measures for certain business entities, approved with amendments and supplements by Law No.203/2009 as subsequently amended and supplemented, (GEO No. 79/2008);
- the updated Articles of Incorporation of Societatea Nationala de Gaze Naturale „ROMGAZ” – S.A. Medias, approved by Resolution of the General Meeting of Shareholders No. 11/26 July 2013;
- the provisions of the Terms of Reference of the Board of Directors approved by Resolution No. 7/26 March 2014 of S.N.G.N. "ROMGAZ" - S.A Board ("Terms of Reference");
- the provisions of Art. 1913 and following, as well as of Art. 2009 and following of the Civil Code;
- GMS Resolution No. 5/29 April 2013 to appoint as Company director with a mandate of 4 years;
- the provisions of art. 4, the final paragraph from the Director's Agreement No. 1952/2013 according to it "the criteria and the performance objectives are those proposed in the Governing Plan approved by the General Meeting of Shareholders"
- GMS Resolution No. of on approving the amendment of the contract concluded between the company and its directors;
- the provisions of art. 34 from the Director's Agreement no./....., allowing the amendment only by the written agreement of the signing parties, expresses in an addendum.

II. Contracting parties

Art. 1. Societatea Nationala de Gaze Naturale „ROMGAZ” – S.A., company managed in an one-tier system, having its headquarters at Piata Constantin Motas 4, Medias, Sibiu County, registered with the Trade Register Office of Sibiu Court under number J32/392/2001, IBAN account RO08RNCB0231019525330001 opened at BCR Medias, represented by Mr./Mrs. representative of the Shareholder in the General Meeting of Shareholders appointed by Resolution No. of the General Meeting of Shareholders, as **principal** ("the Company"),

and

Mr./Mrs., Romanian citizen, born on in....., domiciled in....., St, no....., district....., identified with identity card, series, number, personal numeric code (CNP) as director or **agent** (*Director/Agent*).

agreed to conclude an Addendum to the Director's Agreement no./2013, as follows:

Art. 1. The Director's Agreement is amended as follows:

1. Art.7 item 7.19 is amended and shall read as follows:

Art. 7

"7.19. to submit a semi-annual report in the General Meeting of Shareholders on the governing activity, which includes information on the performance of contracts of mandate of executive directors, details related to operational activities, company's financial performance and company's semi-annual accounting report";

2. Art.7 item 7.21 is amended and shall read as follows:

Art. 7

"7.21 to elaborate semi-annual reports that will include, without limitation, the level of fulfilment of performance criteria, considering the weighting of each index and its variation as compared to the established target level, reports that will be submitted for approval to the Company General Meeting of Shareholders".

3. Art. 12 is amended and shall read as follows:

"**Art. 12** The Director, together with the other Directors, is obliged to submit semi-annually and annually to the General Meeting of Shareholders, in a special sub-chapter, the legal instruments concluded under Art. 10, providing the following elements: the parties to the instrument, the date of execution and the nature of instrument, description of the scope, total value of the instrument, reciprocal debts, provided guarantees, terms and methods of payment and any other essential and material information related to such instruments, as well as any information required for establishing the effects of such instruments on the financial status of the Company".

4. Art. 18 par. (5) shall be amended and read as follows:

„Art. 18, par. (5) - If the Quarterly Global Indicator I_T is achieved:

- a) between 85.01 %- 100.00% inclusive during the period for which the calculation is made, the same percentage of the quarterly tranche of the first subcomponent of the variable component shall be quarterly paid. For the achievement of indicators below 85.00%, the members of the Board shall not benefit from the quarterly tranche of the first variable subcomponent of the variable component for the period in question.

In case at the end of the year the Global Annual Indicator I_A is 100% achieved, the difference retained from the first part of the variable quarterly component when the global quarterly indicator was below 100% shall be paid to the Board member.

- b) between 100.01 % - 125.00% inclusive, during the period for which the calculation is made, 110% of the value of the first quarterly tranche of the first subcomponent of the variable component shall be quarterly paid.
- c) between 125.01 % - 150.00% inclusive, during the period for which the calculation is made, 125% of the value of the first quarterly tranche of the first subcomponent of the variable component shall be quarterly paid.
- d) more than 150.01 % during the period for which the calculation is made, the following shall be quarterly paid: 125% of the value of the first quarterly tranche of the first subcomponent of the variable component to which the percentage exceeding 150.01% is added."

5. Art. 18 par. (7) shall be amended and shall read as follows:

„Art. 18, par. (7) - The second subcomponent of the variable component paid to the Directors will depend on the fulfilment of objectives, namely meeting the performance indicators annual target level, meaning the degree of achievement of annual global indicator I_A, and it shall be set at a level of 0.4% of the amount representing the difference between the actually achieved net profit and the estimated net profit for each financial year, but not more than 3x the value of the fixed annual remuneration determined according to Art. 16 of this agreement.”

6. Art. 19 shall be amended and shall read as follows:

„Art. 19. The expenses incurred by the Director for fulfilment of his/her mandate are paid based on supporting documents, in amount applicable to the Director General, including, without limitation: the accommodation, per-diem allowance, transportation and any other expenses related to fulfilling of the mandate, irrespective whether they were incurred locally or abroad, and by use of inventory/fixed asset goods, including means of transportation and relating expenses required for performance of activity.”

7. Art. 37 shall be amended and shall read as follows:

„Art. 37 - If the Director is unexpectedly or unjustified dismissed, he/she has the right to receive from the Company a compensation for the non-performed term of the Director Agreement, regardless of the dismissal date, which is to be calculated as follows: average of monthly income gained during the previous year multiplied by the number of outstanding months to the end of mandate, but not less than 12 months.”

Art. II.

This Addendum, including the Annex hereto, is an integral part of the Director's Agreement no. /2013.

Art. III.

The other provisions of the Director's Agreement no. /2013 remain valid and unchanged in terms of initial meaning agreed by the parties.

In witness whereof, we have concluded today _____, in _____ in 2 (two) original copies this Addendum to the Director's Agreement no. /2013; the parties state that each of them received a signed copy of this Addendum.

**Societatea Nationala de Gaze Naturale
„ROMGAZ” – S.A.**

Board member

Acting through:....., representative
of the shareholder
in the General Meeting of Shareholders
mandated by Resolution No. of the
Ordinary General Meeting of Shareholders