

No. 3163 / 12.01.2024

Submitted for the approval of the OGMS meeting dated 21-22 February 2024

REPORT

On the approval of the addendum to the mandate contract signed with the non-executive members of Transgaz' Board of Administration comprising the revised financial performance indicators and the empowerment of the representative of the General Secretariat of the Government to the GMS to sign on behalf of the company the addenda to the mandate contracts of the non-executive members of Transgaz' Board of Administration.

SUMMARY

By Resolution of the Ordinary General Meeting of Shareholders No. 8 of 6 December 2021, the financial and non-financial performance indicators annexed to the administrators' mandate contracts were approved and by Resolution of the Ordinary General Meeting of Shareholders No. 3 of 28 February 2022 and Resolution of the Ordinary General Meeting of Shareholders No. 1 of 12 January 2023, the revision of certain financial performance indicators was approved.

As a result of the legislative changes and of the new strategic directions for the company's development, the values of financial performance indicators valid for the calculation of the variable component of the BoA members' remuneration have altered. Therefore, the mandate contracts concluded with the administrators (non-executive members) will be amended by an addendum where the new values of the financial performance indicators are attached as annex.

PROPOSAL

In accordance with the provisions of Chapter IV art. 15 point 3 letter d) of the updated Articles of Incorporation, we submit the following for the approval of the Ordinary General Meeting of Shareholders:

- **the addendum to the mandate contract concluded with the administrators (non-executive members) where the revised financial performance indicators are attached as annex.**

- **the empowerment of the representative of the General Secretariat of the Government to the GMS to sign on behalf of the company the addenda to the mandate contracts of the non-executive members of Transgaz' Board of Administration.**

Detailed content

In accordance with the provisions of the Mandate Contract, the Mandatary receives a remuneration consisting of a fixed monthly allowance and a variable component.

During the application of the provisions of GEO 109/2011, as amended, in the form in force at the date of approval of the mandate contract, the gross fixed monthly allowance due to non-executive members of the Board of Administration may not exceed twice the average over the last 12 months of the average gross monthly salary income for the activity carried out according to the company's registered core business, at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment of the Mandatary and for the member of the Board of Administration who also fulfills the position of Director General, executive administrator, the gross monthly fixed allowance may not exceed 6 (six) times the average of the last 12 months of the monthly salary income for the activity carried out according to the company's registered core business, at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment of the Mandatary.

In case of modification and/or abrogation of the legal framework that imposes a certain maximum amount of the fixed monthly allowance, the parties will negotiate a new amount applicable to the gross fixed monthly allowance, according to the level of remuneration applicable for similar positions in Romania and other European countries in the same field of activity, and will conclude in this respect, within 30 days, an addendum to the Mandate Contract.

In addition to the gross fixed monthly allowance, the Mandatary has the right to receive a variable annual component of remuneration, considering the degree of fulfillment of the indicators approved by Resolution no. 8 of 06.12.2021 of the Ordinary General Meeting of Shareholders, which will be annexed to the addendum.

The rationale for the change in the value of some financial performance indicators is illustrated below:

In accordance with the provisions of Art. 9(1) letter c) of OG 26/2013 as amended:

"When substantiating the revenue and expense budgets, economic operators shall take into account, without being limited to, the following: ...

- c) the specific performance criteria and quantified objectives relating to the reduction of outstanding payments and receivables, the reduction of losses, the increase in profit,*

turnover and the increase in labour productivity, set out in the mandate contracts, established in correlation with the management strategy of the Board of Directors/Supervisory Board and the management plan of the directors/members of the management board of economic operators"

The level of the "**EBITDA**" indicator provided for in the Management Plan for 2024 approved by OGMS Resolution No 2/ 2023 will not be achieved because of the following factors:

- decrease in revenues from transmission services by **lei 180.890 thousand** mainly:
 - because of the transmission tariff approved by ANRE for the year 2023-2024 lower than the tariff estimated in the management plan, with a negative influence of lei 177.123 thousand related to the capacity booking component and with a negative influence of lei 113.345 thousand related to the commodity component of the transmission tariff;
- exceeding of the operating expenses provided for in the Management Plan for 2024 approved by OGMS Resolution no. 2 / 2023 determined mainly by:
 - increase of oil royalty expenses by lei 209.165 thousand lei due to the increase of the percentage rate for determining the oil royalty due by the company from 0.4% to 11.5% of the value of gross revenues from natural gas transmission and transit operations through the national transmission system, starting from 30 October 2023;
 - increase in monopoly tax expenses by lei 21.419 thousand lei due to the quantities of natural gas expected to be transported in 2024 being higher than the estimates used to substantiate the management plan.

The level of the "**Operating Expenses**" indicator provided for in the 2024 Management Plan approved by OGMS resolution No. 2 / 2023 will not be achieved mainly because of the following factors:

- increase of oil royalty expenses by lei 209.165 thousand due to the increase of the percentage rate for determining the oil royalty due by the company from 0.4% to 11.5% of the value of gross revenues from natural gas transmission and transit operations through the national transmission system, starting from 30 October 2023.
- increase in monopoly tax expenses by lei 21.419 thousand due to the quantities of natural gas expected to be transported in 2024 being higher than the estimates used to substantiate the management plan.

The level of the "**Net Debt Ratio**" indicator provided for in the Management Plan for 2024 approved by OGMS resolution No. 6/ 2021 will not be achieved mainly because of the non-achievement of the level of the "EBITDA" indicator provided for in the Management Plan for 2024 approved by OGMS resolution No. 2/ 2023, the factors being presented above.

The new values of the financial performance indicators that have undergone changes are shown in the table below:

Indicator		2024	2025
EBITDA	Draft REB 2024-2026	579.907	947.532
	Management Plan	801.888	951.217
	Differences	-221.981	-3.686
Operating expenses	Draft REB 2024-2026	1.486.728	1.614.088
	Management Plan	1.434.821	1.424.745
	Differences	51 907	189 343
Net debt ratio	Draft REB 2024-2026	5,5	5
	Management Plan	5	5
	Differences	0,5	-

In accordance with the provisions of Chapter IV, art. 15, point 3 let. d) of the updated Articles of Incorporation, the Nomination and Remuneration Advisory Committee submits for approval to the Ordinary General Meeting of the Shareholders the following:

- the Amendment to the Mandate Contract concluded with the administrators (non-executive members) which has as an annex, the revised financial performance indicators;
- the empowerment of the representative of the General Secretariat of the Government in the GMS to sign on behalf of the company the amendments to the mandate contracts of the non-executive members of the Board of administration of SNTGN "TRANSGAZ" SA).

Annex: Amendment to the Mandate Contract containing the financial performance indicators, revised.

Chairman of the Board of Administration

Petru Ion Văduva

**Addendum no. __ to
The Mandate Contract no. __ dated__**

Considering the provisions of:

- Company Law 31/1990, republished, as amended, hereinafter referred to as **Law 31/1990**;
- Government Emergency Ordinance 109/2011 on the corporate governance of public enterprises, as further amended and supplemented, hereinafter referred to as **GEO 109/2011**;
- Government Decision 722/2016 on the approval of the methodological norms for the application of provisions of GEO 109/2011, hereinafter referred to as GD 722/2016;
- Government Ordinance 26/2013 on strengthening financial discipline at the level of economic operators where the state or administrative-territorial units are sole or majority shareholders or hold directly or indirectly a controlling stake, as amended;
- art. 1.913 and the subsequent articles, and Art. 2.009 and the subsequent articles of Law 287/2009 on the Civil Code, as amended;
- Government Emergency Ordinance no. 68/2019 on the establishment of measures at the level of the central public administration and for the amendment and supplementation of normative acts,

as well as the following:

By Resolution of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. ... dated, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the financial and non-financial performance indicators were approved;

By Resolution of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. ... dated, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the variable component of the BoA executive members was approved;

By Resolution of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. ... dated, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the revision of financial performance indicators provided for in Transgaz' Administration Plan for the period 2021-2025 was approved;

The General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. __ dated __ __ decided that the present Addendum to the Mandate Contract no. __ dated _____, hereinafter referred to as the "**Mandate Contract**" shall be signed by the representative of the shareholders __ __ __ __ __ __;

The National Gas Transmission Company "Transgaz" S.A., headquartered in Medias, no. 1, C. I. Motas Sq., Sibiu County, tel./fax. 0269 803333 / 0269 803334, e-mail: cabinet@transgaz.ro, registered with the Trade Register, Sibiu Court of Law under no. J32/301/2000, VAT no.

RO/13068733, represented by _____, identified with __, hereinafter referred to as "**Company**" or "**Mandator**" as appropriate,

and

Mr. _____, Romanian citizen, born on _____, residing in _____, bearer of ID series _____ no _____ issued by _____ on _____, Personal no. _____, tel./fax. _____ / _____, e-mail: _____, as _____, hereinafter referred to as "**Mandatory**",

individually referred to as the Party and collectively as the Parties,

pursuant to art. 2 pt. 11 of GEO no. 109/2011 and of art. 12.1 of the Mandate Contract no. __ dated __, hereinafter referred to as the "**Mandate Contract**", have agreed to conclude this Addendum, hereinafter referred to as the "**Addendum**" and resolved as follows:

Art. 1. Object of the Addendum

1.1 The financial performance indicators set out in Annex 1 to Amendment No _____ to the mandate contract No _____ are amended as set out in Annex 1 to this Amendment.

Art. 2. Final provisions

2.1. This Addendum shall enter into force at the date of its execution by the Parties.

2.2. The other clauses of the Contract shall remain unchanged.

This Addendum was concluded today, __, in 3 (three) original counterparts, of which 2 (two) counterparts for the Mandator and 1 (one) counterpart for the Mandatory.

Mandator,
S.N.T.G.N. TRANSGAZ S.A.,

Mandatory,

by _____
empowered by the Resolution of the Ordinary General Meeting of the Shareholders no. _ dated _

The new values of the financial performance indicators that have changed are shown in the table below:

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	Management Plan	5	5
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