

## The White Chart of Transgaz' administration for the period 2017-2021

SNTGN Transgaz SA, a company listed on the Bucharest Stock Exchange for over 14 years, applies in a fair and transparent manner the best practices for the management of publicly traded companies regarding corporate governance and professional management, the company's management performance being analysed and assessed year after year through the achievement of the financial and non-financial key performance indicators approved by the Ordinary General Meeting of Shareholders (AGO) and included in the mandate contracts of the non-executive and executive administrators.

As the efficiency and competitiveness of an economic operator depend on the performance of its management and the correct implementation of good corporate governance mechanisms, based on the provisions of GEO no. 109/2011, private management has been implemented in the National Natural Gas Transmission Company TRANSGAZ SA since May 2013.

As state assets can and must be as efficient as privately managed assets, they must benefit from competent and professional management in order to create more value for the Romanian economy, to increase economic efficiency, to enhance market value, to eliminate waste and corruption and economic and financial bottlenecks and to optimize performance.

Transgaz was among the pioneers of a new stage of development in the national economy, being a pioneering company in the implementation of professional private management.

In this context, in view of the need to safeguard the country's energy security through the development of mega-projects aimed at facilitating the transmission of new natural gas resources discovered in the Black Sea, while keeping the cost of the natural gas transmission activity to a minimum, the company entered under professional private management at a crucial moment in its history.

Considering that 58.5097% of Transgaz' shares are owned by the Romanian State through the General Secretariat of the Government and 41.4903% by other shareholders (free-float), the corporate governance system within the company is well structured, efficient and allows for the implementation of compliance policies, the development of internal procedures regarding the activity, transparency and integrity, ensuring an efficient risk management, resources committed to the achievement of the assumed strategic objectives regarding operational efficiency, optimization of technological processes and sustainable development of the company.

The work of the non-executive administrators and that of the executive administrator (the Director General) for each financial year is assessed annually and approved by the company's shareholders in terms of the achievement of key performance indicators and strategic

objectives set in accordance with the provisions of GEO 109/2011. For each individual year, the *Nomination and Remuneration Committee Report, posted on the company's website*, provides detailed information on the achievement of the financial and non-financial Key Performance Indicators, as well as the amount of the due bonus in relation with the calculation method approved by the company's entire shareholding.

According to the annual financial statements, approved by the company's shareholders, during the period of the mandate 2017-2021, the company's achieved operating revenues are higher than those assumed under the Management Plan for 2017-2021, by 7%, i.e. by 495 million lei. Thanks to the management's effort in managing and reducing the company's expenses, the expenses incurred during the period 2017-2021 were reduced by 8%, i.e. by RON 507 million, compared to the level assumed under the Management Plan for the same period. This led to a 111% higher gross profit (RON 1,133 million) and a 109% higher net profit (RON 934 million) during 2017-2021 compared to the level assumed in the Management Plan for 2017-2021.

It is important to underline that Transgaz' management has been able to achieve these remarkable results notwithstanding the constraints posed by the context in which the company operates and conducts its business. The performance achieved by the company is the result of the company's responsible management in line with the objectives of its shareholders, the result of the effective implementation by the Director General, Mr. Ion Sterian, of a participatory overall management, focused on objectives such as: strategic redefinition of the company, managerial redesign, organisational discipline, responsible and efficient execution of tasks, technical-operational measures of organisational intervention.

Transgaz' management, selected in accordance with the provisions of GEO no.109/2011 on corporate governance of public companies, has undertaken an ambitious investment plan, estimated at Euro 3.2 billion, to ensure that in the next 10 years, the National Gas Transmission System (NTS) will meet the requirements of the European Green Deal for the upgrading and adjustment of the existing natural gas transmission infrastructure to the use of hydrogen and other green gases with a view to decarbonisation, the development of research on the possibility to accommodate the hydrogen mix in the NTS and ways to introduce it in the NTS.

The proposed investments will result in ensuring an adequate degree of interconnectivity with the neighbouring countries; creating regional gas transmission routes for the transport of natural gas from various new sources of supply; creating the necessary infrastructure to take over and transport natural gas from the Black Sea offshore blocks in order to exploit it on the Romanian market and on other markets in the region; extending the natural gas transmission infrastructure to improve the supply of natural gas to some undersupplied areas; creating an integrated single market at EU level.

SNTGN Transgaz SA is involved in the development of several strategic investment projects, consisting in the construction of gas pipelines for the transmission of natural gas, investments that confirm the regional scope of the company and its role as the first Romanian multinational company mainly controlled by the state.

As presented in the company's reports to the shareholders, investors and all other stakeholders, the achievements of Transgaz' management, bear the imprint of the investments

made, investments of strategic importance for increasing the energy security of Romania and the European Union, among which:

- Completion of the BRUA Phase 1 project - a project of strategic interest for Romania and Europe, an investment budgeted at Euro 479 million, of which Euro 179.32 million grant from the European Commission - implemented for Euro 397 million, which implies savings of 17%, i.e. Euro 82 million. This project was completed in November 2020 and allows for the access of the business environment and local communities to the natural gas needed for economic development and for increasing the inhabitants' welfare, under predictable conditions, while ensuring the maximum capacity available to the users of the natural gas transmission network from Romania to Hungary and Bulgaria; by implementing the BRUA Phase I project, Transgaz has fulfilled its commitments to the European Commission;
- Completion of the Ungheni-Chisinau gas pipeline (120 km) one month earlier than contemplated in the VESTMOLDTRANSGAZ privatization contract;
- The construction and commissioning during the last 3 years, in a complex and difficult socio-political and economic context, aggravated by the need to manage the negative impact of the SARS-CoV-2 pandemic, of approximately 1,000 km of natural gas pipeline, while the average km built and commissioned in the last 20 years is 130 km;
- Completion of the project "Developments of the NTS in the North-Eastern Area of Romania in order to improve the natural gas supply to the area and to ensure transmission capacities to the Republic of Moldova";
- Completion of the project "New developments of the NTS in order to take over gas from the Black Sea shore (Vadu -T1)";
- Replacement of GMS Isaccea 1 gas metering station;
- Completion of the project "Interconnection of the NTS with the international transmission system and reverse flow at Isaccea" - Phase 2 - Works at TN Şendreni - electrical installations and automation;
- Completion of the project "Reinforcement of the Romanian transmission system between Oneşti-Isaccea and reverse flow at Isaccea-Phase 2 (interconnection of the National Transmission System with the international system and reverse flow at Isaccea)- Phase 2 upgrading of CS Oneşti and upgrading of CS Siliştea;
- Other investment works included in the programme for the modernization, development and extension of the NTS.

SNTGN Transgaz SA actively contributes to maintaining Romania's energy security through the investments it has made and is making. These investments have increased the level of interconnection of our country with the neighbouring countries, allowed the development of the natural gas transmission network, and, just as importantly, allowed the development of strategic regional projects, such as Ungheni-Chisinau gas pipeline, the development, strengthening and diversification of the national and international collaboration and cooperation relations.

The strategic nature of Transgaz' investments was appreciated by institutional financial partners - EBRD bought a considerable block of shares in Vestmoldtransgaz, Transgaz' subsidiary which is developing the gas pipeline Ungheni-Chişinău in the Republic of Moldova. Thus, the institutional confidence that investors have in Transgaz, in the company's management, has increased and the company's confidence capital has also improved.

Beyond the figures, the projects that Transgaz develops bring added value and represent a definite investment in a sustainable future and lead to increased stakeholder and shareholder confidence in the ability and capacity of the company's administrators and management to develop and implement viable investment projects for the sustainable development of natural gas transmission infrastructure of our country.

SNTGN Transgaz SA is a company with a sound financial structure, which meets all the conditions for an ambitious development. The availability of own and attracted financial resources plays an important role in the development and implementation of as many investment projects as possible. SNTGN Transgaz SA is preoccupied, through sustained efforts, to obtain non-reimbursable financial support for the financing of investment projects with an impact on the modernization, upgrading and development of the NTS infrastructure, with a view to obtaining a financing mix that ensures the lowest cost in financing the development programme.

Considering that Transgaz it is a company listed on the BSE, with a majority state capital but also with a strong free-float shareholding, it is particularly important that the company's shareholders are not misinformed by the publication/dissemination of distorted information on the activity, performance, remuneration and declaration of assets and interests of Transgaz' Director General, Mr. Ion Sterian, who, by excellence, is an accomplished professional, recognized in the energy sector nationally and internationally, for his managerial, investment, financial and business performance obtained while managing the company with Transgaz today ranked 4th among Europe's transmission system operators (TSOs) in terms of the number of operated network km (14.300 km). (source: <https://entsog.eu>).

The vision of the company's management is to continue to act professionally, through effective management, to focus on meeting challenges and constraints, developing and modernising the national gas transmission infrastructure, being competitive and capitalising on the existing and future opportunities.

Having regard to the provisions of the Collective Labour Agreement applicable in SNTGN TRANSGAZ SA, as well as of Transgaz' Internal Rules of Procedure pursuant to which *"the salaries of employees with individual employment contracts and the allowances of executive directors with mandate contracts are confidential, the responsibility for keeping them confidential is borne both by the employer and the employees"*, based on the provisions of Law no.176/2010 on the integrity of public functions and dignities, as amended, SNTGN TRANSGAZ SA requested the National Integrity Agency to ensure the anonymization of all earnings achieved in Transgaz by the employees and executive directors.

Therefore, since 2019, the earnings of Transgaz executive directors' and employees' provided for in the declarations of assets were published anonymised both on the website of the National Integrity Agency and on Transgaz' website.

In order to achieve the objectives assumed on the basis of the mandate contract signed, the activity of Transgaz' Director General has been carried out transparently, in accordance with the legislation applicable to the sector of activity, in the interest of the company and its

performance, in a professional, competent manner, continuously pursuing effectiveness and performance, with good faith, loyalty and with the diligence of a good manager of the state's and other shareholders' assets, in the spirit of the best practices of corporate governance, respecting the standards of ethics and integrity.

This press release prefaces the work **"THE WHITE CHART OF TRANSGAZ' ADMINISTRATION DURING 2017-2021"**, document in preparation and which is intended by the company's director general and administrators to be a synthesis document, a scoreboard on how they acted to achieve the objectives of the entrusted and assumed mandate. The document will be subject to internal approvals and then posted on the company's website.

**"THE WHITE CHART OF TRANSGAZ' ADMINISTRATION DURING 2017-2021"** includes, on one hand, the strategic objectives established and approved for the company's administration during the period 2017-2021, and on the other hand, the organizational intervention measures undertaken by the company's management to achieve the assumed objectives and the results obtained.

SNTGN Transgaz SA will continue to invest in projects with high added value, in accordance with the commitments made to shareholders, to the Romanian State, to the European Commission and to external institutional partners. This pro-active and responsible, transparent, integral behaviour, together with the managerial performance that already characterizes all the works undertaken by the company, will contribute significantly to the increase in the company's market value, to the consolidation of the company's public and investment profile, to the increase in the company's management prestige and image capital at national and international level.

**COMMUNICATION DEPARTMENT**

e.mail: [comunicare@transgaz.ro](mailto:comunicare@transgaz.ro)