

No. 21516/12.03.2024

Submitted for approval to the OGMS dated 24 April 2024

## REPORT

**on the approval of the evaluation of the achievement of the financial and non-financial performance indicators for 2023 annexed to the non-executive administrators' mandate contracts**

## SUMMARY

**By Resolution 8 of 6 December 2021 of the Ordinary General Meeting of the Shareholders, the financial and non-financial performance indicators annexed to the non-executive administrators' mandate contracts were approved.**

**By Resolution 3 of 28 February 2022 of the Ordinary General Meeting of the Shareholders, the revision of some financial performance indicators was approved as submitted by the Board of Administration and endorsed by BoA Resolution 3/26.01.2022, by Resolution 10 of 7 December 2022 of the Ordinary General Meeting of the Shareholders, the revision of some key non-financial performance indicators was approved as submitted by the Board of Administration and endorsed by BoA Resolution 33/27.10.2022, and by Resolution 2 of 16 February 2023 of the Ordinary General Meeting of the Shareholders, the revision of some financial performance indicators was approved as submitted by the Board of Administration and endorsed by BoA Resolution 1/12.01.2023.**

**The consolidated version of the performance indicator targets is annexed to the non-executive administrators' mandate contracts.**

## PROPOSAL

**According to Art. 30 (7) corroborated with Art. 37 (2) of GEO 109/2011 on the corporate governance of public enterprises, as amended, and to Art. IX (2) of Law 187/2023 on the amending and supplementation of Government Emergency Ordinance 109/2011 on the corporate governance of public enterprises, the evaluation of the achievement of the financial and non-financial performance indicators for 2023 annexed to the mandate contracts of the non-executive administrators is submitted for approval to the Ordinary General Meeting of the Shareholders of Transgaz.**

## Detailed content

By BoA Resolution 29/06.10.2021 based on Report DG75262/05.10.2021, the Board of Administration approved **Transgaz Management Plan 2021-2025** with the indication of the revision of the financial and non-financial indicators as negotiated and approved at the General Meeting of the Shareholders.

By OGSM Resolution 8/06.12.2021, Art. 1, the financial and non-financial performance indicators for 2021-2025 annexed to the administrators' mandate contracts were approved.

The revision of some financial performance indicators was approved by OGMS Resolution 3/28.02.2022 and OGMS Resolution 2/16.02.2023, and the revision of some non-financial performance indicators was approved by OGMS Resolution 10/07.12.2022. The consolidated version of the performance indicators targets is annex to the administrators' mandate contracts.

Following the revision of some financial and non-financial indicators, by the BoA Resolution 8/09.03.2022, BoA Resolution 33/27.10.2022, and BoA Resolution 4/17.02.2023, the members of the Board of Administration approve the updated Transgaz Management Plan for 2021 - 2025.

According to Art. 30 (7), corroborated with the Art. 37 (2) of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, and to Art. IX (2) of Law 187/2023 on the amending and supplementation of Government Emergency Ordinance 109/2011 on the corporate governance of public enterprises, the evaluation of the achievement of the financial and non-financial performance indicators for 2023, annexed to the non-executive administrators' mandate contracts is submitted for approval to the Ordinary General Meeting of the Shareholders of Transgaz.

*Annexes:*

*Annex 1 - Financial performance indicators for the calculation of the variable component of remuneration – Achievements 2023;*

*Annex 2 - Non-financial performance indicators for the calculation of the variable component of remuneration – Achievements 2023;*

*Annex 3 – The substantiation of the financial performance indicators.*

## **BOARD OF ADMINISTRATION**

**Chairman of the Board**

**PETRU ION VĂDUVA**

**Annex 1**  
**to OGMS Report 21516/12.03.2024**

**Financial performance indicators for the calculation of the variable component of remuneration**

▪ **According to the updated Management Plan 2021-2025**

No.	Indicator	Objective	2023	
			Budgeted	Achieved
1.	<b>Outstanding payments</b>	Maintenance of the outstanding payments at zero.	0	0
2.	<b>Operating expenses</b> (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) <b>(thousand lei)</b>	Maintenance of the operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) at the level under the Management Plan.	1.296.063	1.025.167
3.	<b>Liquidity ratio</b>	Liquidity ratio to record values higher than 1	1	1,25
4.	<b>Net leverage rate</b>	Maintenance of a net leverage rate below the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022-2024, 5-2025	5,5	2,90
5.	<b>EBITDA</b> <b>(thousand lei)</b>	Achievement of the EBITDA target under the Management Plan.	377.921	560.105

**Annex 2**  
**to OGMS Report 21516/12.03.2024**

**Non-financial performance indicators for the calculation of the variable component of remuneration**

- **According to the updated Management Plan 2021-2025**

No.	Indicator	Objective	No.	2023		Achievement	
				Planned	Achieved		
<b>Operational</b>							
6	<b>Monitoring the Implementation and Investment Strategy</b>	<b>Achievement of the FID projects from the TYNDP (2022-2031)</b> $I = (\text{achieved} + \text{initiated actions}) / \text{proposed actions}$					
		<i>Development on the Romanian territory of the <b>Southern Transmission Corridor</b> for taking over the Black Sea gas</i>	6.1	<i>Construction 2023-2025</i> <i>The completion date depends on the upstream offshore projects implementation schedules.</i>	All design and permitting activities were completed and the works contract was signed. The incremental capacity process was completed successfully for the NTS entry/exit point to be established in the Tuzla area, where the gas from the Black Sea will reach the shore. On 16 March 2023, the gas transmission contracts concluded pursuant to the capacity booking procedure for the Tuzla Black Sea gas NTS entry/exit point were signed. On 16 June 2023 the works commencement order was signed.	100%	
		<i>Achievement of the pilot project for metering and using the hydrogen gas blending</i>	6.2	The design, execution and mounting of the installation of the pilot project related to the use of hydrogen gas blend and the studying of the influences on materials, metering systems and combustion equipment .	All activities related to the design, execution and the mounting of the installation of the pilot project for the use of the hydrogen gas blend and the studying of the influences on the materials, metering systems and	100%	

					combustion equipment were performed. Specific testing activities within the pilot project are on progress.	
7	<b>Increasing energy efficiency</b>	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	<b>0,44%</b>	100%
8	<b>Customer satisfaction</b>	Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)	8.1	8	<b>Achieved - 8</b> Report SMC/ 17930/29.02.2024 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2023	100%
9	<b>Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators</b>	Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection	9.1	1	The Memorandum of Understanding was signed between four gas transmission system operators in Central Europe (Transgaz - Romania, Gaz-System - Poland, Eustream - Slovakia and FGSZ - Hungary, on exploring the possibilities of decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO2.	100%
<b>Public service oriented</b>						
10	<b>Performance indicators related to the gas transmission service</b>	Achievement of the targets established in the Performance Standard for the gas transmission service (ANRE Order 140/2021 entered into force as at 1 October 2022).	10.1	$IP_0^1 \geq 90\%$	99,49%	100%
			10.2	$IP_1^1 \geq 90\%$	100%	
			10.3	$IP_1^2 \geq 95\%$	*	
			10.4	$IP_1^3 \geq 95\%$	*	
			10.5	$IP_1^4 \geq 95\%$	100%	
			10.6	$IP_1^5 \geq 95\%$	100%	
			10.7	$IP_2^1 \geq 95\%$	100%	
			10.8	$IP_3^1 \geq 95\%$	95,35%	
			10.9	$IP_3^2 \geq 95\%$	*	
			10.10	$IP_4^1 \geq 95\%$	*	
			10.12	$IP_5^1 \geq 98\%$	100%	
			10.12	$IP_5^2 \geq 98\%$	100%	
			10.13	$IP_6^1 \geq 98\%$	100%	
			10.14	$IP_6^2 \geq 98\%$	100%	

Corporate governance						
11	Optimization of internal/management control system	<p>Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises as subsequently amended.</p> <p><i>I = implemented standards/standards provided by Order 600/2018*100</i></p> <p>Implementation of the measures established in the SCIM Implementation Plan</p> <p><i>I = Implemented measures /proposed measures *100</i></p>	11.1	Development of the internal/management control system for maintaining it at a level considered compliant with the standards included in the Internal/Management Control Code.	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>- Monitoring Committee Decision 38/12.01.2023;</li> <li>- Monitoring Committee Decision 180/03.02.2023;</li> <li>- Monitoring Committee Decision 1522/10.10.2023;</li> <li>- Letter 5750/26.01.2023, sent to the General Secretariat of the Government, on the submission of the following SCIM reporting documents: Report to the Director-General on the Internal/Managerial Control System as at 31 December 2022, No 5754/26.01.2023; Centralising report on the implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as of 31 December 2022, no. DSMC/2260/11.01.2023.</li> </ul> <p>The data contained in the above mentioned documents are uploaded to the SGG SCIM IT Platform. By the email of 14.02.2023 the General Secretariat of the Government communicates the approval of the forms uploaded to the IT Platform.</p> <ul style="list-style-type: none"> <li>- Letter 2687/26.01.2024, sent to the General Secretariat of the Government on the submission of the following SCIM reporting documents: <ul style="list-style-type: none"> <li>▪ Report to the Director-General on the Internal/Managerial Control System as at 31 December 2023, No. 7138/26.01.2024;</li> </ul> </li> </ul>	100%

					<ul style="list-style-type: none"> <li>▪ Centralising report on the implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as of 31 December 2023, no. 7135/ 26.01.2024.</li> <li>- SCI/M Development Plan no. DSMC/14810/27.02.2023, updated for 2023;</li> <li>-Progress of the internal/management control system at Transgaz for 2022, no. DSMC/ 14799/ 27.02.2023;</li> <li>-Report on 2022 Transgaz performance monitoring no. DSMC/14821/ 27.02.2023;</li> <li>- The Board of Administration took note of Report DG/16707/03.03.2023 on the Progress of the SCI/M implementation and performance monitoring for 2022, by BoA Resolution 8/21.03.2023;</li> <li>- Report no. DSMC/30363/25.04.2023 to the Audit and Rating Committee on the specific activities of the Internal/Managerial Control System (including Risk Management) carried out in Q I.</li> <li>- Report no DSMC/95199/13.12.2023 to the Risk Management Committee on the internal managerial control system, H I 2023;</li> </ul>	
			11.2	Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>-Specification no. 43806/08.06.2021 for the design and implementation of the SCI/M web platform .</li> <li>The analysis, diagnosis, assessment of the Internal/Managerial Control System is</li> </ul>	100%

					<p>included in Chapter 2 of the Specifications.</p> <ul style="list-style-type: none"> <li>- Necessity report no. DSMC/61781/22.08.2023 on the budgeting of the product 'Automated Information System dedicated to the development, management and continuous monitoring of the Internal/Managerial Control System;</li> <li>-The implementation of the platform was postponed to 2024.</li> </ul>	
12	<p><b>Optimization of risk management process</b></p>	<p><i>Implementation of the requirements of Standard 8 of GSG Order no. 600/2018 for the approval of the internal/management Control Code of public entities as further amended. Moving to a 5-step risk assessment scale</i></p>	12.1	<p><i>Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process</i></p>	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>-EGR Decision 41/12.01.2023;</li> <li>-EGR Decision 179/03.02.2023;</li> <li>-EGR Decision 1523/10.10.2023;</li> <li>-2021-2025 Risk Management Strategy, no. DSMC/38586/19.05.2021 was approved by BoA Resolution 25/31.08.2021;</li> <li>- The meeting of the Board of Administration held on 21 March 2023 (BoA Resolution 8/21.03.2023) took note of Report No. DG/16736/03.03.2023 on the analysis of the specific objectives and action directions set out in the Programme for the implementation of the measures set out in the Risk Management Strategy, 2021-2025, analysed period august 2021-December 2022;</li> <li>-the revision of the Risk Management System Procedure is approved to introduce the five-step risk assessment matrix. The System Procedure rev1 ed.1 is in force as of 03.01.2024;</li> <li>- The employees in charge with risks in the organisational</li> </ul>	100%



					<p>structures were trained on the change to the use of the 5-step Tolerance Limit in the consultations held between 20.03.2022-28.06.2022 and in the professional counselling on risk management offered to the designated employees in charge with risks in Q I 2023.</p> <p>-for 2023 it was approved the 3-step risk tolerance limit no. DSMC/14823/27.02.2023, published at:</p> <p><a href="https://portal.intranet.tr/ansgaz.ro/zonapublica/scim/Forms/AllItems.aspx?web=1&amp;id=%2Fzonapublica%2Fscim%2FManagemetul%20riscurilor%2F6%2E%20Limita%20de%20toleranta">https://portal.intranet.tr/ansgaz.ro/zonapublica/scim/Forms/AllItems.aspx?web=1&amp;id=%2Fzonapublica%2Fscim%2FManagemetul%20riscurilor%2F6%2E%20Limita%20de%20toleranta</a></p>
			12.2	<p><i>Systematic analysis of risks associated with operational objectives at the level of organisational structures.</i></p>	<p><b>Achieved</b></p> <p>According to Letter 27517/10.04.2023 all organisational structures:</p> <ul style="list-style-type: none"> <li>-published the List of objectives, performance indicators, activities, risks for year 2023 in the dedicated section;</li> <li>-Registers of Risks, at the departments and the divisions, level for 2023;</li> <li>-Risk mitigation plans of measures, at the departments and divisions level for 2023;</li> <li>- according to Letter DSMC/91253/04.12.2023 all organisational structures published the revised registers of risk, December 2023 and the Risk Management Report for 2023 at the level of the divisions, independent units, independent departments and offices, regional offices, the Medias Subsidiary.</li> </ul>

			12.3	<p><i>Implementation of risk management policy, procedures and legal requirements and monitoring their application at company level.</i></p>	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>- the Register of the Risks at the company level 2022, no. DSMC/4709/29.12.2022, revised in December 2022;</li> <li>- the Register of the Risks at the company level for 2023, no. DSMC/14825/27.02.2023;</li> <li>- the Register of the Risks at the company level for 2023, Revised no. DSMC/14825/27.02.2023/22.12.2023;</li> <li>- Plan of measures to mitigate risks, at the company level, for 2023, no. DSMC/14806/27.02.2023;</li> <li>- Report on risk management and monitoring within the company, for 2022, no. DSMC/14802/27.02.2023;</li> <li>- The Board of Administration took note of Report DG/16733/03.03.2023 on risk management and monitoring at SNTGN Transgaz SA, by BoA Resolution 8/21.03.2023;</li> <li>- the risk profile, December 2022 DSMC/14823/27.02.2023;</li> <li>- Report to the Risk Management Committee on the evolution of risk management at SNTGN Transgaz SA, 2015 - H I 2023, registration no. DSMC/95202/13.12.2023..</li> </ul>	
13	<b>Timely reporting of the performance indicators</b>	Compliance with the legal deadlines for reporting <i>I = actual reporting deadlines/reporting deadlines provided *100</i>	13.1	Financial communication calendar to BVB	<p><b>Achieved</b></p> <p>(see the company's website) <a href="https://www.transgaz.ro/ro/calendar-financiar-2023">https://www.transgaz.ro/ro/calendar-financiar-2023</a></p>	100%
			13.2	Report on the status of achievement of the TYNDP	<p><b>Achieved</b></p> <p>Letter DSMC/14.335/23.02.2023</p>	

					Deadline 1 March 2023	
			13.3	<i>SCIM reporting</i>	<p><b>Achieved</b></p> <p>It was sent to the General Secretariat of the Government by Letter no. DSMC/5750/26.01.2023, entry no. SGG 2430/26.01.2023:</p> <p>-Centralized Progress Report on the implementation and development of the internal/management control system in SNTGN Transgaz SA on 31 December 2022;</p> <p>-Report on the internal/management control system on 31 December 2022.</p> <p>It was sent to the General Secretariat of the Government by Letter DSMC/7133/26.01.2024, GSG entry no. 2687/26.01.2024,</p> <p>- Centralized Progress Report on the implementation and development of the internal/management control system in SNTGN Transgaz SA on 31 December 2023;</p> <p>- Report on the internal/management control system on 31 December 2023.</p>	
			13.4	<i>Reporting related to the achievement of the performance indicators of the gas transmission service</i>	<p><b>Achieved</b></p> <p>-Letter 89648/24.11.2023</p> <p>ANRE report for gas year 2022-2023</p>	
			13.5	<i>Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011</i>	<p><b>Achieved</b></p> <p>- Letter 373/04.01.2023</p> <p>S1100 report for Half II 2022</p> <p>- Letter 48794/04.07.2023</p> <p>S1100 report for Half I 2023</p> <p>-Letter no. 2016/09.01.2024 report S1100 for H II 2023;</p>	
<b>14</b>	<b>2021-2025 NAS implementation</b>	Implementation of the measures established in the NAS	14.1	<i>Achievement of the objectives established in Integrity Plan for the implementation of the</i>	The measures set out in the Integrity Plan for the implementation of the 2021-2025 National Anti-	100%

		I = measures achieved within the deadline /proposed measures *100	Anti-Corruption Strategy 2021-2025	<p>Corruption Strategy for 2023:</p> <ul style="list-style-type: none"> <li>- preparation, submission to the GSG. and publication on the Intranet page of the Report on the implementation of the measures set out in the NAS 2021-2025 for 2022, at the level of S.N.T.G.N. Transgaz S.A.;</li> <li>- preparation, submission to the GSG and publication on the Internet page of the Report on the assessment of integrity incidents for 2022, at the level of S.N.T.G.N. Transgaz S.A.;</li> <li>-Updating the Transgaz Corruption Risk Register;</li> <li>- Updating, publication and submission to the GSG of the Transgaz Integrity Plan;</li> <li>- preparation and submission to the GSG of the Report on the progress of the implementation of the measures set out in the National Anti-corruption Strategy 2021-2025 for the first 9 months of 2023 (the 9-month National Anti-corruption Strategy evaluation was carried out for the evaluation of the NRRP);</li> <li>- Updating the mechanism for the protection of whistleblowers at the level of Transgaz S.N.T.G.N. S.A., according to EU Directive No. 2019/1937 and Law 361/2002 (PS 21 SMI and Decision 1846/2023);</li> <li>-updating the decision-making framework necessary for carrying out corruption prevention activities at Transgaz S.A. (Decision 1514/10.10.2023 and</li> </ul>	
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					<p>Decision 1515/10.10.2023);;</p> <ul style="list-style-type: none"> <li>-publishing the economic and performance indicators in open format;</li> <li>- conducting anti-corruption training (11 company employees participated); <ul style="list-style-type: none"> <li>- submission of the information required for the publication on the website of Transgaz S.A. of the documents on corporate governance, according to GEO 109/2011 as amended;</li> <li>- auditing the corruption prevention activity;</li> </ul> </li> <li>- participation in the working sessions of the Business Cooperation Platform organised by the Ministry of Justice within the NAS;</li> <li>- permanent updating of the database of companies that have not properly executed the contracts concluded with Transgaz S.A. and using it as a permanent working tool;</li> <li>- communicating and submission to the N.A.S. Technical Secretariat of the information requested and ensuring the participation of the designated persons in the working meetings/meetings held;</li> <li>- approval of the Competition Compliance Manual..</li> </ul>	
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**Note:** Given that in the period analysed there are no requests/notifications/complaints registered at the performance indicators of the gas transmission service marked \*, the indicators are met according to the Performance Standard requirements , but the degree of fulfilment of these indicators cannot be determined by mathematical calculation.

**Annex 3**  
**to OGMS Report 21516/12.03.2024**

**The substantiation of the financial performance indicators calculation according to the  
Management Plan 2021-2025**

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1	Operating revenue before balancing and the construction activity according to IFRIC12		1.712.546.185
2	Operating profit before balancing and the construction activity according to IFRIC12		102.893.803
3	Total operating costs less balancing and the construction activity according to IFRIC12	row 1-row 2	1.609.652.382
4	Employee costs		570.794.260
5	Technological consumption, materials and consumables used		148.201.016
6	Cost of royalty		55.285.137
7	Maintenance and transport		41.562.783
8	Taxes and duties due to the state		87.506.609
9	Other operating cost		238.492.440
10	Loss gain from impairment of receivables - Financial Statements - page 67	note 23	108.175.204
11	Loss / (gain) from write-down of inventories - Financial Statements - page 67	note 23	8.499.713
12	<b>Operating expenses less depreciation, balancing, the construction activity and provision for depreciation of assets and for risks and charges</b>	<b>sum(row 4 at row 9)-row 10-row 11</b>	<b>1.025.167.330</b>
13	Depreciation		<b>457.211.345</b>
14	<b>EBITDA</b>	<b>row 1 - (row 3 - row 13)</b>	<b>560.105.148</b>
15	Current assets		1.653.526.309
16	Current debts		1.327.945.168
17	<b>Liquidity ratio</b>	<b>row 15/ row 16</b>	<b>1,25</b>
18	Long-term loans		1.865.388.334
19	Short-term loans		432.316.032
20	Cash and cash equivalents		675.600.636
21	<b>Net leverage rate</b>	<b>(row 18+ row 19- row 20)/ row 14</b>	<b>2,90</b>