

No. 18867/06.03.2025

Submitted for approval to the OGMS dated 29-30 April 2025

REPORT

on the approval of the evaluation of the achievement of the financial and non-financial performance indicators for 2024 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, 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 and by Resolution No. 1 of the Ordinary General Meeting of Shareholders of 21 February 2024, the revision of financial performance indicators was approved in the form submitted by the Board of Administration and endorsed by the Decision of the Board of Administration No. 2/17.01.2024.

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, the evaluation of the achievement of the financial and non-financial performance indicators for 2024 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 financial performance indicators was approved by OGMS Resolution 3/28.02.2022, OGMS Resolution no. 2/16.02.2023 and OGMS Resolution 1/21.02.2024, 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 financial and non-financial indicators, by the BoA Resolution 8/09.03.2022, BoA Resolution 33/27.10.2022, BoA Resolution 4/17.02.2023 and BoA Resolution 7/22.02.2024, the members of the Board of Administration approved 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, the evaluation of the achievement of the financial and non-financial performance indicators for 2024, 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 2024;

Annex 2 - Non-financial performance indicators for the calculation of the variable component of remuneration – Achievements 2024;

Annex 3 – The substantiation of the financial performance indicators.

Petru Ion VADUVA
Chairman of the Board
BOARD OF ADMINISTRATION

Annex 1
to Report no. 18867/06.03.2025

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

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

No.	Indicator	Objective	2024	
			Budgeted	Achieved
1.	Outstanding payments	Keeping the outstanding payments to zero.	0	0
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) (thousand lei)	Keeping the operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) to the level assumed under the Management Plan.	1.486.728	1.366.591
3.	Overall liquidity ratio	The overall liquidity ratio to record values higher than 1	1	1,31
4.	Net leverage rate	Keeping a net leverage rate below the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022-2024, 5-2025	5,5	3,19
5.	EBITDA (thousand lei)	Achievement of the EBITDA target assumed under the Management Plan.	579.907	811.474

Annex 2

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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.	2024		Achievement
				Planned	Achieved	
Operational						
6	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from the TYNDP (2022-2031) <i>I = (achieved+initiated actions)/proposed actions</i>				
		Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas	6.1	Construction 2023-2025 The completion date depends on the upstream offshore projects implementation schedules.	On 16 June 2023, the works commencement order was signed. The work is being carried out according to the schedule.	100%
		Achievement of the pilot project for metering and using the hydrogen gas blending	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 combustion equipment were performed.	100%
7	Increasing energy efficiency	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	0,44%	100%
8	Customer satisfaction	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	Achieved - 8 Report no. SMC/20511/11.03.2025 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2024.	100%

9	Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators	<i>Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection</i>	9.1	1	Memoranda of Understanding were signed between gas transmission system operators in Central Europe (Transgaz - Romania, Gaz-System - Poland, Eustream - Slovakia and FGSZ - Hungary, SEEHyC) on exploring the possibilities of decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO ₂ .	100%
Public service oriented						
10	Performance indicators related to the gas transmission service	<i>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).</i>	10.1	$IP_0^1 \geq 90\%$	99,12%	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	$IP_1^4 \geq 95\%$	99,76%	
			10.6	$IP_1^5 \geq 95\%$	*	
			10.7	$IP_2^1 \geq 95\%$	100%	
			10.8	$IP_3^1 \geq 95\%$	98,46%	
			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	<i>Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises as subsequently amended. I = implemented standards/ standards provided by Order 600/2018*100 Implementation of the measures established in the SCIM Implementation Plan I = Implemented measures /proposed measures *100</i>	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.	Achieved -Monitoring Commission decision no.908/14.06.2024; -address to GSG 7133/ 26.01.2024, entry no. to GSG 2687/26.01.2024 regarding the submission of the following SCIM reporting documents: -Director General's Report on the Internal/Managerial Control System as at 31 December 2023, No. 7138/26.01.2024; Centralising report on the status of the implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as at 31 December 2023, no. 7135/ 26.01.2024. The data contained in the above documents are uploaded in the IT Platform SCIM-GSG (GSG communicates the approval of the forms uploaded in the IT Platform by e-mail on 23.02.2024). -SCI/M development program, updated for the year 2024, no. DSMC/20442/07.03.2024; -information on the state of implementation of the internal/managerial control system at Transgaz level, for the year 2023, no. DSMC/20390/ 07.03.2024;	100%

					<p>-Information on performance monitoring at Transgaz level for the year 2023, no. DSMC/20389/07.03.2024;</p> <p>-The Board of Administration has taken note of the Report no. DG/20396/07.03.2024 on the "Status of the implementation of the internal/managerial control system and performance monitoring", for the year 2022, by Decision of the BoA no. 14/20.03.2024;</p> <p>- Information report on the Risk Management Committee on the specific activities of the internal managerial control system carried out within SNTGN Transgaz SA in the first semester of 2024.</p>	
			11.2	Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).	<p>Achieved</p> <p>-Specification no. 43806/08.06.2021 for the design and implementation of the SCI/M web platform. The analysis, diagnosis, assessment of the Internal/Managerial Control System is included in Chapter 2 of the Specifications.</p> <p>- 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', no. DSMC/71170/27.08.2024;</p> <p>- The implementation of the platform was postponed to 2025.</p>	100%
12	Optimization of risk management process	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	12.1	Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process	<p>Achieved</p> <p>- EGR Decision no. 228/ 15.02.2024;</p> <p>- EGR Decision no.909/14.06.2024;</p> <p>- Risk Management Strategy , 2021-2025; no. DSMC/38586/ 19.05.2021 was approved by BoA Resolution no. 25/31.08.2021;</p> <p>- The meeting of the Board of Administration held on 20 March 2024 (BoA Resolution 14/20.03.2024) took note of Report No. DG/20398/07.03.2024 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 the year 2023";</p> <p>- 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 (information by the Internal newsletter on the posting of the procedure o the public domain);</p>	100%

				<p>-sending, through the Internal newsletter on 11.01.2024, to all organizational structures the document "Training on the implementation of the System Procedure PS 05 SMI ed.1 rev.1" which summarizes all the novel aspects brought by the 1st revision of the procedure, with emphasis on risk assessment in the 5-step risk matrix.</p> <p>- for the year 2024, the 5-step risk tolerance limit No DSMC/2851/12.01.2024 has been approved, disseminated by publication in the public domain: https://portal.intranet.transgaz.ro/zonapublica/scim/Managementul%20riscurilor/6.%20Limita%20de%20toleranta/7.%20Limita%20toleranta%20C8%9B%C4%83%202024%20Transgaz.pdf</p>
			12.2	<p><i>Systematic analysis of risks associated with operational objectives at the level of organizational structures.</i></p> <p>Achieved In accordance with Letter No. DSMC/2144444/11.03.2024 all organizational structures have posted in the dedicated area: -List of operational objectives, activities and risks, year 2024; -Risk Registers, at unit and department level, year 2024; - Plans of measures to minimize risks, at the level of units, departments, year 2024; - In accordance with Letter No. DSMC/91253/04.12.2023 all organizational structures have posted the revised Risk Registers, December 2023, and the Risk Management Report, year 2023 at the level of departments, independent units, independent divisions and offices, Territorial Operations, Mediaș Branch; - In accordance with Letter No. DSMC/99965/28.11.2024 all organizational structures have reviewed the risk registers, year 2024 and reported on risk management, year 2024. -Analysis of the Reports on the conduct of the risk management process, year 2024, submitted by the organizational structures.</p>
			12.3	<p><i>Implement Risk Management policy, procedures and legal requirements and monitor their application at company level.</i></p> <p>Achieved - Risk Register, company- level, 2023, no. DSMC/14825/ 22.12.2023, REVISED December 2023; -Risk Register, company- level, 2024, no. DSMC/ 20439/07.03.2024; -Risk Minimization Measures Plan, at company level, year 2023, no. DSMC/20444/07.03.2024; - Report on risk management and monitoring, within SNTGN Transgaz</p>

					<p>SA, for the year 2023, no. DSMC/12873/13.02.2024;</p> <p>-The Board of Administration took note of the Report no. DG/20388/07.03.2024 on risk management and monitoring within SNTGN Transgaz SA, by Resolution of the BoA no. 14/20.03.2024;</p> <p>-risk profile, December 2023 no. DSMC/2851/ 12.01.2024;</p> <p>- Informing the Risk Management Committee on the approval of the Tolerance Limit for the year 2024 and the Risk Profile, December 2023, no. DSMC/7931/30.01.2024</p> <p>- The submission to the Risk Management Committee, through Address No. 93751/07.11.2024, of the "Risk Management Report for the first semester of 2024", Registration No. DSMC/85426/11.10.2024;</p> <p>- REVISED Risk Register, at the company level, year 2024, registration no. DSMC/20439/07.03.2024/31.12.2024.</p>	
13	Timely reporting of performance indicators	Compliance with legal reporting deadlines I = actual reporting deadlines/ planned reporting deadlines *100	13.1	Financial communication calendar to BVB	Achieved (see company's website) https://www.transgaz.ro/ro/calendar-financiar-2024	100%
			13.2	Report on the implementation of the 10-year Development Plan of the National Gas Transmission System	Achieved Letter DSMC/14.323/16.02.2024 Term 1 March 2024	
			13.3	SCI/M reporting	Achieved - It was transmitted to the General Secretariat of the Government by letter no DSMC/ 7133/26.01.2024, entry no SGG 2687/26.01.2024, -Central Report on the status of implementation and development of the internal/managerial control system in SNTGN Transgaz SA, as of December 31, 2023; -Report on the internal/managerial control system as of December 31, 2023; It has been submitted to the General Secretariat of the Government by letter No. DSMC/ 5899/27.01.2025: -Centralizing Report on the status of implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as at December 31, 2024, no. 5899/27.01.2025; - Report on the internal/managerial control system as at December 31, 2024 No 5899/27.01.2025.	

			13.4	Reporting on the achievement of performance indicators of the natural gas transmission service	Achieved - letter no. 97388/19.11.2024 ANRE reporting for gas year 2023-2024	
			13.5	Report form S1100 on monitoring the implementation of the provisions of GEO 109/2011	Achieved - Letter no.2016/09.01.2024 S1100 reporting for the second semester 2023; - Letter nr.55962/03.07.2024 S1100 reporting for semester I 2024; - Letter no. 520/08.01.2025 S1100 reporting for semester II 2024.	
14	Implementation of the SNA 2021-2025	Implementation of measures foreseen in the SNA I = measures achieved on time / measures proposed*100	14.1	Achievement of the objectives set out in the Integrity Plan for the implementation of the National Anticorruption Strategy 2021-2025	Achieved The measures foreseen in the Integrity Plan for the implementation of the National Anti-Corruption Strategy 2021-2025, for the year 2024, have been achieved: - the elaboration, submission to the S.G.G. and publication on the Intranet page of the Report on the status of implementation of the measures foreseen in the SNA 2021-2025 for the year 2023, at the level of S.N.T.G.N. Transgaz S.A.; - preparation, submission to the S.G.G. and publication on the Intranet page of the Report on the assessment of integrity incidents for 2023, at the level of S.N.T.G.N. Transgaz S.A.; - The system procedure PS 06 SMI prevention of corruption was updated; - conducting an anti-corruption training activity (2 employees of the company - key positions in terms of whistle-blower protection in the public interest); - the necessary steps were taken to implement the provisions of Law no. 361/2022 on the protection of whistle-blowers in public interest and PS 21 SMI on the protection of whistle-blowers in public interest, regarding the display of reporting channels and the person designated with the enforcement of the law (poster, report elaboration and approval, transmission to the concerned Departments, E.T.s, Branch); - Participation of 2 persons from D.I.G. in the webinar "Artificial Intelligence - ethics and integrity"; - participation, within the Business Cooperation Platform organized by the Technical Secretariat of the SNA, in the Working Group on	100%

					<p><i>the second phase of Romania's evaluation by the O.C.D.E.-;</i></p> <ul style="list-style-type: none"> - <i>Participation, within the framework of the Business Cooperation Platform organized by the Technical Secretariat of the SNA, in three working meetings.</i> - <i>the necessary steps were taken to implement the provisions of Law no. 361/2022 on the protection of whistleblowers acting in the public interest and PS 21 SMI on the protection of whistleblowers acting in the public interest, concerning the display of reporting channels and the person designated with the application of the law (poster, report elaboration and approval, transmission to the Departments concerned, T.E., Branch);</i> - <i>permanent updating of the database of companies that have not properly executed the contracts concluded with SNTGN Transgaz SA and its use as a permanent working tool.</i> 	
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Note: given that during the period under review there were no requests/complaints/complaints registered for the performance measurement indicators of the Natural Gas Transmission Service marked with *, it follows that the indicators are met in accordance with the requirements of the Performance Standard, but the degree of compliance with these indicators cannot be determined by mathematical calculation.

Annex 3
to Report no. 18867/06.03.2025

SUBSTANTIATION OF THE FINANCIAL PERFORMANCE INDICATORS CALCULATION

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		2.105.068.746
2	Operating profit before balancing and the construction activity according to IFRIC12		341.019.954
3	Total operating costs less balancing and the construction activity according to IFRIC12	row 1-row 2	1.764.048.792
4	Employee costs		626.692.761
5	Technological consumption, materials and consumables used		146.810.051
6	Cost of royalty		224.732.303
7	Maintenance and transport		58.583.894
8	Taxes and duties due to the state		89.534.186
9	Other operating cost		213.035.070
10	Loss gain from impairment of receivables - Financial Statements - page 67	note 23	-18.237.158
11	Loss / (gain) from write-down of inventories - Financial Statements - page 67	note 23	11.034.501
12	Operating expenses less depreciation, balancing, the construction activity and provision for depreciation of assets and for risks and charges	sum (row 4 at row 9)-row 10-row 11	1.366.590.922
13	Depreciation		470.453.678
14	EBITDA	row 1 - (row 3 - row 13)	811.473.632
15	Current assets		1.924.409.287
16	Current debts		1.471.506.430
17	Liquidity ratio	row 15/ row 16	1,31
18	Long-term loans		3.253.799.769
19	Short-term loans		331.112.038
20	Cash and cash equivalents		993.071.864
21	Net leverage rate	(row 18+ row 19- row 20)/ row 14	3,19