

No.21194/19.03.2021

Submitted for approval in the OGMS from 27/28 April 2021

REPORT

on the approval of the Amendment to the Mandate Contract signed with non-executive members of the Board of Administration of SNTGN "Transgaz" SA, which includes revised financial performance indicators for 2021 and empowering 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

SUMMARY

By the Decision of the Ordinary General Meeting of Shareholders of S.N.T.G.N. "TRANSGAZ" S.A. no. 1 dated 27.04.2017, the mandate of the administrators Ion Sterian, Petru Ion Văduva and Bogdan George Iliescu was renewed, and by the Decision of the Ordinary General Meeting of Shareholders of S.N.T.G.N. "TRANSGAZ" S.A. no. 13 of 28.12.2017, Mr. Minea Nicolae and Mr. Lăpușan Remus Gabriel were appointed administrators.

In accordance with the provisions of article 11, paragraph 6 of GEO no. 68/2019 published in the Official Gazette no. 98 / 06.11.2019 "exercising the rights and fulfilling the obligations related to the quality of shareholder held by the Romanian state in the National Natural Gas Transmission Company „Transgaz”- S.A. Mediaș is carried out by the General Secretariat of the Government.

In accordance with the provisions of GEO 109/2011, with subsequent amendments, the mandatory benefits from a remuneration consisting of a fixed monthly allowance and a variable component.

The gross monthly fixed 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 main object of activity registered by the company, 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 Mandatory 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 main object of activity registered by the company, 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 Mandatory.

In addition to the gross monthly fixed allowance, the Mandatary has the right to receive a variable annual component of remuneration established on the basis of financial and non-financial performance indicators approved by the Decision of the Ordinary General Meeting of Shareholders of S.N.T.G.N. "TRANSGAZ" S.A. no. 12 of 19.12.2017 and revised according to the Decision of the Ordinary General Meeting of Shareholders of S.N.T.G.N. "TRANSGAZ" S.A. no. 2 of 06.03.2018, Decision of the Ordinary General Meeting of Shareholders of S.N.T.G.N. "TRANSGAZ" S.A. no. 3 of 16.05.2019 and the Decision of the Ordinary General Meeting of Shareholders of S.N.T.G.N. "TRANSGAZ" S.A. no. 2 of 04.03.2020.

PROPOSAL

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

- **the Amendment to the Mandate Contract concluded with the administrators (non-executive members) which has as an annex the revised financial objectives and performance indicators;**
- **the empowerment of a representative of the shareholders to sign on behalf of the company the amendments to the mandate contracts of the administrators (non-executive members).**

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, with subsequent amendments, 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 main object of activity registered by the company, 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 main object of activity registered by the company, 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 Amendment to the Mandate Contract.

The fixed remuneration will be paid to the Mandatary on the last working day of the month for which it is due.

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 Decision no. 12 of 19.12.2017 of the Ordinary General Meeting of Shareholders, which will be annexed to the Amendment.

In 2020, the revision of the financial performance indicators was proposed and it was approved by the Decision of the Ordinary General Meeting of Shareholders of S.N.T.G.N. "TRANSGAZ" S.A. no. 2 of 04.03.2020.

In 2021, following the legislative changes and the new strategic directions of development of the company, the values of financial performance indicators valid for calculating the variable component of the remuneration of the members of the Board of Administration have changed. The Nomination and Remuneration Advisory Committee proposes a new revision of key financial performance indicators, as follows:

Indicator		2021
EBITDA	2021 IRB Project	399.780
	Updated management plan 2020	552.922
	Differences	- 153.142
Immediate liquidity rate	2021 IRB Project	0,91
	Updated management plan 2020	>1

The justification for the change in the value of some financial performance indicators is given below:

In accordance with the provisions of Art. 9 paragraph (1) letter c) of Government Ordinance 26/2013 with subsequent amendments and completions:

"When substantiating revenue and expenditure budgets, economic operators shall consider, but are not limited to, the following: ...

c) specific performance criteria and quantified objectives for reducing outstanding payments and receivables, reducing losses, increasing profit, turnover, and increasing labor productivity, provided in the mandate contracts, established in correlation with the strategy of the Board of Administration/The Supervisory Board and the management plan of the directors/members of the Board of Economic Operators";

The level of the EBITDA indicator provided in the Management Plan for 2021 approved by OGMS Decision no.12/2017 and revised by OGMS Decision no.2/2018, OGMS Decision no.3/2019 and OGMS Decision no.2/2020 was mainly affected by the following factors:

- decrease in revenue from transport services by lei 296,950 thousand, mainly due to:
 - non-approval by ANRE of the proposal regarding the recognition in advance in the regulated income of 2020-2021, within the CAPEX component, of the investment expenses with the project connecting the Black Sea with an impact of lei 118 million;
 - non-acceptance by ANRE of Transgaz' proposal regarding the recovery of the regulated income correction component for a period of four years with an impact of lei 94 million;
 - introduction by Law no. 155/24 July 2020 for the amendment and completion of the Law on electricity and natural gas no. 123/2012 and regarding the amendment and completion of other normative acts until the publication of Law no. 244 of 9 November 2020 on the approval of the Government Emergency Ordinance no. 103/2020 for the extension of the term of application of the measures provided by the Government Emergency Ordinance no. 26/2018 on the adoption of measures for the security of electricity supply, of the ban on recovering the royalty expenses through the approved regulated income with an impact of lei 22.8 million.

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 the following:

- **the Amendment to the Mandate Contract concluded with the administrators (non-executive members) which has as an annex the revised financial objectives and performance indicators, the consolidated version of the targets of the key performance indicators;**
- **empowering a representative of the shareholders to sign on behalf of the company the amendments to the mandate contracts of the administrators (non-executive members).**

Annex: Amendment to the Mandate Contract containing the key financial performance indicators revised and endorsed by the Decision of the Board of Administration of 22 March 2021.

CHAIRMAN OF THE BOARD OF ADMINISTRATION

LĂPUȘAN REMUS GABRIEL

**Amendment no. ___ to
The Mandate Contract no. ___ from ___**

Considering the provisions of:

- Company Law 31/1990 on companies, republished, as further amended and supplemented, 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 some provisions of GEO 109/2011, hereinafter referred to as GD 722/2016;
- Government Ordinance 26/2013 on strengthening financial discipline at the level of some economic operators where the state or administrative-territorial units are unique or majority shareholders or hold directly or indirectly a majority share, as further amended and supplemented;
- art. 1.913 and the subsequent articles, and Art. 2.009 and the subsequent articles of Law 287/2009 on the Civil Code, as further amended and supplemented;
- Government Emergency Ordinance no. 68/2019 regarding the establishment of measures at the level of the central public administration and for the modification and completion of some normative acts,

as well as the following:

By the Decision of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. 12 dated 19.12.2017, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, with subsequent amendments and completions, **key financial and non-financial performance indicators** was approved;

By the Decision of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. 2 dated 06.03.2018, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, with subsequent amendments and completions, the modification of the fixed remuneration was approved, as well as the establishment of the variable component;

The General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. ___ dated _____ decided that the present Amendment to the Mandate Contract no. ___ dated _____, hereinafter referred to as the "**Mandate Contract**" 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, by the General Meeting of the Shareholders, represented by _____, identified with _____, hereinafter referred to as "**Company**" or "**Mandator**" as the case may be

and

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

individually referred to as the Party and collectively 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 Amendment, hereinafter referred to as the "**Amendment**",

Art. 1. Object of the Amendment

1.1. The key financial performance indicators provided in annex no. 1 to the Amendment no. _____ to the Mandate Contract no. _____, is amended according to annex 1 to this Amendment.

Art. 2. Final Provisions

2.1. The present Amendment shall enter into force on the date of its signature by the Parties.

2.2. The other clauses of the Contract remain unchanged.

The present Amendment act was concluded today, _____, in 3 (three) 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 Decision of the Ordinary General Meeting of the Shareholders no. _____ dated _____

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

Indicator		2021
EBITDA	2021 IRB Project	399.780
	Updated management plan 2020	552.922
	Differences	- 153.142
Immediate liquidity rate	2021 IRB Project	0,91
	Updated management plan 2020	>1