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Submitted for the analysis and approval of the Ordinary General Meeting of the Shareholders dated 25/26.09.2024

Report

On the approval of the Rules of organization and procedure of Transgaz' Board of Administration

SUMMARY

Considering:

- **Government Emergency Ordinance no 109/2011 on the corporate governance of public enterprises as amended and supplemented**
- **Transgaz' updated Articles of Incorporation,**

the update of the provisions of the Rules of organization and procedure of the Board of administration (ROP) was required. These ROP submitted for approval include provisions related to the organization, operation, structure, operating procedure (convening, meeting preparation and conduct) liabilities and responsibilities of the members of Board of Administration.

PROPOSAL

Based on the provisions of Chapter IV, art. 15, point 3, letter j of TRANSGAZ' updated Articles of Incorporation, the Rules of Organization and Procedure of the Board of Administration of Transgaz, are submitted to the Ordinary General Meeting of Transgaz' Shareholders, for analysis and approval.

The detailed content of the Report

The Board of Administration of the National Gas Transmission Company TRANSGAZ SA operates based on the provision of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the companies' Law no. 31/1990, republished as amended from time to time, TRANSGAZ' updated Articles of Incorporation, the corporate governance code of the Bucharest stock exchange and the Rules of organization and procedure.

According to art 142 of Companies' Law no. 31/1990, republished as amended from time to time, the Board of Administration has to execute every necessary act for the performance of the company's activities, except for the ones under the competence of the General Meeting of the Shareholders, according to the law.

TRANSGAZ is managed by a Board of Administration comprising 5 members, most of the members of the Board of Administration are independent and non-executive administrators being chaired by a Chairman.

The Board of Administration delegated the management of the company to a Director-General who is also an administrator, thus becoming an executive administrator.

Each of the administrators signed a mandate contract with TRANSGAZ, contemplating *inter alia* the rights and obligations of the administrator (mandatary).

According to the applicable legal provisions five advisory committees were established within the Board of Administration, as follows:

1. The Nomination and Remuneration Committee;
2. The Audit Committee;
3. NTS Regulatory, Safety and Security Committee;
4. Corporate Governance and Sustainability Committee;
5. The Risk Management Committee.

These advisory committees operate according to the Internal Rules of organization and procedure of the advisory committees established within the Board of Administration.

According to the provisions of TRANSGAZ' Articles of Incorporation, the Board of Administration operates based on the Rules of organization and procedure and on the applicable legal regulations.

By amending the Emergency Ordinance No 109 dated 30 November 2011 on the corporate governance of public undertakings several amendments were made with respect to the organization, competence and responsibilities of the Board of Administration and of the Advisory Committees, which led to the amendment of the Rules of organization and procedure of the Board of Administration.

Annex 1: The Rules of organization and procedure of Transgaz' Board of Administration.

Chairman of the Board of Administration

Petru Ion Vaduva

*Rules of organization and procedure of the
Board of Administration*

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CHAPTER I

General provisions

Article 1.

- 1) The Board of Administration of the National Gas Transmission Company TRANSGAZ SA operates based on GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the companies' Law no. 31/1990, republished as amended from time to time, TRANSGAZ' Incorporation Act as approved by G.D. 334/2000, TRANSGAZ updated Articles of Incorporation, and these Rules of organization and procedure.
- 2) TRANSGAZ is managed by a Board of Administration having having full power to carry out all acts necessary for the successful accomplishment of the company's core business, except for matters that fall within the competence of the General Meeting of Shareholders as provided for in the Articles of Incorporation, as updated, and/or in the relevant legislation.

CHAPTER II

Organization and structure of the Board of Administration

Article 2.

- 1) The Board of Administration shall comprise 5 members. Most of the members of the Board of Administration are independent and non-executive administrators, in the light of art. 138² of Law no. 31/1990 – Companies' Law, republished, as amended from time to time and of art 28, para. 6 of GEO no. 109/2011 on corporate governance of public enterprises, as amended.
- 2) The members of the Board of Administration shall be appointed by the Ordinary General Meeting of the Shareholders for 4 years, based on the proposal of the selection and nomination committee, which submits to the public supervisory authority, with a view to making proposals for appointment to the general meeting of shareholders, a short list for each position of administrator of the public undertaking, based on the selection criteria made public by means of a public announcement, in the order of the ranking of the candidates for the relevant position. The members of the board of administration shall be appointed by the general meeting of shareholders from the short list of candidates drawn up by the selection and nomination committee. If the short list contains only one candidate, that candidate shall be proposed for the position. Where there is more than one candidate on the short-list, the appointment to the position shall be in the order of

ranking. If there are no candidates on the short-list or if no candidate qualifies, the selection process will be repeated.

- 3)** The procedure for the selection of the members of the Board of Administration shall be finalized no later than 150 days from the date of approval of the resolution of the General Shareholders' Meeting on the initiation of the procedure, according to the legal applicable procedures.
- 4)** The shareholders, including the public supervisory authority may recommend candidates for the board of administration, who fulfill the conditions provided for in the relevant legislation. The recommended candidates shall undergo the selection procedure as stipulated above.
- 5)** The Board of Administration shall adopt within 90 days from its appointment, a Code of ethics which is published, by the diligence of the chairman of the board of administration on the company's web page and is revised annually, if applicable, with the approval of the internal auditor and then republished on the 31st of May of that current year.
- 6)** Within maximum 30 days from its appointment the board of administration shall prepare a proposal for the administration component of the management plan, with respect to the achievement of the financial non-financial performance indicators.
- 7)** The administration component shall be supplemented by the management component prepared according to the provisions of Article 36 para. (1) and approved pursuant to Article 36 para. (3) of GEO 109/2011. The management plan shall be submitted for review and approval to the company's board of administration within the timeframe provided for in Article 36 para. (3) of GEO 109/2011.
- 8)** Within 5 days from the approval of the management plan, in full, the General Meeting of Shareholders shall be convened by the Chairman of the Board of Administration to negotiate and approve the key performance indicators, as approved in advance by the Agency for Monitoring and Evaluation of the Performance of Public Enterprises, derived from the management plan, starting from the level of key performance indicators assumed under the statements of intent prepared by the appointed administrators. The indicators negotiated and approved by the general meeting of shareholders shall be communicated to the Agency for Monitoring and Evaluation of the Performance of Public Enterprises, within 15 days from their approval, for final endorsement and inclusion in the scoreboard.
- 9)** The administrators' activity shall be evaluated on an annual basis by the General Meeting of the Shareholders with the support of experts in such evaluation, as appropriate. The assessment refers both to the execution of the mandate contract and of the management plan.
- 10)** The administrators' evaluation reports shall be submitted to the Agency for Monitoring and Evaluation of the Performance of Public Enterprises within 15 days from the date of

the general meeting of shareholders approving such reports and shall be used in future procedures for the renewal of the term of office of the administrators thus evaluated.

- 11)** At the request of shareholders owning, individually or jointly, at least 5% of the subscribed and paid-up share capital, the board of administration shall convene a general meeting of shareholders to elect the members of the board of administration by cumulative voting. If the request is made by shareholders owning more than 10% of the share capital of the public undertaking, the board of administration shall convene the general meeting of shareholders with this item on the agenda, in which case the cumulative voting procedure shall be mandatory.

Under the cumulative voting procedure, each shareholder shall have the right to allocate his cumulative vote, obtained by multiplying the votes held by the number of members who will form the board of administration to one or more candidates proposed for the board of administration.

Any of the shareholders may submit written proposals to the Board of Administration for the application of the cumulative voting procedure within 15 days from the date of publication in the Official Journal of Romania, Part IV, of the notice convening the general meeting of shareholders which has on its agenda the election of the members of the Board of Administration.

By cumulative voting, shareholders vote cumulatively in favor of one or more candidates. Shareholders shall indicate the number of votes for each candidate individually.

Where the cumulative voting procedure is chosen, the members of the Board of Administration in office at the date of the vote shall be included in the list of candidates for appointment as members of the Board of Administration, together with the candidates proposed by the shareholders.

All persons on the list of candidates shall be subject to a vote of the shareholders within the general meeting of shareholders.

The members of the board of administration in office at the date of the general meeting of shareholders who are not reconfirmed by cumulative voting as members of the board of administration shall be considered to be removed from office by resolution of the general meeting of shareholders. Where administrators are removed from office as a result of the cumulative voting procedure, such removal shall not be considered as an unjustified removal and the public undertaking shall not be liable for damages.

The term of office of the members of the board of administration in office at the date of the general meeting of shareholders where the cumulative voting procedure was followed shall be carried forward in case of their reconfirmation in office by means of this voting procedure.

The persons who have received the most cumulative votes at the date of the general meeting of shareholders shall comprise the board of administration.

Where two or more candidates obtain an equal number of cumulative votes, the candidate voted by a greater number of shareholders shall be elected as a member of the board of administration. The criteria for the selection of members of the board of administration where there is an equality of cumulative votes cast by the same number of shareholders shall be determined by the general meeting of shareholders and shall be specified in the minutes of the meeting

- 12)** The members of the Board of Administration may be shareholders.
- 13)** The Board of Administration shall be presided over by a Chairman elected by it from its members.
- 14)** The Chairman of the Board of Administration shall be appointed for a period no longer than the duration of its mandate as administrator.
- 15)** The Chairman of the Board of Administration shall be TRANSGAZ' Director-General.
- 16)** The Chairman of the Board of Administration may be revoked by the Board of Administration, in compliance with the applicable laws.
- 17)** The Chairman shall coordinate the activities of the Board, report to the General Meeting of the Shareholders and ensure the proper management of the company.
- 18)** If it is temporarily impossible for the Chairman to meet his responsibilities, the Board of Administration shall appoint, during the relevant period, another administrator to act as Chairman.
- 19)** In case of vacancy of one or more administrator positions, the shareholders, including the state shareholder, through the public supervisory authority, shall convene the general meeting of shareholders in order to appoint one or more interim administrators, who shall have a mandate until the selection procedure has been completed, according to the law. Shareholders, including the shareholder - the State, through the public supervisory authority, will be able to submit candidate proposals to the general meeting of shareholders.

The term of office shall be maximum 5 months, with the possibility of extension, only once, for 2 additional months, for justified reasons, the provisions of art. 28 para. (3) of Government Emergency Ordinance no. 109/2011, approved as amended, shall apply accordingly.

If the procedure for the selection and appointment of the permanent administrator(s) is completed before the expiry of the period for which the interim administrator has been appointed, the permanent administrator(s) shall be appointed immediately by the general meeting of shareholders and the term of office of the interim administrator(s) shall end.

The term of office of the interim administrator shall terminate by operation of law upon expiry of the period of 7 months, unless the interim administrator's term of office has been extended in accordance with the provisions of Article 29¹ para. (3) of Government

Emergency Ordinance no. 109/2011, and in any case upon expiry of the 12 months' period for the interim of the same position. The Supervisory Public Authority shall request the General Shareholders' Meeting to declare the termination of the term of office, in accordance with the law.

Article 3.

In the exercise of their mandate, the administrators may not conclude labor contracts with the company; however, they shall exercise their mandate according to the prudence and diligence of an efficient administrator based on the Mandate Contract concluded with the Company.

If the administrators were appointed from the employees of the company, their employment contract is suspended over the term of the mandate.

Article 4.

1) The members of the Board of Administration:

a. Shall be elected for a period of 4 years and revoked by the General Meeting of the Shareholders, according to the applicable laws;

b. Shall be remunerated as follows:

➤ The remuneration of the non-executive members of the Board of Administration shall consist of a fixed monthly compensation. The fixed monthly compensation shall not exceed 3 times the mean of the average gross monthly salary for the last 12 months in relation with the activity performed according to the company's core business at the class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment.

The remuneration level is proposed by the remuneration committee of the board of administration or the supervisory board of the public undertaking, endorsed by the Agency for Monitoring and Evaluation of the Performance of Public Enterprises and approved by the general meeting of shareholders, taking into account private sector benchmarks and the complexity of the operations carried out by the public undertaking.

➤ The remuneration of the executive members of the Board of Administration shall consist of a fixed monthly compensation and a variable compensation. The fixed monthly compensation shall not exceed 3 times the mean of the average gross monthly salary for the last 12 months in relation with the activity performed according to the company's core business at the class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment. The fixed monthly component of the executive members of the Board of Administration may

exceed 3 times, but not more than 6 times, the mean of the average gross monthly salary for the last 12 months in relation with the activity performed according to the company's core business at the class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics for the monthly periods when the company cumulatively meets at least the following conditions:

- a) has no outstanding debts to the consolidated overall budget;
- b) has no outstanding debts to suppliers and other creditors;
- c) has investment programs in place according to implementation schedules;
- d) has no previous accounting losses and has no current accounting loss.

The variable component shall not exceed 6 times the mean of the average gross monthly salary over the last 12 months in relation with the activity carried out in accordance with the company's core business and shall be based on financial and non-financial performance indicators, negotiated and approved by the supervising public authority, determined in compliance with the methodology approved by joint order of the Minister of Finance and the General Secretary of the Government, and shall be granted only if at least the following conditions are cumulatively met:

- a) has no outstanding debts to the consolidated overall budget;
- b) has no outstanding debts to suppliers and other creditors;
- c) has investment programs in place according to implementation schedules;
- d) has no previous accounting losses and has no current accounting losses;
- e) the profitability ratio determined as the ratio of net profit to turnover is above 5%;
- f) the increase in turnover in the current year compared to the previous year is higher than 2.5%.

- The variable component of the remuneration of the members of the Board of Administration shall be reviewed on a yearly basis, by reference to the achievement of the objectives provided for in the management plan and the degree of achievement of the key performance indicators approved by the General Meeting of Shareholders, annexed to the mandate contract.

- 2) The members of the Board of administration shall comply with the requirements provided in art. 128 of Power and Gas law no.123/2012, as amended.

Article 5.

The person appointed as administrator shall explicitly accept the position.

Article 6.

The situations of incompatibility of membership in the Board of Administration are stipulated in Law 31/1990 - Companies` Law, republished, as amended, as well as in the Government Emergency Ordinance 109/2011, approved as amended.

Article 7.

- 1) A natural person may hold at the same time a maximum of 2 mandates as member of the board of administration in public enterprises having their registered office in Romania. This provision shall apply to the same extent to the natural person representing an administrator legal person, as well as to the legal person appointed as administrator. The supervisory public authority may stipulate that, during his term of office, the administrator of a public enterprise may be a member of only one board of administration.
- 2) The person not complying with the provisions hereof, by exceeding the maximum number of mandates as provided in para. (1), shall resign from the position as member of the Board of Administration, within one month from the occurrence of the incompatibility situation. Upon the expiry of this period he shall lose his mandate on account of having exceeded the maximum legal number of mandates, in the chronological order of appointment and shall reimburse the company with the amount related to the remuneration or other compensations received in the exercise of this mandate. The decisions and deliberations he or she contributed to during the exercise of his or her mandate shall remain valid.
- 3) Before being appointed as administrator, the nominated person shall inform the General Meeting of the Shareholders about the relevant aspects indicated in Art. 6 and 7 hereunder.

Article 8.

- 1) The Board of Administration shall make available to the financial auditors TRANSGAZ documents and activity reports according to the legal provisions.
- 2) The Board of Administration shall convene the general meeting of the shareholders for the approval of any transaction if it has, individually or in a series of concluded transactions, a value of more than 10% of the net assets of the public enterprise or more than 10% of the turnover of the public enterprise according to the latest audited financial statements, with the administrators or directors, employees, controlling shareholders or a company controlled by them.
- 3) During the first General Meeting of the Shareholders after the execution of the legal document, the Board of Administration shall report upon:

- a. Any transaction concluded with the administrators or directors, employees, shareholders having a controlling interest in the company or with a company under their control;
 - b. The transactions concluded with the spouse, relatives or relatives within the fourth degree of affinity, including those of the persons mentioned above;
 - c. Any transaction concluded between TRANSGAZ and a public enterprise or the public supervisory authority, if the transaction, either individually or collectively, amounts to at least the lei equivalent of euro 100.000.
- 4) The Board of Administration shall make available to the General Meeting of the Shareholders TRANSGAZ documents and activity reports according to the law.
 - 5) The Administrator having direct or indirect interests which are contrary to the interests of TRANSGAZ, in an operation, shall inform the other administrators and internal auditors in this respect, and shall not participate in any deliberation related to this operation.

Article 9.

The specimen signatures of the administrators shall be submitted together with the application for the registration of the administrators with the Trade Registry, within 15 days from their appointment.

Article 10.

The members of the Board of Administration shall be insured against professional liability.

Article 11.

The administrators' liability is regulated by the mandate-related provisions of GEO 109/2011 on the corporate governance of public undertakings, as amended, as well as by the special ones under the Companies' Law 31/1990, republished as amended.

Article 12.

- 1) The nomination and remuneration committee, the risk management committee and the audit committee, which may be composed of non-executive administrators, shall be established within the board of administration.
The articles of incorporation may also establish the possibility of setting up other advisory committees to consider topics as required by the legislation in force or as chosen by the Board of Administration, with the aim of advising it on the topics chosen. The chairman of each committee shall be independent.
- 2) The nomination and remuneration committee shall organize training sessions for Board members, make proposals for the remuneration of administrators and directors, in compliance with the remuneration policy submitted by the Agency for Monitorization

and Evaluation of the Performance of Public Enterprises, and assist the Board in assessing its own performance, as well as the performance of the executive management.

- 3)** The risk management committee shall ensure the alignment of control activities with the risks generated by the activities and processes subject to control, identify, analyze, evaluate, monitor and report the identified risks, the plan of measures to mitigate or anticipate them, other measures taken by the executive management. It shall also be responsible for measuring the solvency of the public enterprise in relation to its usual duties and obligations and shall inform or, where appropriate, make proposals to the board of administration.
- 4)** The Audit Committee shall perform the duties specified in Article 65 of Law 162/2017, as amended.
- 5)** The Board of Administration shall evaluate the independence of its non-executive members, the evaluation criteria being based upon the analysis of the following situations:
 - a.** A non-executive administrator is not a Director of the Company or of a company under its control and has not been in such a position within the last five years;
 - b.** He/she is not an employee of the Company or of a company under its control and has not had such an employment relationship within the last five years;
 - c.** He/she does not or has not received, from the Company or from a company under its control, any additional remuneration or perks other than the ones related to his position of non-executive administrator;
 - d.** He/she is not or does not represent in any way a key shareholder of the Company;
 - e.** He/she does not have or has not had in the previous financial year business relationships with the Company or a company controlled by it, either personally or as an associate, shareholder, administrator, director or employee of a company that has such a relationship with the Company, if by their substantial nature they are such as to affect its objectivity. Business relationships include, but are not limited to, the position of: major supplier of goods or services (including financial, legal, consulting, etc.) and/or major customer of the Company or of organizations receiving significant contributions from the Company or its group, as applicable;
 - f.** He/she is not or has not been within the past three years an associate or employee of the Company's current or former financial auditor or of a company under its control;
 - g.** He/she is not an administrator/director of another company in which an administrator/director of the Company is a non-executive administrator and has no significant connections with the administrators/directors of the Company arising from his/her position in other companies or entities;

- h.** He/she was not a non-executive member of the Board of Administration of the Company for a period longer than three mandates;
- i.** He/she is not a member of the family – spouse or relative up to the fourth degree by affinity of one of the members of the Board of Administration or of the Company's directors or of the persons under a)-h) above.
- 6)** The advisory committees operate based on the internal rules of organization and procedure and on the decision-making process within the advisory committees established within the Board of Administration, approved by the Board of Administration.
- 7)** The committees shall regularly submit to the Board of Administration activity reports on the supervision, analysis and evaluation of the activities of the directors as well as the methods underlying the resolutions of the Board of Administration.

CHAPTER III

The responsibilities of the Board of Administration

Article 13.

- 1)** The Board of Administration shall be responsible for carrying out all acts necessary and useful for the accomplishment of the TRANSGAZ's core business, except for the ones reserved to the General Meeting of the Shareholders according to the Articles of Incorporation and to the law.
- 2)** The Board of Administration has, mainly, the following responsibilities:
 - (a) setting the company's main lines of business and development, preparing the policies of Transgaz S.A., according to the applicable laws;
 - (a¹) preparing the management plan, including the management strategy related to their mandate, for the achievement of the objective and the performance criteria set by the mandate contracts;
 - (a²) approving the internal rules of organization and procedure of the advisory committees established within the board of administration and their members;
 - (b) setting the accounting policies and the financial control system and approving the financial planning;
 - (c) approving the organizational structure and the rules of organization and procedure of TRANSGAZ';
 - (d) appointing and revoking the Director-General of TRANSGAZ and setting his/her remuneration;
 - (d¹) approving the management plan during the mandate and for the first year of the mandate of the Director-General of TRANSGAZ;
 - (e) supervising the activity of the Director-General;

- (f) preparing the annual report, organizing the general meetings of the shareholders and implementing their decisions;
- (g) submitting the application for the initiation of TRANSGAZ's insolvency proceedings according to the applicable laws;
- (h) approving the level of guarantees for persons acting as managers;
- (i) concluding legal acts by which to acquire, dispose of, lease, exchange or pledge as security property belonging to TRANSGAZ S.A., with the approval of the general meeting of the shareholders, when required by law;
- (j) approving the competences of the subsidiaries by field of activity (economic, commercial, technical, managerial, financial, legal, etc.) in order to comply with TRANSGAZ' core business;
- j¹) approving the amendment of TRANSGAZ' secondary core business;
- j²) approving the setting up or closing down of the secondary offices: subsidiaries, agencies, representative offices or other similar units without legal personality as well as of the operational units – facilities related to the NTS;
- (k) approving the execution of any contract for which it has not delegated the competence to TRANSGAZ' Director-General;
- (l) submitting TRANSGAZ' activity report, balance sheet and profit and loss account for the previous year to the general meeting of the shareholders annually after the closure of the financial year;
- (m) submitting the activity program and the draft revenue and expense budget for the following year to the general meeting of the shareholders;
- (n) convening the general meeting of the shareholders whenever necessary;
- (o) establishing TRANSGAZ' employees' rights, obligations and responsibilities, according to the approved organizational structures;
- (p) deciding on the contracting of bank loans, including foreign bank loans; determining the powers and the level of contracting of domestic and foreign bank loans, commercial loans and guarantees, including by pledging shares in other companies, in accordance with the law; approving the release of guarantees.
- (q) approving the number of jobs and the rules for establishing the operating and production units;
- (r) approving the production, research, development and investment programs;
- (s) approving the environmental protection and occupational security policies according to the applicable laws;
- (t) approving the modification of the revenue and expense budget structure, within limits of the budget approved by the general meeting of the shareholders and of the competences for which it is mandated;

- (u) negotiating the collective employment contract by mandating the Director-General, and approving of the personnel regulations;
- (v) ensuring and bearing the responsibility for the carrying out of any other duties and obligations set by the general meeting of the shareholders or provided by the laws in force;
- (v¹) deciding on behalf of and for the general meeting of the shareholders of the limited liability company on the territory of the Republic of Moldova;
- (w) adopting any other decision regarding the activity of the company, except for those which fall under the competence of the general meeting of the shareholders.

Article 14.

- 1)** The Board of Administration delegates the management of the company to TRANSGAZ' Director-General.
- 2)** TRANSGAZ' Director-General represents the company in its relationship with third parties.
- 3)** The Director-General is responsible for TRANSGAZ' management within the limits of the company's core business and in compliance with the exclusive competences under the law or the Articles of Incorporation, the Board of Administration, the General Meeting of the Shareholders and Annex 4 of the mandate contract.
- 4)** The Board of Administration may delegate, by decision, part of its responsibilities to the Director-General, except for the following basic competences:
 - a.** Setting the company's main directions of activity and development;
 - b.** Setting the accounting system, the financial control and the approval of the financial planning;
 - c.** Setting the annual report, organizing the General Meeting of the Shareholders and implementing their decisions;
 - d.** Introducing the application for the initiation of TRANSGAZ' insolvency proceedings according to Law no. 85/2014 as amended on the procedures for the insolvency prevention and insolvency;
 - e.** The responsibilities received from the General Meeting of the Shareholders according to art 15 (5) of the updated Articles of Incorporation;
 - f.** Appointment and dismissal of the Director-General and the Chief Financial Officer and fixing their remuneration;
 - g.** Supervising the activity of the Director-General and of the Chief Financial Officer

Article 15.

The Board of Administration may conclude legal documents for and on behalf of the company to acquire, dispose of, lease, change or constitute as collateral the assets owned by TRANSGAZ with the value surpassing half of the accounting value of the assets owned by the company the moment the legal document was concluded, only subject to the approval of the General Meeting of the Shareholders, according to the law.

Article 16.

- 1)** The Board of Administration shall request the Trade Register Office to register the appointment of the Director-General as well as any other changes that may occur related to the administrators and the publication of these data in the Official Journal of Romania, Part IV, within 15 days from the appointment/election.
- 2)** Within 15 days from the date of the General Meeting of the Shareholders, the Board of Administration shall submit to the Trade Register Office, hard or soft copies of the annual financial statements bearing an extended electronic signature, accompanied by the relevant report, the financial auditors report as well as the decision of the General Meeting of the Shareholders, according to Accounting Law no. 82/1991, republished and updated as amended from time to time.

CHAPTER IV

Policy for the management of the conflict of interests

Article 17.

- 1)** The members of the Board of Administration shall have a duty of loyalty to the Company and shall avoid conflicts of interest, defined as situations in which their personal or professional goals make it difficult to take objective measures in the interest of the Company and of the shareholders and to meet their obligation as Administrator.
- 2)** The members of the Board of Administration shall report annually to the Audit Committee with regard to their main positions and professional activities, including duties within non-profit organizations and any relevant legal entity within which the Administrators or the persons representing them are important shareholders. The Audit Committee ensures that there were no conflicts of interest. If during the year, there is a change in the situation reported to the Audit Committee, such changes are declared not later than five days from occurrence.
- 3)** Administrators shall declare any current or potential conflict of interest at the beginning of all Board meetings and shall not take part in any deliberation of the Board regarding the operations in connection with which the conflict of interest exists, unless failure to attend prevents the meeting of the quorum, in which case they abstain from deliberating and voting.
- 4)** In case of occurrence of a conflict of interest and refraining from debates and voting on relevant issues, the reasoned absence of the administrator shall be specified in the minutes of that meeting.
- 5)** If a transaction in respect of which an administrator has a current or potential conflict of interest cannot be avoided, the other Administrators shall approach such transaction or commercial report of the Company in appropriate precautionary and fully transparent manner.

CHAPTER V

Working Procedures

1. Convening the Board of Administration

Article 18.

- 1)** The Board of Administration shall meet whenever necessary, but at least once every three months, at the headquarters of the Company, or in another location selected by the Board.
- 2)** The meetings of the Board of Administration shall be convened as follows:
 - a.** By the Chairman of the Board of Administration whenever necessary, but at least once every three months;
 - b.** By two members of the Board of Administration or by the Director-General, at any time, by reasoned request. The Board shall meet no later than 15 days from the convening.
- 3)** If the Chairman does not respond to the Board convening request, according to the provisions of par. (2), letter b), the authors of the request may convene the Board themselves, setting the agenda of the meeting as well.

Article 19.

- 1)** The meetings of the Board of Administration shall be convened by a notification sent at least 7 (seven) days prior to the proposed date for the meeting. The notification period shall not include the day of transmittal and the day the meeting is to take place.
- 2)** The notification shall include the date, hour, place where the meeting shall take place and the proposed agenda.
- 3)** The convening of the meetings of the Board of Administration shall be sent to every administrator, in written, by fax or by electronic mail or by any other legal allowed means of communication, to the address and fax number of the relevant administrator. Each administrator shall notify the company in written, by fax, electronic mail or by any other legal allowed means of communication, about the modification of the address and/or the fax number, as appropriate, if such data was not notified in written by the administrators.
- 4)** The meetings of the Board of Administration may also take place by electronic means of communication (including by phone conferences or video-conferences). The convening of the meeting of the Board of Administration shall also include its agenda and the related documents.

2. Preparation of the working meetings

Article 20.

- 1) The agenda of the meeting is set by the Chairman of the Board of Administration.
- 2) The agenda of the meeting set according to the conditions provided for in the previous paragraph, shall be submitted by the Secretary of the Board to the divisions, departments, offices or to the persons responsible for the elaboration, preparation and presentation of the materials.

Article 21.

- 1) The materials shall be submitted to the Secretariat of the Board of Administration at least 7 (seven) days prior to the date of the meeting, with the approval of the divisions/departments/offices, deputy directors and approved by the Director-General or his rightful substitute/s.
- 2) The materials to be presented to the Board of Administration shall be drawn up according to the format approved by the Chairman of the Board and they shall be reasoned from a technical, economic and legal point of view, including as well the proposal of the appropriate specific measures.
- 3) As regards the aspects not included in the agenda, decisions may be taken only in emergency situations and based on the materials drawn up according to point 2).
- 4) The Chairman of the Board of Administration shall decide upon the emergency of each situation.

3. The procedure during working meetings. Adopting decisions

Article 22.

The proceedings of the Board of Administration shall take place, according to the agenda, based on the presented materials.

Article 23.

In order for the decisions of the Board of Administration to be valid, three members have to be present, out of the total number of members, and these decisions are made according to the majority votes of the present members or of the ones represented by mandate.

Article 24.

- 1) The members of the Board of Administration may be represented in the meetings of the Board only by other members of the Board. One present member may represent only one absent member.
- 2) The members may also attend the meetings of the Board of Administration by electronic means of communication (including by phone conferences or video-conferences), provided they meet the necessary technical conditions to identify the participants, their actual participation to the meeting and the continuous retransmission of the deliberations. In such situations the deliberations are carried out for 24 hours.
- 3) Under the conditions of para. (2), the decisions related to the basic powers of the Board of Administration, as well as to the responsibilities received by the Board of Administration from the General Meeting of the Shareholders, cannot be made.

Article 25.

- 1) The meetings of the Board of Administration shall be chaired by the Chairman.
- 2) The Chairman of the Board of Administration shall not have a casting vote. In case of equality of votes that particular proposal is considered to be rejected.
- 3) If the Chairman is temporarily unable to exercise his obligations, during that period, the Board of Administration may instruct another administrator to act as Chairman.
- 4) The Chairman shall appoint a secretary, if necessary, either from the members of the Board of Administration, or outside it. Secretarial services for the meetings of the Board of Administration shall be provided by the BoA and GMS Secretariat Department.

Article 26.

- 1) The debates shall be recorded in the minutes of the meeting, which is also recorded in a registry of the meetings and resolutions of the Board of Administration, sealed and stamped by the Chairman of the Board of Administration.
- 2) Upon every meeting a minutes of the meeting shall be drawn up including the names of the participants, the order of the resolutions, the decisions made, and the number of votes cast for or against, if appropriate.
- 3) The minutes of the meeting is signed by the Chairman, by all the members of the Board of Administration present and by the secretary. Based on the signed minutes of the meeting, the secretary of the Board of Administration draws up the relevant resolution, which is signed by the Chairman.

Article 27.

- 1) Based on the nature and complexity of the problems to be debated during the meetings of the Board of Administration apart from the members of the Board of Administration other persons may be invited from the company or specialists, experts who do not have voting rights.
- 2) The list comprising the persons to attend the meeting shall be prepared by the Chairman of the Board of Administration and it shall be brought to the attention of the participants by the secretary of the Board of Administration.
- 3) For the purpose of human rights protection and the promotion of the professional, economic, social, cultural or sports interests of the members, the trade union organizations shall receive the necessary information for the negotiation of the Collective Employment Contract, as well as the information on the constitution and use of the funds meant to improve the working conditions, the health and safety, insurances and other social protection measures.

4. Resolution circulation and execution

Article 28.

- 1) The resolutions of the Board of Administration shall be signed by the Chairman of the Board or the appointed Chairman of the meeting if the Chairman of the Board of Administration is temporarily unavailable
- 2) If the resolution of the Board of Administration or the recommendations issued during the meeting and recorded in the minutes require the supplementation and/or the amendment of the documents included in the agenda, the authors of the documents shall submit the supplemented and/or amended documents to the secretariat of the Board of Administration within 2 (two) working days from the meeting date.

Article 29.

- 1) The resolutions of the Board of Administration adopted under the previous article and excerpts from such resolutions, as appropriate, shall be circulated by the secretariat of the Board to the Board members, relevant departments, divisions, offices and units, the persons responsible for the implementation of the set measures, at their justified request.
- 2) The resolutions of the Board of Administration on issues of professional, economic, cultural or sports interest shall be communicated in writing to the representative trade unions within 48 hours from the date of the meeting.

Article 30.

The Board of Administration shall make available Transgaz' documents and reports of activity, to the financial auditor, according to the applicable laws.

Article 31.

The secretariat of the Board of Administration shall keep and archive the resolutions of the Board of Administration.

Article 32.

At the request of the Board or of the Director-General of the Company, the secretariat of the Board of Administration shall report in writing the means of implementation of the measures under the previous Board resolutions.

CHAPTER VI

Liability of the members

Article 33.

- 1)** The members of the Board of Administration shall exercise their mandate loyally and diligently, in the best interests of the company.
- 2)** Such obligation shall not be construed as breached by the Board of Administration members if, when making a business decision, they are reasonably entitled to consider that they act in the interest of the company and based on appropriate information.
- 3)** According to the law, **business decision** means any decision to take or not to take certain measures regarding the administration of the company.
- 4)** The members of the Board of Administration shall not disclose Transgaz' confidential information and business secrets to which they have access in their capacity. Such obligation shall remain valid 2 (two) years after the termination of their mandate as Board of Administration members.
- 5)** The members of the Board of Administration shall be responsible for the fulfillment of all obligations, according to the provisions of Articles 72 and 73 of the Companies Law no. 31/1990, republished, as amended and supplemented, as well as those stipulated in GEO no. 109/2011 on the corporate governance of public enterprises and in the Regulations of the Financial Supervisory Authority, as amended and supplemented.

- 6) The Board of Administration members and their immediate predecessors shall be jointly liable if, while being aware of the misconduct by the latter, they do not disclose it to the internal auditors and financial auditor.
- 7) The Board of Administration members who had their position against the negligence or misconduct recorded in the Meeting and Deliberations Register and notified the internal auditors and financial auditor in writing in this respect shall not be held liable.

Article 34.

- 1) The General Meeting of the Shareholders shall take action against the Board of Administration members for damages caused by such members to the company through the breach of their obligations to it, deciding with the majority under Art. 112 of Companies' Law No. 31/1990, as republished and amended.
- 2) The General Meeting of the Shareholders shall appoint, with the same majority, the person in charge with bringing the action to court.
- 3) When the General Meeting of the Shareholders decides upon the annual financial statements, it may adopt a resolution related to the liability of the members of the Board of Administration even if this aspect was not included in the agenda of the meeting.
- 4) If the General Meeting of the Shareholders decides to initiate proceedings against the members of the Board of Administration, their mandate ceases by full law as of the date of the adoption of such resolution and the General Meeting shall proceed to their replacement.
- 5) If the abovementioned proceedings are initiated against the Director-General, he/she is suspended by full law until the resolution has become final.

Article 35.

The members of the Board of Administration and the Director-General are responsible for the achievement of all their responsibilities and obligations.

Article 36.

The members of the Board of Administration may exercise any action related to TRANSGAZ' management, in the company's interest, within the limits of the Articles of Incorporation, of the legal provisions and of these Rules.

Article 37.

The financial statements, the Annual report of the Board of Administration and the proposal related to the distribution of dividends shall be submitted to the shareholders at the headquarters of the company at the date the General meeting is convened, by the Board of Administration, in compliance with the legal provisions related to trading companies.

CHAPTER VII

Final provisions

Article 38.

These Rules shall be supplemented by the provisions of Companies' Law no. 31/1990, as amended and republished, of GEO no. 109/2011 on the corporate governance of public enterprises, as amended and supplemented, and updated according to TRANSGAZ' updated Articles of Incorporation.

Article 39.

These Rules of organization and procedure were approved, based on art. 15(3), letter "j" of TRANSGAZ' Articles of Incorporation, within the Ordinary General Meeting of the Shareholders of.....

Petru Ion VĂDUVA

Chairman of the Board of Administration