

No. 82220/18.10.2022

Submitted for approval within the OGMS dated 07/08.12.2022

REPORT

On the approval of the form of the addendum to the mandate contracts of the non-executive administrators as a result of the revision of non-financial performance indicators provided for in Transgaz' Administration Plan for the period 2021-2025

SUMMARY

The financial and non-financial performance indicators annexed to the administrators' mandate contracts were approved by Resolution no. 8/6 December 2021 of the Ordinary General Meeting of Shareholders and the revision of financial performance indicators was approved by the Resolution no. 3 / 28 February 2022 of the Ordinary General Meeting of Shareholders.

As a result of the legislative changes and of the new strategic directions for the company's development, the values of non-financial performance indicators valid for the calculation of the variable component of the BoA members' remuneration have altered.

PROPOSAL

Under the provisions of Chapter IV, art. 15, paragraph 3, letter a¹) of Transgaz' updated Articles of Incorporation and the provisions of art. 30, paragraph (2), Annex 2 of GD 722/2016 for the approval of the Methodological Norms for the application of provisions of GEO 109/2011 on corporate governance of public enterprises, as amended, we submit for the approval of the General Meeting of Shareholders the form of the addendum to the mandate contract concluded with the non-executive administrators as a result of the revision of non-financial performance indicators and the empowerment of the representative of the General Secretariat of the Government to the GMS to sign on behalf of the company the addenda to the mandate contracts of the non-executive members of Transgaz' Board of Administration.

Detailed Contents

Following legislative changes, the numbering and calculation formula of non-financial performance indicators valid for the calculation of the variable component of the BoA members' remuneration have altered.

The rationale for revising the numbering of indicators and the revision of the calculation formulae for non-financial performance indicators is illustrated below:

The quality of gas transmission services is a matter of particular concern both for Transgaz and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission services based on specific indicators and minimum performance levels, as of 1 October 2022, **ANRE Order no.140/2021** on the **Performance Standard for the natural gas transmission services**, as amended, became effective, repealing **ANRE Order no.161/2015**.

Out of the performance indicators related to the natural gas transmission services provided for in ANRE Order 161/26.11.2015 effective as of 1 October 2016, the relevant indicators for the natural gas transmission services were approved as key performance indicators for the variable remuneration of the BoA members, but according to the new Order 140/2021, as amended, their numbering or calculation formulae have altered.

The new numbering and calculation formulae of the non-financial indicators pertaining to the Performance Standard for the natural gas transmission services, approved as key performance indicators for the variable remuneration of the BoA members, are presented in Annex 1 hereto.

Under the provisions of Chapter IV, art. 15, paragraph 3, letter a¹) of Transgaz' updated Articles of Incorporation and the provisions of art. 30, paragraph (2), Annex 2 of GD 722/2016 for the approval of the Methodological Norms for the application of provisions of GEO 109/2011 on corporate governance of public enterprises, as amended, we submit for the approval of the General Meeting of Shareholders the form of the addendum to the mandate contract concluded with the non-executive administrators as a result of the revision of non-financial performance indicators and the empowerment of the representative of the General Secretariat of the Government to the GMS to sign on behalf of the company the addenda to the mandate contracts of the non-executive members of Transgaz' Board of Administration.

Annex 1: Addendum and annex 1 to the mandate contract concluded with the non-executive administrators for the revision of non-financial performance indicators.

Ion Petru VĂDUVA
Chairman of the Board of Administration

**Addendum no. ___ to
The Mandate Contract no. ___ dated ___**

Considering the provisions of:

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

as well as the following:

By Resolution of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. ... dated, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the key financial and non-financial performance indicators were approved;

By Resolution of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. ... dated, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the variable component of the BoA executive members was approved;

By Resolution of the Ordinary General Meeting of the Shareholders of S.N.T.G.N. Transgaz S.A. no. ... dated, in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the revision of non-financial performance indicators provided for in Transgaz' Administration Plan for the period 2021-2025 was approved;

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

and

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

individually referred to as the Party and collectively as 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 Addendum, hereinafter referred to as the "**Addendum**" and resolved as follows:

Art. 1. Object of the Addendum

1.1 The non-financial indicators on the Performance Standard for the natural gas transmission service, approved as key performance indicators for the variable remuneration of the members of the board of administration, shall be revised, and the new numberings and calculation formulas are presented in Annex 1 hereto.

Art. 2. Final provisions

2.1. This Addendum shall enter into force at the date of its execution by the Parties.

2.2. The other clauses of the Contract shall remain unchanged.

This Addendum was concluded today, __, in 3 (three) original 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 Resolution of the Ordinary General Meeting of the Shareholders no. _ dated _

Annex 1

The non-financial indicators for the Natural Gas Transmission Service Performance Standard included in the Company's 2021-2025 Management Plan are:

ANRE Order 140/2021			Order 88/2022
Indicator calculation formula	Definition of terms in the formula	Target	Definition of formula terms
IP0 - Recording of requests/grievances/complaints regarding the gas transmission system service			
$IP_0^1 = \frac{N_{T2}}{N_{inreg} - N_{clasate} - N_{T0}} \times 100 (\%)$	<ul style="list-style-type: none"> a) N_{T0} – no. of received requests/grievances/complaints the registration no. of which was sent acc. to Art. 7 (3) (a); b) N_{T2} – no. of received requests/grievances/complaints the registration no. of which was sent within a period of time shorter than the one established at Art. 7 (3) (b); c) N_{inreg} – total no. of requests/grievances/complaints received and registered acc. to Art. 7 (1); d) $N_{clasate}$ – total no. of requests/grievances/complaints received, registered and classified acc. to Art. 7 (6). 	$IP_0^1 \geq 90\%$	
IP1 - Access, transmission service contracting and compliance with the gas delivery-acceptance conditions			
$IP_1^2 = \frac{N_{Rparametrii10}}{N_{TRparametrii} - N_{RCLparametrii}} \times 100(\%)$	<ul style="list-style-type: none"> a) $N_{Rparametrii10}$ – no. of requests/complaints regarding non-compliance with the technological parameters agreed, requests/complaints answered/solved within less than 10 working days from registration; b) $N_{TRparametrii}$ - total no. of received requests/complaints regarding non-compliance with the technological parameters agreed; c) $N_{RCLparametrii}$ - total no. of classified requests/complaints regarding non-compliance with the technological parameters agreed. 	$IP_1^2 \geq 95\%$.	
$IP_1^3 = \frac{N_{verificareP24}}{N_{TverificareP}} \times 100(\%)$	<ul style="list-style-type: none"> a) $N_{verificareP24}$ – no. of agreed technological parameter value verifications made by the TSO within less than 24 hours from registration of requests/complaints; b) $N_{TverificareP}$ - total no. of requests/complaints regarding 	$IP_1^3 \geq 95\%$.	

	non-compliance with the technological parameters agreed.		
$IP_1^4 = \frac{N_{Rcalitate15}}{N_{TRcalitate} - N_{RCLcalitate}} \times 100 (\%)$	<ul style="list-style-type: none"> a) $N_{Rcalitate15}$ - no. of requests/complaints regarding gas quality, requests/complaints answered/solved within less than 15 working days from registration; b) $N_{TRcalitate}$ - total no. of received requests/complaints regarding gas quality; c) $N_{RCLcalitate}$ - total no. of classified requests/complaints regarding gas quality. 	$IP_1^4 \geq 95\%$.	
$IP_1^5 = \frac{N_{Rm\acute{a}surare15}}{N_{TRm\acute{a}surare} - N_{RCLm\acute{a}surare}} \times 100(\%)$	<ul style="list-style-type: none"> a) $N_{Rm\acute{a}surare15}$ - no. of requests/complaints regarding gas metering answered within less than 15 working days from registration; b) $N_{TRm\acute{a}surare}$ - total no. of received requests/complaints regarding gas metering; c) $N_{RCLm\acute{a}surare}$ - total no. of classified requests/complaints regarding gas metering. 	$IP_1^5 \geq 95\%$.	
$IP_1^6 = \frac{N_{Vm\acute{a}surare2}}{N_{TRm\acute{a}surare} - N_{RCLm\acute{a}surare}} \times 100(\%)$	<ul style="list-style-type: none"> a) $N_{Vm\acute{a}surare2}$ - no. of gas metering systems/devices subject to the determination of the mode of operation, within less than 2 working days from request/complaint registration; b) $N_{TRm\acute{a}surare}$ - total no. of received requests/complaints regarding gas metering; c) $N_{RCLm\acute{a}surare}$ - total no. of classified requests/complaints regarding gas metering 	$IP_1^6 \geq 95\%$.	
IP2 - Virtual Transmission Point access (VTP access)			
$IP_2^1 = \frac{N_{sol10}}{N_{Tsol}} \times 100(\%)$	<ul style="list-style-type: none"> a) N_{sol10} - number of replies to requests for VTP access issued within less than 10 days from access request registration; b) N_{Tsol} - total no. of received requests for VTP access. 	$IP_2^1 \geq 95\%$	
IP3 - Connection to the transmission system			
$IP_3^1 = \frac{N_{Nev} + N_{ATP} + N_{ATR}}{N_{Tracord} - N_{Clasat}} \times 100(\%)$	<ul style="list-style-type: none"> a) N_{Nev} - no. of notifications as a result of the connection application assessment, issued within a shorter period of time than foreseen by the Art.8 (2) of the Regulation; b) N_{ATP} - no. of technical opinions in principle, issued within a shorter period of time than foreseen by the Art.10 (1) of the Regulation c) N_{ATR} - number of technical opinions for connection, issued within a shorter period of time 	$IP_3^1 \geq 95\%$	<ul style="list-style-type: none"> a) N_{Nev} - no. of notifications as a result of the connection application assessment, issued within a shorter period of time than foreseen

	<p>than foreseen by the Art.24 (1) and Art. 39 (1) of the Regulation.</p> <p>d) $N_{Tcracord}$ - total no. of received requests for transmission system connection.</p> <p>e) N_{Clasat} - total number of classified connection requests</p>		<p>by the Art.5 (1) of the Regulation ;</p> <p>b) N_{ATP} - no. of technical opinions in principle, issued within a shorter period of time than foreseen by the Art.4 (4) of the Regulation</p> <p>c) N_{ATR} - number of technical opinions for connection, issued within the shorter periods of time than foreseen by the Art.7 (1) of the Regulation.</p> <p>d) $N_{Tracord}$ - total no. of received requests for transmission system connection.</p> <p>e) N_{Clasat} - total no. of classified connection requests</p>
$IP_3^2 = \frac{N_{Rracordare15}}{N_{TRracordare} - N_{RCLracordare}} \times 100(\%)$	<p>a) $N_{Rracordare15}$ - no. of requests/complaints regarding transmission system connection, answered by the TSO within less than 15 working days from registration;</p> <p>b) $N_{TRracordare}$ - total no. of received requests/complaints regarding transmission system connection;</p> <p>c) $N_{RCLracordare}$ - total no. of classified requests/complaints regarding transmission system connection.</p>	$IP_3^2 \geq 95\%$	
IP4 - Rehabilitation of land/assets affected by execution of works regarding the transmission system			
$IP_4^1 = \frac{N_{Rrefacere15}}{N_{TRrefacere} - N_{RCLrefacere}} \times 100\%$	<p>a) $N_{Rrefacere15}$ - no. of requests/complaints answered within less than 15 working days from registration;</p>	$IP_4^1 \geq 95\%$	

	<p>b) $N_{TRrefacere}$ - total no. of received requests/complaints regarding the habilitation of lands and/or assets affected by the execution of works regarding transmission system facilities;</p> <p>c) $N_{RCLrefacere}$ - total no. of classified requests/complaints regarding the habilitation of lands and/or assets affected by the execution of works regarding transmission system facilities.</p>		
IP5 - Notification of unforeseen limitations and/or interruptions and resuming of gas transmission service			
$IP_5^1 = \frac{N_{U6}}{N_{Uafectati}} \times 100\%$	<p>a) N_{U6} - no. of affected network users/ system operators, notified as soon as possible, but not later than 6 hours from occurrence of unplanned limitation/interruption;</p> <p>b) $N_{Uafectati}$ - total no. of affected network users/ system operators.</p>	$IP_5^1 \geq 98\%$	
$IP_5^2 = \frac{N_{U24}}{N_{Uafectati}} \times 100\%$	<p>a) N_{U24} - no. of affected network users/system operators for a period longer than 24 hours, notified accordingly;</p> <p>b) $N_{Uafectati}$ - total no. of affected network users/system operators.</p>	$IP_5^2 \geq 98\%$	
IP6 - Notification of planned limitations and/or interruptions and resuming of gas transmission service			
$IP_6^1 = \frac{N_{U5}}{N_{Uafectati}} \times 100\%$	<p>a) N_{U5} - no. of affected network users/system operators, notified within more than 5 working days before the limitation/interruption;</p> <p>b) $N_{Uafectati}$ - total no. of affected network users/system operators.</p>	$IP_6^1 \geq 98\%$	
$IP_6^2 = \frac{N_{Ureluare}}{N_{Uafectati}} \times 100\%$	<p>a) $N_{Ureluare}$ - no. of affected network users/system operators for which the provision of the gas transmission system was resumed at the time mentioned in the notification;</p> <p>b) $N_{Uafectati}$ - total no. of affected network users/system operators.</p>	$IP_6^2 \geq 98\%$	