

RULES

of procedure and organization for the

BOARD OF ADMINISTRATION

Of

The National Gas Transmission Company

"TRANSGAZ" S.A.

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CHAPTER I

General provisions

Article1.

- 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 Bylaws, and these Rules of procedure and organization.
- 2) TRANSGAZ is managed by a Board of Administration having general competence, except for the issues within the competence of the General Shareholders' Meeting, according to the Articles of Incorporation or to the applicable laws.

CHAPTER II

Organization and structure of the Board of Administration

Article 2

- 1) The Board of Administration comprises 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.
- 2) The members of the Board of Administration are appointed by the Ordinary General Shareholders' Meeting for 4 years, based on the proposal of the Board of Administration in exercise or of the shareholders, according to the applicable legal procedures.
- 3) The candidates proposed by the Board of Administration are previously selected/evaluated and recommended by the Advisory Nomination and Remuneration Committee which is part of the Board of Administration. Upon the decision of the Board of Administration, the Advisory Nomination and Remuneration Committee is assisted in the process of evaluation by an independent expert - natural or legal person specialized in recruiting human resources.
- 4) If the public supervisory body proposes candidates for the positions as members of the Board of Administration, on behalf of the shareholder, i.e. the State, these proposals are made according to the legal provisions.
- 5) Within 90 days from its appointment, the Board of Administration draws up and submits to the Ordinary General Shareholders' Meeting, for approval, the Administration plan, including the administration strategy associated to its mandate, for the fulfilment of its objectives and performance criteria under the mandate contracts.
- 6) (1) Upon the request of a key shareholder, the members of the Board of Administration shall be appointed by cumulative voting. In the sense of this paragraph, key shareholder shall mean the natural person, the legal person or the group of persons acting jointly and having a direct or indirect share of at least 10% in TRANSGAZ' share capital or in the voting rights or an interest allowing the exercise of a similar influence upon the decision making process within TRANSGAZ' General Assembly or Board of Administration, as appropriate. Such request may be submitted only once a financial year.
(2) If the cumulative voting method is applied, the members of the Board of Administration shall be enlisted on the list of candidates for the election of the members of the board of administration together with other candidates proposed by the shareholders.
- 7) The members of the Board of Administration may be shareholders.
- 8) The Board of Administration is presided over by a Chairman elected by the General Shareholders' Meeting from the members of the Board of Administration.
- 9) The Chairman of the Board of Administration is appointed for a period no longer than the duration of its mandate as administrator.

- 10) The Chairman of the Board of Administration cannot be TRANSGAZ' Director General.
- 11) The Chairman of the Board of Administration may be revoked by the Ordinary General Shareholders' Meeting, in compliance with the applicable laws.
- 12) The Chairman coordinates the activities of the Board, reports to the General Shareholders' Meeting and ensures the proper management of the company.
- 13) 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.
- 14) If one or more positions of administrator are vacant, the Board of Administration shall appoint temporary administrators up to the next Ordinary General Shareholders' Meeting. The provisional mandate of the new administrator is equal to the period until the expiration of his predecessor's mandate.

Article 3

During the exercise of their mandate, the administrators may not conclude labour 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 during the mandate.

Article 4

- 1) The members of the Board of Administration:
 - a. Are elected for 4 years and revoked by the General Shareholders' Meeting, according to the applicable laws;
 - b. Are remunerated with a fixed monthly allowance as determined pursuant to the decision of the General Shareholders' Meeting, which is equal with the mean of the average gross monthly salary for the last 12 months related to the company's branch of activity as notified by the National Statistical Institute prior to their appointment, as for the member of the Board of Administration who is also the Director General of the Company, it is the sum equal to 6 (six) average gross monthly salaries for the last 12 months related to the company's branch of activity, as notified by the National Statistical Institute prior to his appointment;
 - c. In addition to the fixed gross monthly allowance, the administrators are entitled to receive an annual variable remuneration component, calculated based on the performance indicators under the mandate contract.
- 2) The members of the Board of administration shall comply with the requirements provided in art. 128 of the Energy Act no.123/2012, as amended.

Article 5

The person appointed as administrator shall explicitly accept the position.

Article 6

The persons provided in Law no. 31/1990 – Companies' Law, republished as amended from time to time are incompatible with the capacity as member of the Board of Administration.

Article 7

- 1) An administrator may execute maximum 5 administrator mandates at the same time, in public limited companies headquartered in Romania.
- 2) The person not complying with the provisions hereof, by exceeding the maximum number of mandates as provided in par. (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 because of exceeding the maximum legal number of mandates, in the chronological order of appointment and he shall reimburse the company with the amount related to the received remunerations or other benefits during the exercise of this mandate. The decisions and deliberations he contributed to during the exercise of his mandate shall remain valid.
- 3) Before being appointed as administrator, the nominated person shall inform the General Shareholders' Meeting about the relevant aspects provided 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) During the first General Shareholders' Meeting 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 by affinity, including those of the persons mentioned above;
 - c. Any transaction concluded between TRANSGAZ and a public enterprise or a public umbrella organization, if the transaction, either individually or collectively, amounts to at least the lei equivalent of euro 100.000.
- 3) The Board of Administration shall make available to the General Shareholders' Meeting, TRANSGAZ' documents and activity reports according to the legal provisions.
- 4) The Administrator having direct or indirect interests which are contrary to TRANSGAZ' interests shall inform the other administrators and internal auditors in this respect, and shall not partake 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 election.

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 no. 109/2011 on the corporate governance of public undertakings, as amended, as well as by the special ones under the Companies' Law no. 31/1990, republished as amended from time to time.

Article 12

1) The Nomination and Remuneration Committee and the Audit and Rating Committee shall be established within the Board of Administration, based on the legal provisions. The Board of Administration may decide upon the establishment of other Advisory Committees, for the assessment of themes as required by the applicable laws or as selected by the Board of Administration, with the purpose of advising the Board on the chosen themes.

2) The Nomination and Remuneration Committee and the Audit and Rating Committee consist of non-executive administrators, at least one of the members of each committee being independent. The members of any other advisory committee to be established within the Board of Administration shall be appointed by the Board of Administration.

3) The Board of Administration evaluates the independence of its non-executive members, the evaluation criteria are 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 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 does not or has not received, from the Company or from a company under its control, any additional remuneration or advantages other than the ones related to his position of non-executive administrator;

d. He is not or does not represent in any way a key shareholder of the Company;

e. He does not or did not have in the previous financial year business relationships with the Company or with a company under its control, either personally or as an associate, shareholder or administrator, director or employee of a company having such a relationship with the Company, if the same, by their substantial nature, might affect his objectivity. The business relationships include, without being limited to

the position of: key product supplier or services provider (including financial, legal, advisory services, etc.) and/or important client of the company or of the organizations which receive significant benefits from the Company or the relevant group, as appropriate;

f. He 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 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 position in other companies or entities;

h. He was not a non-executive member of the Board of Administration of the Company for a period longer than three mandates;

i. He 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.

4) The advisory committees operate based on the internal rules of procedure and organization and on the decision-making process within the advisory committees from the Board of Administration, approved by the Board of Administration.

5) 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 is responsible with accomplishing all the necessary and appropriate documents for the achievement of TRANSGAZ' core business, except for the ones reserved to the General Shareholders' Meeting according to the Incorporation Act and to the laws.
- 2) The Board of Administration has, mainly, the following responsibilities:
 - a. setting the company's main core business and development;

(a¹) elaborating 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 procedure and organization 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 TRANSGAZ' Rules of Procedure and Organization;
 - d. Naming and revoking TRANSGAZ' Director General and setting his remuneration;

(d¹) approving the management plan related to the mandate and for the first year of the mandate of TRANSGAZ' Director General;
 - e. Surveying the activity of the Director General;
 - f. Preparing the annual report, organizing the General Shareholders' Meeting and implementing their decisions;
 - g. Submitting the application for the initiation of TRANSGAZ' insolvency proceedings according to the applicable laws in force;
 - h. To approve the amount of the securities related to the administrators;
 - i. Concluding legal documents to acquire, alienate, rent, change or constitute as collateral related to the assets owned by TRANSGAZ; under the approval of the General Shareholders' Meeting, when required by law;
 - j. Approving the competences of the subsidiaries according to the field of activity (economic, commercial, technical, managerial, financial, legal, etc.) in order to achieve TRANSGAZ' activities according to the core business;
 - j¹) approving the amendment of TRANSGAZ' secondary object of activity.;
 - j²) approving the setting up/closing down 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 the company's director-general;
- l. submitting, annually, in the end of the financial year, TRANSGAZ's activity report, balance sheet and profit and loss account for the previous year to the General Shareholders' Meeting;
- m. submitting the activity program and the draft income and expense budget for the following year to the General Shareholders' Meeting;
- n. Convening the General Shareholders' Meeting whenever necessary;
- o. Establishing TRANSGAZ's employees' rights, obligations and responsibilities, according to the approved organizational structures;
- p. Setting the contracting level of the current bank loans, including the external ones; setting the competences and the contracting level of short-term and medium-term commercial loans, and the approval to issue guarantees, including the pledging of the shares in other companies, according to the law.
- 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 labor security policies according to the applicable laws;
- t. Approving the modification of the income and expense budget structure, within limits of the budget approved by the General Shareholders' Meeting and of the competences for which it is mandated;
- u. Negotiating the collective labor contract by mandating the director-general, and the approval of the staff regulations;
- v. Ensuring and bearing the responsibility for the carrying out of any other duties and obligations set by the General Shareholders' Meeting or provided by the laws in force;
- w. Adopting any other decision regarding the activity of the company, except for those which fall under the competence of the General Shareholders' Meeting.

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 scope of work and complying with the exclusive competences under the law or the Incorporation Act, the Board of Administration, the General Shareholders' Meeting and to Annex 4 in 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 Shareholders' Meeting and implementing their decisions;
- d. Introducing the application for the initiation of TRANSGAZ' insolvency proceedings according to Law no. 85/2014 on the procedures for the insolvency prevention and insolvency;
- e. The responsibilities received from the General Shareholders' Meeting according to art 15 (5) of the incorporation Act, updated.

Article 15

The Board of Administration may conclude legal documents in the name and on behalf of the company to acquire, alienate, rent, 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 Shareholders' Meeting, according to the law.

Article 16

- 1) The Board of Administration shall request from the Trade Register Office the registration of 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 Gazette of Romania, Part IV, within 15 days from the appointment/election.
- 2) Within 15 days from the date of the General Shareholders' Meeting, 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 Shareholders' Meeting, according to Accounting Law no. 82/1991, republished as amended from time to time.

CHAPTER IV

Operative mode

1. Convening the Board of Administration

Article 17

- 1) The Board of Administration meets 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 convocation.
- 3) If the Chairman does not respond to the Board convocation 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 18

- 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 convocation 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 must 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 they were not communicated 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 convocation of the meeting of the Board of Administration shall also include its agenda and the related documents.

2. Preparation of the working meetings

Article 19

- 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 in the previous paragraph, shall be sent 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 20

- 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 progress of the working meetings. Adopting decisions

Article 21

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

Article 22

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 23

- 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 re transmission of the deliberations. In such situations the deliberations are carried out for 24 hours.
- 3) In the sense of par. (2), the decisions related to the basic competences of the Board of Administration, as well as to the responsibilities received by the Board of Administration from the General Shareholders' Meeting, cannot be taken.

Article 24

- 1) The meetings of the Board of Administration are chaired by the Chairman.
- 2) The Chairman of the Board of Administration does 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, either from the members of the Board of Administration, or outside it.

Article 25

- 1) The debates are 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 taken, and the number of votes gathered in favor or against.
- 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 its decision, which is signed by the Chairman.

Article 26

- 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 is drawn up 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 Agreement on Employment, as well as the information on the constitution and use of the funds meant to improve the working conditions, on the health and safety, insurances and other social protection measures.

4. Resolution, circulation and execution

Article 27

- 1) The resolutions of the Board of Administration are 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 amending of the documents on 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 28

- 1) The resolutions of the Board of Administration under this article and excerpts from such resolutions, as appropriate, shall be circulated by the secretariat of the Board to the Board members, departments, divisions, offices and units concerned, the persons responsible for the execution of the measures set, at their reasoned 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 representing trade unions within 48 hours from the date of the meeting.

Article 29

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

Article 30

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

Article 31

At the request of the Board or of the Director-General of the Company, the secretariat of the Board of Administration shall inform in writing on the modality of completion of the measures set in the previous Board resolutions.

CHAPTER V

Liability of the members

Article 32

- 1) The Board of Administration members shall execute their mandate with loyalty, acting in the company's interest.
- 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 Board of Administration members shall not disclose Transgaz' confidential information and business secrets to which they have access according to their position. Such obligation shall remain valid 2 (two) years after the termination of their Board of Administration member mandate.
- 5) The Board of Administration members shall be liable for the execution of all obligations according to Art. 72 and 73 of Law No. 31/1990 on the trading companies, as further amended and supplemented, and GEO No. 109/2011 on the corporate governance of the public enterprises and Regulations of the National Securities Commission, as further amended and supplemented.
- 6) The Board of Administration members and their immediate predecessors shall be jointly liable if, while being aware of the irregularities committed by these, they do not communicate such irregularities to the internal auditors and financial auditor.
- 7) The Board of Administration members who have had their position against the negligence or deed committed recorded in the Meeting and Deliberations Register and notified in writing to the internal auditors and financial auditor shall not be held liable.

Article 33

- 1) The General Shareholders' Meeting shall take action against the Board of Administration members for damages caused by such members to the company through breaching their obligations to it, by deciding through the majority under Art. 112 of companies' Law No. 31/1990, as republished and amended.
- 2) The General Shareholders' Meeting shall appoint, with the same majority, the person in charge with bringing the action to court.

3) When the General Shareholders' Meeting decides upon the annual financial statements, it may take a decision 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 Shareholders' Meeting decides to initiate proceedings against the members of the Board of Administration, their mandate ceases rightfully as of the date of the adoption of this decision and the General Meeting shall proceed to their replacement.

5) If the abovementioned proceedings are initiated against the Director General, he is rightfully suspended until the decision is declared irrevocable.

Article 34

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

Article 35

The members of the Board of Administration may exercise any action related to TRANSGAZ' management, in its own interest, within the limits of the Incorporation Act, the legal provisions and the Rules hereunder.

Article 36

The financial situations, the annual report of the Board of Administration and the proposal related to the distribution of dividends are submitted to the shareholders at the headquarters of the company at the date the General meeting is convened, by the Board of Administration, under the legal provisions related to trading companies.

CHAPTER VI

Final provisions

Article 37

The Rules hereby are completed with the provisions of companies' Law no. 31/1990, as amended and republished, of the EGO no. 109/2011 on the corporate governance of public undertakings, modified and amended, and updated according to TRANSGAZ' Articles of Incorporation.

Article 38

The Rules of procedure and organization were approved, under art. 15(3), letter "j" of TRANSGAZ' Articles of Incorporation, during the General Shareholders' Meeting on.....

Chairman of the Board of Administration

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