



SOCIETATEA NAȚIONALĂ DE TRANSPORT  
GAZE NATURALE "TRANSGAZ" SA MEDIAȘ  
Capital social: 117 738 440,00 LEI  
ORC: J32/301/2000; C.I.F.: RO13068733  
P-ța C. I. Motaș nr. 1, cod: 551130, Mediaș, Jud. Sibiu  
Tel.: 0040 269 803333, 803334; Fax: 0040 269 839029  
<http://www.transgaz.ro>; E-mail: [cabinet@transgaz.ro](mailto:cabinet@transgaz.ro)



## THE REMUNERATION POLICY

*regarding the remuneration of the Administrators and of the Director – General of SNTGN  
TRANSGAZ SA, prepared by the Advisory Nomination and Remuneration Committee*

### ***I. The legal framework for the remuneration policy and criteria of the administrators and of the director – general of SNTGN TRANSGAZ SA:***

- Art.15., point 3, letter (d) of the Articles of Incorporation of Transgaz SA, updated on 27.03.2012, stipulating as main task of the GMS the ***establishing of the level of the monthly remuneration of board of administration members***;
- Art.111, paragraph (2), letter c) of Law 31/1990 on the trading companies, as further amended and supplemented, besides other issues on the agenda, the GMS has the obligation to ***establish the remuneration of the board of administration members for the current year unless established under the articles of incorporation***;
- Art.153<sup>18</sup>, paragraph (1) of Law 31/1990 on the trading companies, as further amended and supplemented, stipulating that ***The remuneration of the board of administration members is established under the articles of incorporation or by resolution of the general meeting of the shareholders***;
- Art. 37, paragraph (1) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, amended by GEO 51/29.05.2013, stipulating that ***The remuneration of the board of administration members is established by the general meeting of the shareholders***.
- Art. 37, paragraph (2) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, amended by GEO 51/29.05.2013 stipulating that ***The remuneration of the board of administration members consists of a fixed monthly allowance and of a variable component, meaning a share in the net profit of the company, a pension scheme or other form of remuneration based on performance indicators***;
- Art. 37, paragraph (3) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, amended by GEO 51/29.05.2013 stipulating that ***The fixed monthly allowance of the non-executive members cannot exceed the average of the average monthly gross earning over the last 12 months in the company's domain of operation, as communicated by the National Institute of Statistics prior to the appointment***;
- Art. 37, paragraph (5) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, supplemented by GEO 51/29.05.2013 establishing that ***the level of the variable component is established according to the reasoned recommendations, formulated based on***

*a comparative study on the conditions of remuneration for similar positions in companies in the same field, in which all or a majority of the of the share capital is owned by the state of Romania and other European countries, by the nomination committee ...`;*

- Art. 37, paragraph (6) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, supplemented by GEO 51/29.05.2013 establishing that *`the GMS will ensure that at establishing the fixed monthly earning of each member of the board of administration, such earning is justified in relation to specific obligations, duties within advisory committees, number of meetings, objectives and performance criteria set out in the contract of mandate`;*
- Art. 39, paragraph (1) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, establishing that *the remuneration and the other benefits granted to the administrators will be recorded in the annual financial statements and in the annual report of the nomination and remuneration committee;*
- Art. 39, paragraph (2) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, *under which the policy and criteria for the remuneration of the managers and directors in the unitary system are published on the website of the public enterprise by the board of administration;*
- Art.20. point 1, letter (d) of the Company`s Articles of Incorporation updated on 27.03.2012, establishing as *main duty of the Board of Administration also the appointment, suspending and revoking of the director-general of Transgaz, and the establishing of his/her remuneration;*
- Art.142, paragraph (2), letter c) of Law 31/1990 on the trading companies, as further amended and supplemented, establishes that the Board of Administration has among its main competences, which cannot be delegated to the directors, *the appointment and revoking of the directors and the establishing of their remuneration;*
- Art.143, paragraph (1) corroborated with Art.143, paragraph (4) of Law 31/1990 on the trading companies, as further amended and supplemented and corroborated with Art.19., point 7 of the updated Articles of Incorporation of the Company, establishing that the *Board of Administration may delegate the management of the company to one or several directors, appointing one of them as director-general, conditional on him/her not being the chairman of the Board of Administration;*
- Art.143, paragraph (5) of Law 31/1990 on the trading companies, as further amended and supplemented, *the director of the public limited liability company is that person to whom the company management duties were assigned according to Art. 143, paragraph (1) of Law 31/1990;*
- Art.153^18, paragraph (2) of Law 31/1990 on the trading companies, as further amended and supplemented, stipulates that *the remuneration of the directors in the unitary system is established by the board of administration.* The Articles of Incorporation or the general meeting of the shareholders set the general limits of all such remunerations;
- Art.38, paragraph (1) of Government Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, supplemented by GEO 51/29.05.2013 establishing that *`The remuneration of the directors is set by the board of administration and cannot exceed the level of the fixed remuneration established for the executive members of the board of administration. It is the only form of remuneration for the directors also having the quality of administrators`;*

- Art. 38, paragraph (2) of Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, amended by GEO 51/29.05.2013 establishing that *‘the remuneration consists of a fixed monthly allowance and of a variable component, meaning a share in the net profit of the company, a pension scheme or other form of remuneration based on performance indicators’*;
- Art.37, paragraph (4) of Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, supplemented by GEO 51/29.05.2013 establishing that *‘The fixed monthly allowance of the executive members cannot exceed 6 times the average of the average monthly gross earning over the last 12 months in the company’s domain of operation, as communicated by the National Institute of Statistics prior to the appointment’*;
- Art.34, paragraph (2) of Emergency Ordinance 109/2011 on the corporate governance of the public enterprises, establishing that *the Nomination and Remuneration Committee make proposals on the remuneration of the directors/members of the management and other management positions*;

## **II. Structure of the remuneration of the administrators and director-general of SNTGN TRANSGAZ SA**

Based on the normative acts above, the remuneration of the Board of Administration members is established by the General Meeting of the Shareholders and the remuneration of the directors in the unitary system is established by the Board of Administration. The remuneration consists of a fixed monthly allowance and of a variable component.

### **Fixed remuneration**

The fixed monthly remuneration of each non-executive member of the Board of Administration cannot exceed the average of the average monthly gross earning over the last 12 months in the company’s domain of operation, as communicated by the National Institute of Statistics prior to the appointment.

The fixed monthly remuneration for the Director-General (executive administrator) and the fixed monthly allowance of the executive members cannot exceed 6 times the average of the average monthly gross earning over the last 12 months in the company’s domain of operation, as communicated by the National Institute of Statistics prior to the appointment.

The fixed remuneration is paid to the authorized agent in the last working day of the month for which it is due.

### **Variable remuneration**

The variable remuneration is approved by resolution of the Ordinary General Meeting of the Shareholders upon approval of the form of the contract of mandate which will be concluded with the members of the Board of Administration of Transgaz SA.

In addition to the gross monthly fixed allowance, the authorized agent is entitled to also receive a variable annual remuneration component, calculated on the basis of the performance indicators as follows:

*Variable annual remuneration = annual bonus for performance indicator regarding EBITDA + annual bonus indicator for performance indicator regarding ‘Operating expenses (without the depreciation)’ + annual bonus for performance indicator regarding ‘Investments’*

The annual bonus performance indicator regarding EBITDA is due to the authorized agent only if the level of the EBITDA indicator actually achieved in the year for which the determination is performed is equal to or higher than the level of the EBITDA indicator for the relevant year undertaken by the Plan of Administration and is in the following **net amount**:

- the RON equivalent of 40,000 Euro for the member of the Board of Administration who is also the Director-General of the Agent;
- the RON equivalent of 10,000 Euro for the Chairman of the Board of Administration;
- the RON equivalent of 8,000 Euro for each of the other non-executive members of the Board of Administration.

The annual bonus for the performance indicator regarding the `Operating expenses (without the depreciation)` is due to the authorized agent only if the difference between the level of the indicator `Total operating expenses` and the level of the indicator `Depreciation`, actually incurred in the year for which the determination is performed is smaller than the level of the indicator `Operating expenses (without the depreciation)` undertaken by the Plan of Administration for the relevant year. The bonus is calculated by applying a coefficient of 3% to the net savings achieved in the relevant year, due to the actual achievement of a smaller level of the expenses as compared to the level undertaken by the Plan of Administration and is in the following net amount determined by the formula:

***Annual bonus for the performance indicator regarding the `Operating expenses (without the depreciation)` = 3% x (`Operating expenses (without the depreciation)` undertaken in the relevant year by the Plan of Administration - (`Total operating expenses` actually achieved in the relevant year - `Depreciation` actually obtained in the relevant year)).***

This criterion of compensation rewarding the administrators by 3% of the additional savings as compared to those estimated in the plan of administration, is essential for the shareholders and clients of the company, considering that all the savings obtained have a positive effect in reducing the NTS transmission tariff, having a direct impact on the industrial and household gas consumers and on all players in the Romanian gas market. Such savings also bring a substantial benefit to the state and to other shareholders by increasing the level of the dividends.

The annual bonus above is distributed between the Board of Administration members as a percentage, according to the following formula:

- 54% of the annual bonus for the Board of Administration member who is also the Director-General of the Principal;
- 13% of the annual bonus for the Chairman of the Board of Administration;
- 11% of the annual bonus for each of the other non-executive members of the Board of Administration.

The annual bonus for the performance indicator regarding the `Investments` is due to the authorized agent only if the level of the `investment` actually achieved in the year for which the determination is performed is higher than the level of the indicator `Investments` undertaken for the relevant year by the Plan of Administration. The bonus is calculated by applying a coefficient of 3% to the additional investments value achieved in the relevant year, value determined as the difference between the level of the indicator `Investments` actually achieved and the indicator `Investments` undertaken by the Plan of Administration and is in the following net amount determined by the formula:

***The annual performance bonus for the performance indicator regarding `Investments` = 3% x (`Investments` actually achieved in the relevant year - `Investments` undertaken for the relevant year undertaken by the Plan of Administration)***

The annual bonus above is distributed between the Board of Administration members as a percentage, according to the following formula:

- 54% of the annual bonus for the Board of Administration member who is also the Director-General of the Principal;
- 13% of the annual bonus for the Chairman of the Board of Administration;
- 11% of the annual bonus for each of the other non-executive members of the Board of Administration.

The actually achieved level of the indicators `EBITDA`, `Total operating expenses` and `Depreciation` in the relevant year, which is the basis for calculating the bonuses provided, is given by the appropriate level of the indicator in the Annual Financial Statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union for the relevant year, legally audited, and the level undertaken of the indicators `EBITDA` and `Operating expenses without the depreciation` is the one contained in the table `Overall result` of the Plan of Administration.

The actually achieved level of the indicators `Investments` in the relevant year, which is the basis for calculating the bonuses provided, is given by the appropriate level of the indicator `Investment expenditure`, within the budgetary execution of the relevant year, as it ascertained by the Report of the Ministry of Public Finance on the economic and financial indicators achieved in the relevant year (row 80), and the level of the indicator undertaken I the one in the table `Investment sources`, row 2.1 of the Plan of Administration.

The bonus for the performance indicator `EBITDA` is paid in four equal instalments, payable quarterly, during the financial year for which it is determined, and the settlement will be performed depending on the results actually obtained in the relevant year within 30 days from the date of approval by the GMS of the audited annual financial statements, the authorized agent following to repay the full value of the bonus if the relevant performance indicator is not fulfilled.

The bonus for the performance indicator regarding `Operating expenses (without the depreciation)` and for the performance indicator regarding `Investments` will be paid within 30 days from the date of approval by the GMS of the audited annual financial statements of the relevant year for which the relevant bonus is calculated.

The remuneration above represents the only form of remuneration of the Board of Administration members and there are no other bonuses, benefits in kind or additional or anticipated pension schemes that any member receives.

#### ***Advisory Nomination and Remuneration Committee***

***Ion Sterian***

***Radu Cernov***

***Bogdan Iliescu***