

Letterhead of the GENERAL SECRETARIAT OF THE GOVERNMENT

Annex no. 2 to Order no.of the General Secretariat of the Government

DRAFT

LETTER OF EXPECTATIONS

**REQUIRED FOR THE SELECTION AND ASSESSMENT OF THE MEMBERS OF THE BOARD OF
ADMINISTRATION AND DIRECTORS OF THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ SA
FOR THE PERIOD 2025-2029**

The General Secretariat of the Government (SGG) in its capacity as public supervisory authority and majority shareholder of The National Gas Transmission Company Transgaz S.A. (S.N.T.G.N. Transgaz S.A.), company with registered office in Mediaş Municipality, Sibiu County, Piața C. I. Motaş, no. 1, code 551130, registered with the Trade Register under no. J32/301/2000, sole registration code RO 13068733, holder of 110.221.440 shares, representing 58,5097% of the share capital, in consultation with the shareholders representing individually or jointly, at least 5% of the company's share capital, prepares this Letter of Expectations under the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, and of GEO no. 639/2023 for the approval of the Methodological Norms for the application of GEO no. 109/2011 on the corporate governance of public enterprises.

The letter of expectations, which is part of the set of mandatory documents starting the selection process of board members for public enterprises, is part of the initial component of the selection plan and defines the shareholders' expectations regarding the performance of the company and its management and governing bodies, as well as the policy of the public supervisory authority, for a period of 4 years, during 2025 –2029, pursuing the development of cooperative relations based on mutual trust, in compliance with the principles of transparency, responsibility, economic efficiency and profitability of S.N.T.G.N. Transgaz S.A.

I. COMPANY'S BACKGROUND DATA

S.N.T.G.N. Transgaz S.A. was established in 2000, based on the G.D. no. 334/28 April 2000, regarding the reorganization of the National Gas Company "Romgaz" S.A.. published in the Official Journal of Romania, Part I, no. 194/04.05.2000.

S.N.T.G.N. Transgaz S.A. is the technical operator of the National Gas Transmission System and ensures the efficient, transparent, safe, non-discriminatory and competitive fulfilment of the national strategy established for the international domestic transmission of natural gas, the dispatching of natural gas, research and design in the field of natural gas transmission, in

compliance with the legislation. and national and European standards of quality, performance, environment and sustainable development.

ANRE Order no. 3/22 January 2014 on the approval of the certification of the National Gas Transmission Company TRANSGAZ S.A. as transmission system operator of the National Gas Transmission System, established that the National Gas Transmission Company TRANSGAZ S.A. shall be organized and operate according to the "independent system operator" model.

S.N.T.G.N. Transgaz S.A. was among the pioneers of a new stage of development in the national economy, being a pioneering company in the process of implementing private professional management.

Transgaz' shareholding structure is as follows:

- 58,5097% - The Romanian state represented by S.G.G. - 110.221.440 shares;
- 41,4903% - Free float - 78.160.064 shares.

SNTGN TRANSGAZ S.A. is a company listed on the Bucharest Stock Exchange and is managed by a unitary management system. The Board of Administration of SNTGN TRANSGAZ S.A. during 2021-2025 consists of 5 administrators and was selected and appointed according to the provisions of GEO no. 109/2011 on the corporate governance of public undertakings, as amended.

The activity of the Board of Administration is carried out based on the provisions of:

- Law no. 31/1990 on companies, republished as amended;
- Law no. 24/2017 on the issuance of financial instruments and market operations, as amended;
- GEO no. 109/2011 on corporate governance of public enterprises, as amended;
- The Corporate Governance Code of the BSE;
- The Articles of Incorporation of SNTGN TRANSGAZ S.A., as updated;
- Financial Supervisory Authority Regulation No 5/2018 on issuers of financial instruments and market operators, as amended;
- Regulamentului ASF nr. 5/2018 privind emitenții de instrumente financiare și operatorii de piață, cu modificările și completările ulterioare;
- Rules of Organization and Procedure of the Board of Administration.

II. SYNTHESIS OF THE GOVERNMENTAL STRATEGY IN WHICH S.N.T.G.N. TRANSGAZ S.A. OPERATES

Romania is in the process of joining the Organization for Economic Co-operation and Development (OECD), the most important objective of the country, after joining the European Union and NATO, and one of the government's priorities in this period is to improve the corporate governance of all public enterprises in Romania, by implementing the principles developed by the OECD.

The need to optimize corporate governance in public enterprises is based not only on economic, but also on technical, social and environmental reasons. Romanian state-owned companies are important vectors of economic recovery and revival, of state budget balancing, as their operations, creditworthiness and liquidity have a broad influence on the economy as a whole, through their multiplier effect. At the same time, however, the government's objectives of good management

of state interests also mean better monitoring of performance, a focus not only on financial aspects, but also on aspects of good governance, transparency and integrity.

The presence of the state as a shareholder in public enterprises must be an active one, motivated by the need for continuous information and to ensure transparent and responsible corporate governance based on the expectations regarding the needs that the state has to fulfill, namely: control over natural resources, natural monopoly, public service, strategic commercial reasons, especially since the state has to act in the public interest, for the benefit of all citizens of the country. The Romanian Government believes that, through a rational, balanced, prudent and result-oriented policy in the management of its interests in the economy and, above all, through a corporate governance framework in line with OECD principles, the State can substantially improve its role as a shareholder.

Among the main objectives included in the Program for Governance to strengthen the role of the State as a shareholder and to ensure the sustainability of this process in the medium and long term are the following:

- strengthening corporate governance in state-owned enterprises in order to improve their performance;
- alignment with relevant international standards, with a focus on OECD corporate governance standards; the adoption of these standards is desirable both from the point of view of modernizing the management of public enterprises and as an important step towards Romania's OECD membership target;
- the implementation of corporate governance principles in public enterprises, namely: ethics and integrity, professionalism and performance; transparency and predictability, accountability and decision delineation; increasing the level of professionalism and performance of management in public enterprises by applying the best corporate governance models and practices;
- ensuring a sustainable financial and operational performance of public enterprises through the implementation of reform 9 of the NRRP - Improving the procedural framework for the implementation of corporate governance principles in state-owned enterprises. ; the implementation of the reform aims at increasing the efficiency and profitability of public enterprises, transparency in monitoring their performance and, last but not least, transparent and competitive procedures for the selection of members of the boards of administration/supervisory boards; implementation of measures to ensure energy security in the context of EU policy lines aimed at decarbonization and reduction of greenhouse gas emissions and its strengthening in terms of fuel and natural gas supply by establishing a system for maintaining mandatory stocks in accordance with European legislation;
- promoting investment in energy, in particular in clean energy;
- Romania's commitment through the NRRP to phase out coal-based energy production by 2032;
- the effective start of offshore natural gas exploitation projects in the Black Sea;
- investments in the extension of the natural gas transmission and distribution network, with a focus on the implementation of smart transmission and distribution networks;

- participating in European initiatives to encourage the development of hydrogen technologies to reach the threshold of economic competitiveness and large-scale deployment, with a key contribution to energy security and supporting the attraction of investment in modern technological solutions that have reached maturity and have been sufficiently tested to operate in an economically efficient way;
- active participation in European initiatives aimed at investing in storage technologies, promotion and large-scale use of electric batteries in CO₂ capture, CO₂ utilization and/or storage, identifying and harnessing scarce raw materials;
- the creation of a competitive, transparent and predictable regulatory environment, based on substantive public consultation, as a foundation for free and competitive energy markets;
- achieving a modern system of governance in the energy sector by acting on the depolitization and independence of regulators and state-owned companies, on the simplification of the bureaucratic circuit towards transparency and digitalization, in order to have corporate governance and competency at all levels; creating a transparent, stable and coherent legislative and regulatory framework; listing energy sector companies on the stock exchange, where feasible, in order to increase the degree of transparency of management and for investments based on principles of economic efficiency and technological neutrality, while maintaining the strategic control of the Romanian state;
- maintaining support to the Republic of Moldova in electricity and natural gas;
- achieving an industry with minimal environmental impact to mitigate climate change, addressing challenges such as reducing industrial greenhouse gas emissions, energy and resource efficiency through cleaner technologies, green industrial approaches and increased environmental awareness programs;
- implementation of the reforms committed to in the National Recovery and Resilience Program, in particular the improvement of institutional capacity, corporate governance, and the achievement of European decarbonization targets;
- implementation of the objectives undertaken through the Recovery and Resilience Mechanism to create the institutional and financial framework for the implementation of projects under the 6 pillars: green transition; digital transformation; smart, sustainable and inclusive growth; social and territorial cohesion; health and institutional resilience; children, youth, education and skills.

A new national energy policy is needed in the current European context. Ensuring energy security is the key objective of the new energy policy, in line with the European context of a future integrated market. Green transition and digitalization of the energy sector will be ensured by promoting renewable electricity generation, energy efficiency and technologies. The decarbonization of energy supply, in view of the EU-wide target to reduce greenhouse gas emissions by at least 40% compared to 1990 levels, can only be achieved by increasing nuclear generation capacity. At regional level, energy independence has to be the new strategic goal. In this context, Romania's energy independence becomes a primary objective for the government

Romania aims to transpose and implement the European Green Deal, the strategies, plans and legislation of the key actions related to it by drafting and implementing a Green Deal for Romania, which will customize the European objectives to the national realities and possibilities, so that the

new framework for sustainable, fair and inclusive development will ensure an economically efficient, socially sustainable and environmentally friendly transition focused on competitiveness, innovation and decarbonization.

Since public enterprises are an important driver for economic recovery and state budget balancing, the operation, creditworthiness and liquidity of these companies have a considerable influence on the economy as a whole, through their multiplier effect, and the need to implement and improve corporate governance, respectively, has to support these economic rationales par excellence.

The state's expectations as a shareholder in public enterprises aim to shift their focus from maximizing annual profit to strategic objectives such as: *implementation of sustainable medium and long-term investment programs, investments that meet the objectives assumed by Romania in terms of the European Green Deal, climate neutrality, economic recovery, efficient use of business opportunities, development of research and innovation, digitalization, human capital development, transparency, ethics and integrity, implementation of best practice models of corporate governance, competitiveness and sustainable development.*

At the heart of the entire legislation on corporate governance for public enterprises in Romania is the idea of transparent implementation of management by professional, upright, visionary directors who are accountable, efficient and competitive in relation to the financial and non-financial expectations of shareholders and the established performance targets.

The energy sector is a key contributor to Romania's sustainable development process through its crucial influence on the quality of life, the competitiveness of the economy, the environment and the climate. In order to meet the expectations of energy consumers, Romania's energy sector has to become more economically efficient, more technologically advanced and less pollution-intensive. Increasing the quality of the energy governance system in Romania is a foundation for achieving all other strategic objectives.

The state has an important role in the energy sector, as legislator, regulator and energy policy maker on the one hand, and as asset owner and manager or significant shareholder on the other - both in the natural monopoly segments (transmission and distribution of electricity and natural gas) and in production.

Awareness and accountability that state assets have to be managed with the same care and competence as the private ones shall become a strategic priority, an important step in the future of the country's economy, where state-owned companies have an extremely important contribution to economic development.

Romania's energy system is an extremely important area, and the special attention it is receiving is due both to its importance for the entire national economy and to the need to comply with the commitments Romania has undertaken towards the European Union and other international institutions and bodies.

In the context of multiple changes in the European and national regulatory and legislative framework, the definition and implementation of an effective and competitive, viable and flexible medium and long term national energy strategy, aligned with the requirements of European standards, is the driver that can determine the recovery of the national economy, attracting

external investment and financing, including European funds, through the financing mechanisms made available by the EU, in key sectors, increasing economic competitiveness, developing and modernizing transport infrastructure, protecting and improving the quality of the environment, setting the national economy on a sustainable development trend.

The aim of privatizing the Romanian energy sector is to attract investment with a view to modernizing and developing it and to achieve real competitiveness in the context of the integration of regional energy markets. It can transform Romanian energy system actors from internal to regional, ensuring the prerequisites for the formation and consolidation of the regional energy market in South-East Europe and the EU.

Ensuring sustainable financial and non-financial performance, increasing economic efficiency and profitability, optimizing company value, removing waste and corruption, prudent risk management and approach, making the activity transparent, eliminating bottlenecks and malfunctions in the economy, ensuring a professional, efficient management that creates added value for the energy sector and implicitly for the national economy are just some of the aspects of the current national and European energy context.

III. THE GENERAL VISION OF THE SUPERVISING PUBLIC AUTHORITY AND SHAREHOLDERS ON THE MISSION AND OBJECTIVES OF S.N.T.G.N. TRANSGAZ S.A.

The General Secretariat of the Government, in its capacity as the supervising public authority and majority shareholder, as well as the other shareholders, shall ensure that S.N.T.G.N. Transgaz S.A. makes achievements as a gas transmission system operator on the international natural gas market, becomes a leader on the regional energy market, with a modern national natural gas transmission system, integrated at European level and an efficient management system.

In accordance with the requirements of the European energy policy, the mission of the majority shareholder, the Romanian State through the General Secretariat of the Government and the other shareholders is to fulfill the national energy strategy established for the domestic and international transmission of natural gas, the dispatching of natural gas and the research and design in the field of natural gas transmission under conditions of efficiency, transparency, safety and competitiveness.

Throughout the new mandate, 2025-2029, the main objectives pursued, are both to continue with responsibility, efficiency, transparency and professionalism towards all stakeholders on the road opened for the construction and development of a solid and efficient future of the Romanian energy sector and to achieve new objectives that meet the European and national energy vision, presented in the Government Program, the Energy Strategy of Romania 2020-2030, horizon 2050, the National Integrated Energy and Climate Change Plan 2021-2030 (NIECP), the European Green Deal, the National Hydrogen Strategy 2023-2030 (NHS), the National Recovery and Resilience Plan (NRRP).

The main objectives are:

- **continuation of the activity/investment projects** regarding the rehabilitation, modernization and development of the NTS on the main consumption routes;

- interconnection of the NTS with the natural gas transmission systems of neighboring countries; development of new natural gas transmission infrastructure to Western Europe; ensuring non-discriminatory access to the NTS; ensuring and strengthening energy security; diversification of natural gas supply sources and transmission routes;
- **operational effectiveness** - implementing smart transmission networks; ensuring sustainable financial and operational performance of the company; implementing participative management in all areas of the company's activities; developing organizational culture and professional performance; integrating good corporate governance principles and practices into the business model;
 - **sustainable/durable development** in the context of the European Union's programmatic guidelines aimed at decarbonization and reduction of greenhouse gas emissions; implementation of the measures in the company's Decarbonization and Climate Strategy; increase energy efficiency by implementing an energy management system (ISO 50001); participation in European initiatives to encourage the development of hydrogen technologies, transmission of natural gas and hydrogen mixtures.

The Plan for the Development of the National Gas Transmission System for the period 2024-2033 prepared by S.N.T.G.N. Transgaz S.A. according to the provisions of Power and Gas Law no. 123/2012 as amended, with the national objectives proposed by the draft National Energy Strategy 2025-2035 at 2050 horizon, by the updated National Integrated Energy and Climate Change Plan 2021-2030 (NIECP), by the National Recovery and Resilience Plan (NRRP) and by the National Hydrogen Strategy 2023 -2030 (NHS), has been submitted to ANRE for approval and meets the requirements of the European energy policy on:

- ensuring security of gas supply;
- increasing the degree of inter-connectivity between the national gas transmission network and the European network;
- increasing the flexibility of the national gas transmission network;
- opening up the natural gas market;
- creating an integrated EU-wide natural gas market;
- ensuring the connection of third parties to the natural gas transmission system, in accordance with specific regulations, within the limits of the transmission capacities and in compliance with technological regimes;
- ensuring the supply of natural gas to Romanian localities;
- ensuring that new job-creating investments are connected to the natural gas network;
- developing the transmission system in such a way that it is compatible with the gradual blending of hydrogen into natural gas, in line with European goals, based on detailed analyses including the relevant technical and economic aspects;
- developing the societal strategy for coupling hydrogen ecosystems and industrial centers with the integrated EU-wide hydrogen pipeline transportation system;
- ensuring a phased transition to climate-neutral activity and building resilience to climate change;
- meeting national and international (climate) requirements and regulations/National Integrated Energy and Climate Change Plan.

The annual and multi-annual programmes are the main tools for planning, budgeting and monitoring the implementation of investment works for the modernization and development of the NTS, repair and rehabilitation works and maintenance services for the NTS.

IV. TRANSGAZ' INCLUSION IN ONE OF THE CATEGORIES OF THE SCOPES OF PUBLIC ENTERPRISES

The National Natural Gas Transmission Company "TRANSGAZ" SA is a public enterprise within the meaning of Article 2, paragraph 2, letter b) of GEO no. 109/2011, as subsequently amended and supplemented.

SNTGN TRANSGAZ SA is a Romanian legal entity having the legal form of a joint-stock company and carries out its activity in accordance with the Romanian laws and with the updated Articles of Incorporation.

According to Article 100, points 83 and 84 of the Law no. 123/2012 on electricity and natural gas, as updated the transmission system is defined as the set of interconnected pipelines, including related installations and equipment for the transport of natural gas, in accordance with the specific technical regulations, which ensure the takeover of natural gas extracted from the exploitation blocks or from imports and the delivery to distributors, direct customers, storage, and beneficiaries in various countries; respectively, the National Transmission System (NTS) is the transmission system located on the territory of Romania and which is in the public property of the State.

The main activity of SNTGN TRANSGAZ S.A. is - **Transmission through pipelines – NACE code 4950** - activity defined by law as the activity organized for the transmission of natural gas through the National Natural Gas Transmission System (NTS) or other transmission systems. Also, SNTGN TRANSGAZ S.A. carries out complementary and other related/secondary activities to support the main object of activity in accordance with the legislation in force and the Articles of Incorporation, updated.

Transgaz has the monopoly status in the transmission of natural gas in Romania and transports around 90% of all natural gas consumed.

V. THE ASSURANCE BY TRANSGAZ OF THE PUBLIC SERVICE OBLIGATION OF GAS TRANSMISSION

SNTGN TRANSGAZ S.A. is the technical operator of the National Gas Transmission System (NTS) ensuring that the national strategy established for the domestic and international gas transmission, natural gas dispatching, research and design in the gas field is complied with in conditions of efficiency, transparency, safety, non-discriminatory access and competitiveness the natural gas transport sector, in compliance with the national and European standards of quality, performance, environment and sustainable development.

According to the regulatory framework applicable to the natural gas sector, SNTGN TRANSGAZ S.A. carries out the natural gas transmission activity on the basis of specific sectoral legislation, of

the Concession Agreement signed with the National Regulatory Authority for Mining, Petroleum and Geological Storage of Carbon Dioxide, approved by G.D. no. 668/2002, as subsequently amended and supplemented and of the Natural Gas Transmission System Operating License no. 1933 granted by Decision no. 3911/20.12.2013, updated, issued by the National Energy Regulatory Authority (ANRE).

The natural gas transmission activity constitutes a public service of national interest and is included in the regulated segment of the internal natural gas market. The natural gas transmission service is provided under a natural monopoly on the basis of a tariff set by ANRE.

As operator of the NTS, SNTGN TRANSGAZ S.A. has the obligation, in accordance with the legal provisions on measures to ensure security of natural gas supply of the European Union regulations, to make interconnections with similar natural gas transmission systems in neighbouring countries, in order to create technical and technological conditions for ensuring security of natural gas supply to the Central-Eastern European region.

The obligations and responsibilities of the General Secretariat of the Government on the one hand and SNTGN TRANSGAZ S.A. on the other hand will be carried out responsibly and efficiently and in accordance with the applicable legal framework.

VI. THE DIVIDEND AND NET PROFIT DISTRIBUTION POLICY APPLICABLE TO TRANSGAZ

The General Secretariat of the Government, in its capacity as public supervisory authority and majority shareholder, but also the other shareholders, will seek to maximize the long-term value of the company and implicitly the value of the dividend. The dividend policy will be a responsible, prudent and predictable one, appropriate to the specific situation of the company and complying with its development investment needs.

The main objective is to ensure a balance between the dividend policy and that of providing the necessary funds for the investment programs undertaken by the company for development and upgrading.

At present, G.E.O. no. 64/2001 on the distribution of profits in state-owned companies, national companies, commercial companies fully or majority state owned, as well as autonomous companies, as amended, regulates the distribution of at least 50% of profits as a payment/dividend to the state or local budget.

SNTGN TRANSGAZ S.A. administrators are expected to develop, approve and publish the "Dividend Policy", as required by the BSE's new Corporate Governance Code.

VII. THE INVESTMENT POLICY APPLICABLE TO TRANSGAZ

Romania faces a historic opportunity. The EU's Multiannual Financial Framework 2021-2027 and the Next Generation EU program will bring substantial financial support to our country to be used for investments in infrastructure, education, health, agriculture, environment or energy, as well as for the modernization of large public systems. The Recovery and Resilience Mechanism (RRM) is

a new instrument proposed by the European Commission on 28 May 2020 as a European tool for economic recovery following the crisis caused by the new coronavirus. From the overall envelope, Romania would benefit from an allocation of approximately EUR 28.5 billion, of which EUR 13.6 billion in the form of grants and EUR 14.9 billion in the form of loans and loans - EUR 16.7 billion.

These funds will support the economic recovery and transformation of Romania and therefore public enterprises in which the state is a majority shareholder must carry out sustainable investment programs in order to develop their activity in the long term, considering the current market opportunities and socio-economic trends. The Government expects public enterprises to focus responsibly on research, development and innovation, as well as investments in green transition, digital transformation; smart, sustainable and inclusive economic growth.

The investment projects in the development and upgrading of the National gas Transmission System (NTS), in its expansion, will take into account the main requirements that it must ensure in the current dynamics of the regional natural gas market. Taking into account the latest developments and trends in the field of natural gas transmission routes at the European level, it is evident that two important sources of natural gas supply are emerging: natural gas from the Caspian Sea region and natural gas discovered in the Black Sea.

Thus, the investments proposed by SNTGN TRANSGAZ S.A. in the Development Plan of the National Natural Gas Transmission System for the period 2022-2031 revised in August 2023 and approved by ANRE Decision no.1956/04.08.2023 and included in TYNDP 2024 - 2033, submitted for approval to ANRE, are strategic investments for the development of the natural gas transmission infrastructure, to ensure energy security and for the compliance of the system with the requirements of European regulations in the field.

Keeping the importance of the company accountable, both as a driver of activities in the national economy and as a vector of economic growth of the country, through its role in the development of the energy sector and the transformation of Romania into an energy power of Europe, the Romanian state and Transgaz initiated one of the largest, complex and most important programs for the development of the natural gas transmission infrastructure in Romania over the past years, with investment projects estimated at over 9 billion euro (for eg: *BRUA project - phase 2; Black Sea - Podișor natural gas transmission corridor, Developments in the North-Western part of Romania, Interconnection of the National Natural Gas Transmission System with the similar system in Serbia, Increasing the transmission capacity on the interconnection with Bulgaria (Giurgiu - Ruse), Corridors for the transmission of natural gas mixed with hydrogen*).

For the sustainable development of the natural gas transmission infrastructure in Romania, through the Development Plan of the National Natural Gas Transmission System for the next 10 years, S.N.T.G.N. Transgaz S.A. proposes a large investment program for the strategic and sustainable development of the natural gas transmission infrastructure in Romania, which will allow the alignment of the NTS with the European transmission and operation requirements, while also ensuring its compliance with the requirements of European regulations in the field of environmental protection:

- strengthening Transgaz' role as a natural gas transmission system operator on the European, regional and national energy market, following the EU requirements on ensuring an

adequate degree of interconnectivity with neighboring countries and the potential for exploitation of natural gas fields discovered in the Black Sea;

- increasing the flexibility of the national gas transmission network;
- creation of natural gas transmission routes at regional level for the transmission of natural gas from various new supply sources;
- creating the necessary infrastructure for taking and transporting natural gas from off-shore blocks in order to capitalize it on the Romanian market and other markets in the region;
- extension of the natural gas transmission infrastructure to improve the supply of natural gas to areas with natural gas shortages and ensure third party access;
- developments of the NTS in accordance with legal provisions, investments enabling the extension of the NTS in areas with newly established distribution systems;
- creating an integrated single market at EU level.

Its geostrategic position, primary energy resources and major investment projects in natural gas transmission infrastructure can help Romania to become a significant player in the region, but only if it keeps pace with technological progress and manages to attract the necessary funding.

Through the projects proposed for the development and upgrading of the natural gas transmission infrastructure, through the implementation of intelligent control, automation, communication and network management systems, Transgaz aims both to maximize energy efficiency throughout the entire chain of activities, as well as to create an intelligent, efficient, reliable and flexible natural gas transmission system.

In view of the complex and extensive investment programme, the public supervisory authority and the shareholders want the administrators of SNTGN TRANSGAZ S.A. to consider developing the business by optimising the absorption of European funds and creating an efficient and flexible financing structure.

Following the proposed goals, the public supervisory authority and the shareholders expect and wish that the administrators and the management of the company will act responsibly, prudently and transparently towards all stakeholders, for business continuity, projects, ensuring and strengthening energy security, for the continuity of operational effectiveness, optimization of performance and sustainable development of the company.

VIII. EXPECTATIONS OF THE PUBLIC SUPERVISORY AUTHORITY AND SHAREHOLDERS REGARDING COMMUNICATION WITH THE ADMINISTRATIVE AND MANAGEMENT BODIES OF TRANSGAZ

The General Secretariat of the Government, as the PSA and majority shareholder, as well as the other shareholders, wish to support the activity of S.N.T.G.N. Transgaz S.A. in a constructive and transparent manner and to work closely with the members of the administrative and management bodies to identify ways to optimize the company's performances and to manage it efficiently.

The shareholders are committed to strengthening strategic accountability, improving the management of the public enterprise's assets and clarifying their expectations for the company's development. These priorities are enabled by improving two-way communication between

administrators and shareholders to support an understanding of shareholder expectations, government priorities, accountability levels and alignment with the company's strategic priorities.

It is important that each of them inform each other of any issues with a material impact on the company and/or shareholders' interests, including information on identified risks that may influence the fulfilment of the management plan.

The Board of Administration will prepare, submit and publish half-yearly and annual reports on the fulfilment of performance indicators and the Management Plan.

The Board of Administration shall cooperate closely with all shareholders, to ensure timely information and constant communication on the company's strategic management directions.

The transmission of reporting documents within the deadlines set by law and administrative acts, as well as any other information that shareholders deem necessary, are examples of good communication between the company and shareholders.

Any deviation from the established performance indicators shall be notified to the relevant public authority and shareholders, as appropriate, as soon as possible, as soon as the management and governing bodies of the public enterprise determine that such deviation is highly probable. It is important that managers inform shareholders in a timely manner of any risk of deviation from expected performance. Thus, we expect administrators to perform a risk quantification and consult shareholders in a timely manner if significant deviations from expected targets are expected.

For a transparent communication and information of all stakeholders the good corporate governance practices stipulate that the company's administrators carry out a transparent activity and to make sure that all the public information provided for by the applicable laws are published on Transgaz' webpage.

IX. THE EXPECTATIONS OF THE PUBLIC SUPERVISORY AUTHORITY AND STAKEHOLDERS REGARDING THE QUALITY AND SECURITY OF SERVICES

The quality of the national public natural gas transmission service is a constant concern of both the General Secretariat of the Government, in its capacity as Public Supervisory Authority and majority shareholder, and of the other shareholders.

Thus, the public supervisory authority and the shareholders of Transgaz wish that the company's administrators pay particular attention to improving the quality of natural gas transmission services, increasing the safety in the operation and functioning of the National Transmission System for domestic and international natural gas transmission and dispatching and to ensure the monitoring of these services in accordance with the Performance Standard for the natural gas transmission and system service approved by ANRE.

The Natural Gas Transmission Service Performance Standard regulates the commercial quality criteria by setting performance indicators for the provision of the natural gas transmission service and ancillary services by the transmission system operator (TSO). The degree of achievement of the performance indicators, set by the Natural Gas Transmission Service Performance Standard, is monitored annually and is part of the category of non-financial key performance indicators.

The company's administrators are expected to continue and develop the programs undertaken on the implementation of the TQM (Total Quality Management) system in the field of natural gas transmission service, modernization and development of the natural gas transmission infrastructure, as well as the programs undertaken in the field of gas quality and metering, environmental protection and security of the company's operational systems and processes.

SNTGN TRANSGAZ S.A. has an **Integrated Quality – Environment, Occupational Health and Safety Management System** implemented and certified in accordance with **SR EN ISO 9001:2015, SR EN ISO 14001:2015** and **SR ISO 45001:2018** and the administrators must therefore act in accordance with these rules and procedures, ensuring that certification is maintained.

The Board needs to understand the emerging changes related to information technology and artificial intelligence in order to mitigate risks to cybersecurity. Time must be given to AI and cybersecurity risks and opportunities on the Board's agenda to ensure understanding of cyber protection.

Transgaz shall continuously develop the Internal Managerial Control System, in accordance with the provisions of Order No. 600/2018 of the Secretary General of the Government on the approval of the Code of Internal Managerial Control of Public Entities.

Annually, a report will be prepared on the performance monitoring process and on the conduct of the risk management process at company level, in accordance with the provisions of Order No. 600/2018 of the Secretary General of the Government, Art. (9) and standard 7 - Performance Monitoring and standard 8 – Risk Management.

X. ETHICS, INTEGRITY AND CORPORATE GOVERNANCE

The General Secretariat of the Government, as PSA and majority shareholder, and the other shareholders, wants the company's administrators to continue to act in concert with the requirements of the new Governance Code of the BSE, those of the Code of Ethics and the Corporate Governance Regulation, as well as in the spirit of accountability and transparent business practices.

The management and the employees are aware of and support the ethical values and the values of the entity, comply with and enforce regulations on ethics, integrity, avoidance of conflicts of interest, prevention and reporting of fraud, corruption and whistleblowing.

The Code of Ethics is communicated to employees for consultation and awareness.

The executive management facilitates the open communication by employees of their concerns about ethics and integrity by appointing an ethics adviser to monitor compliance with the rules of conduct.

The confidential information shall be managed so as to ensure the equal treatment of all of the company's shareholders.

Third party transactions is another important aspect related to TRANSGAZ' ethics and the adoption by the company of internal regulations in this respect and regarding the management

of conflicts of interest and granting sponsorships are concrete expectations that the General Secretariat of the Government, as PSA and majority shareholder, and the other shareholders have from the Transgaz' administrators.

As these regulations are required by corporate governance legislation and are already in place within the company, the General Secretariat of the Government, as PSA and majority shareholder, and the other shareholders, is mainly directed towards:

- the full compliance of the company with the future applicable legislative requirements;
- increasing the interest in proper information of market participants and continuous improvement of transparency at Transgaz' level;
- • knowledge and support of ethical values and company values, compliance with and enforcement of regulations on ethics, integrity, avoidance of conflicts of interest, prevention and reporting of fraud, corruption and whistleblowing, in accordance with the provisions of the Order of the Secretary General of the Government No 600/2018, standard 1 - Ethics and Integrity.

XI. THE BUSINESS ENVIRONMENT IN WHICH IT OPERATES AND THE RISKS TO WHICH THE COMPANY IS EXPOSED

Risk management

Risk management is one of the key concepts for long-term success. By effectively applying the principles of risk management and optimally managing the identified risks, it is possible to avoid their negative impact on the company's business and economic and financial performance.

Management shall organize and implement a risk management process that facilitates the achievement of the set objectives under conditions of economy, efficiency and effectiveness, in accordance with the requirements of the Order of the General Secretariat of the Government No. 600/2018 on the approval of the Code of Managerial Internal Control of Public Entities.

Risk management will be aimed at identifying and assessing the risks associated with the activities and objectives of the company, identifying the possible causes of risks, establishing the risk management strategy, monitoring the implementation of control measures and reviewing them according to the effectiveness of the results, as well as periodical reporting on the risk situation.

In order to effectively manage the risk management process within the company, the management shall ensure that the system procedure is updated to establish a unified overall framework for risk identification, assessment and management.

Risk management shall be adjusted to the size, complexity and specific environment of the Company's activities in order to minimize or eliminate the likelihood and impact of risks.

Risk management shall be an integral part of management and decision-making processes.

Risk management is addressed at two levels, through PEST analysis and risk management, as follows:

The PEST analysis (political, economic, social and technological) is an analysis of the general impact and trends of the external environment from the perspective of political, economic, socio-cultural and technological factors that may have direct / indirect influence on the economic activity of S.N.T.G.N. Transgaz S.A.

P	<p>Political and legal factors</p> <p>Governmental and political regulations can generate constraints or opportunities for the company and they include both commercial, fiscal and budgetary laws and policies, environmental laws and regulations as well as labour and social protection laws and other areas. Political-legal factors can have a double impact on the company, as follows:</p> <ul style="list-style-type: none"> ▪ positive impact in the context of S.N.T.G.N. Transgaz S.A.'s shareholding, which can come from the sphere of these factors and which have the possibility to support initiatives of legislative changes with positive influence on the activity of the company; and ▪ negative impact from the point of view of the accelerated pace and the variety of legislative changes, including those that address the regulatory framework specific to the company. In the medium and long term, they hamper the implementation of strategic programs.
E	<p>Economic factors</p> <p>The world economy is going through one of the most severe economic crises, a period that is also affecting the Romanian economy, given its dependence on global economic mechanisms and its integration into European and global value chains.</p> <p>Taking into account the fact that S.N.T.G.N. Transgaz S.A. holds the natural monopoly in the operation of the National Transmission System and its activity is directly exposed to the influences of the macroeconomic factors (interest rates, credit availability, inflation rate, taxation, exchange rates, unemployment rate, etc.) the company must act with caution and responsibility in terms of the work carried out and to comply with the requirements of the regulations in order to maintain its operational and economic viability.</p>
S	<p>Social factors</p> <p>Taking into account the specificity of S.N.T.G.N. Transgaz S.A.'s activity, the social factors are of particular importance, given the following: providing the qualified human resources needed to replace personnel after retirement or withdrawal; attitude towards the environment and community, shareholders and employees, ensuring the balance between motivation and remuneration, social evolution in the area and in the county, unemployment, etc.</p>

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Technological factors which may influence the development of the company are represented by improved or new technologies, upgrading equipment and tools used in the NTS operation and maintenance, and the IT and communications activity, etc.

The expectation of the General Secretariat of the Government, as public supervisory body and majority shareholder, as well as of the other shareholders is the continuous improvement of the risk management process by optimizing the conceptual and methodological framework established at the level of S.N.T.G.N. Transgaz SA.

Risk management

By the nature of its activities, the company is exposed to risks that could adversely affect its business, financial condition and/or results of operations. Such risks include: *political risk; economic environment risks; risks related to the amendment of the applicable fiscal regulations; risk related to the governmental intervention in the main infrastructure sectors; the impact of the competing projects on the activity; the amendment of the regulatory framework specific to the natural gas market; seasonal fluctuation; Natural gas prices in Romania; risks related to the regulatory character of the gas transmission activity; variations in the prices of the gas procured by S.N.T.G.N. Transgaz S.A. for NTS gas consumption and NTS balancing; risks related to the classified information regime; financial risks, lending, exchange rate, interest rate, capital market, etc.; cyber security risks, etc.*

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company does not use derivative financial instruments to protect itself from certain risk exposures.

Market risk

Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets and recognized liabilities.

The Company does not perform formal actions to minimize the currency risk related to its operations; the Company does not apply hedge accounting. The management believes that the Company is covered in terms of the currency risk, given that sales in foreign currencies (mainly incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

Price risk

The company is exposed to commodity price risk for the natural gas purchased for its own consumption.

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken. The Company did not conclude any commitment to diminish the risk.

Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers.

Liquidity risk

Cautious liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

The company forecasts the cash flows. The financial structure of the company continuously monitors the company's liquidity requirement to make sure there is enough cash to meet the operational requirements, maintaining at the same time a sufficient level of unused borrowing facilities at any time, so that the company does not break the limits or breach loan agreements (where applicable) for any of its credit facilities.

Such forecasts consider S.N.T.G.N. Transgaz S.A.'s debt financing plans, compliance with agreements, compliance with internal objectives on the balance sheet indicators and, if appropriate, external regulations or provisions. The Financial Division of the company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above.

Capital risk management

S.N.T.G.N. Transgaz S.A.'s objectives related to capital management refer to maintaining the company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure.

There are no capital requirements imposed from outside. Like the other companies in this sector, Transgaz monitors the capital based on the debt leverage.

Fair value estimate

The fair value of financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of financial instruments that are not traded on an active market is set using valuation techniques.

The administrators must take measures, in accordance with the provisions of art. 5 of Order 600/2018 of the Secretary General of the Government and standard 8 Risk Management to:

- effective management of the risk management process within the company, the management shall ensure the updating of the system procedure establishing a unified overall framework for risk identification, assessment and management;
- preparing and constantly updating the risk register, including all types of risks mentioned above, risks determined by both internal and external factors, in order to minimize their impact on the company's business;
- the establishment of the risk profile, which provides an overall picture comprising a general, documented assessment of the range of specific risks faced by the company;
- setting the company's risk tolerance limit in decision-making and business strategy;
- developing and updating the Plan for the implementation of control measures for significant risks at company level;
- preparation of an annual report on the risk management process.

XII. EXPECTATIONS OF THE PUBLIC SUPERVISORY AUTHORITY AND SHAREHOLDERS REGARDING THE CAPITAL EXPENDITURE, THE REDUCTION OF COSTS AND OTHER ASPECTS RELATED TO THE ACTIVITY

The expectation of the General Secretariat of the Government, in its capacity of Public Supervisory Authority and majority shareholder, as well as of the other shareholders, is that over the next four years, the administrators of S.N.T.G.N. Transgaz S.A. will work for the sustainable financial performance of the company by pursuing, but not limited to:

- carrying out the investment projects included in the company's development program in compliance with the relevant legal framework and efficiency principles, aiming at ensuring the security of natural gas supply and increasing the degree of interconnection of the national natural gas transmission network to the European network;
- monitoring outstanding receivables and implementing measures for their recovery;
- reducing loss, overdue payments, consumption and operational costs by intensifying control of budgeting, commitment and use of patrimonial resources;
- ensuring sustainable financial and economic performance and operational stability;
- cash-flow predictability given the regulated nature of the natural gas transmission activity;
- optimal sizing of human resource requirements in relation to the real needs of the company's activity and development;
- optimizing labour productivity;
- ensuring efficient asset management and a predictable system of reporting and control of performance indicators;
- ensuring that performance indicators are in line with the assumed levels;
- Improving the quality of planning and execution of modernization and development investment programs, repair, rehabilitation and maintenance programs of the NTS;
- strengthening the level of internal control and intensifying the monitoring of processes and systems in the company;

- optimizing and streamlining the company's management systems and processes, the quality of execution of operational processes and their alignment with the requirements of the Integrated Quality Environment Management System (QQEMS) and modern performance and competitiveness standards.

The performance objectives to be achieved by the managers of S.N.T.G.N. Transgaz S.A. and which are pursued by the majority shareholder, the Romanian State, through the General Secretariat of the Government together with the other shareholders are to be negotiated and approved in accordance with the legal provisions in force.

NON-FINANCIAL EXPECTATIONS OF THE COMPANY'S SHAREHOLDERS

In defining and setting non-financial expectations, the General Secretariat of the Government, as the Public Supervisory Authority and majority shareholder, and the other shareholders shall ensure that they do not prejudice the fulfilment of the financial expectations related to ensuring sustainable financial performance, improving profitability and rigorous cost control.

For S.N.T.T.G.N. Transgaz S.A., the non-financial expectations cover, but are not limited to:

- optimizing the process of implementing corporate governance, ethics and integrity principles;
- promoting a corporate culture that is based on ethical values and behaviours;
- responsible management, sustainable strategies and maintaining certification of Integrated Quality, Environment, Occupational Health and Safety Management;
- increasing the satisfaction of customers, business partners, suppliers and the quality of services provided;
- increasing energy efficiency and reducing the negative impact of technological processes on the environment (environmental protection);
- implementation and development of the internal/managerial control system to protect the investment made by the shareholders in the company and its assets, supporting the managers in the annual assessment of the effectiveness of control and audit mechanisms;
- improving personnel training, formation and professional development;
- optimizing the policy model of corporate social responsibility and supporting social cohesion;
- alignment with the requirements of the European and national regulatory framework for gas transmission - compliance policy;
- strengthening and diversifying cooperation and collaboration relationships both internally and externally;
- improving the general internal and external communication process, corporate communication of the company, image capital;
- optimizing the risk management process;
- sustainability of management of systems and processes within the company.

The financial and non-financial performance indicators for 2025-2029 were established by GD no. 639/2023 on the approval of the methodological rules for the implementation of GEO 109/2011 on the corporate governance of public enterprises, according to the following categories:

I. Financial indicators:

No.	Financial objectives	Category of financial indicators	Financial indicators	Calculation formula
Public enterprise strategy				
1	Carrying out the investment projects included in the company's development program in compliance with the relevant legal framework and efficiency principles, aiming at ensuring the security of natural gas supply and increasing the degree of interconnection of the national natural gas transmission network with the European network	Financing	Current liquidity ratio	Current liquidity ratio = Current assets/Current liabilities
2			Debt/EBITDA ratio	EBITDA = Net profit + Interest expenses + Tax expenses + Depreciation expenses + Amortization expenses
3	Ensuring sustainable financial and economic performance and operational stability	Rentability	Return on assets	ROA = Net profit/Total assets
4			Net profit margin	Net profit margin = Net profit _t /Net turnover _t

II. Non-financial indicators:

No.	Non-financial objectives	Category of non-financial indicators	Non-financial indicators	Calculation formula
Public enterprise strategy				

Translation from Romanian

1	Increasing the satisfaction of customers, business partners, suppliers and the quality of services provided	Indicators regarding clients	Customer satisfaction score	Customer satisfaction score $_t$ = total number of assessments of 4 and 5 $_t$ /total number of assessments $_t-1$
2	Improving personnel training, formation and professional development	Indicators related to employees	Average number of training hours per employee	Average number of training hours per employee = Total number of training hours $_t$ /Total number of employees $_t$
3	Responsible management, sustainable strategies and maintaining certification of Integrated Quality, Environment, Occupational Health and Safety Management		Establishment of an employee safety system	YES/NO
4	Optimizing the process of implementing corporate governance, ethics and integrity principles	Indicators related to governance	Rate of independent board of administration members	Rate of independent board of administration members $_t$ = Total number of non-executive and independent members of the board of administration $_t$ /Total number of members of the board of administration $_t$
5			Number of board of administration meetings	Number of board of administration meetings $_t$ = Number of board of administration meetings held during the year $_t$
6			Optimizing the risk management process	Risk management policies established
7	Optimal sizing of the human resources needs in relation to the real needs of the company's	Creating jobs	Number of full-time equivalent employees	Number of full-time equivalent employees $_t$ = Total number of working hours for all employees as

Translation from Romanian

	activity and development			per contract_t/Number of working hours for a full-time employee_t
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