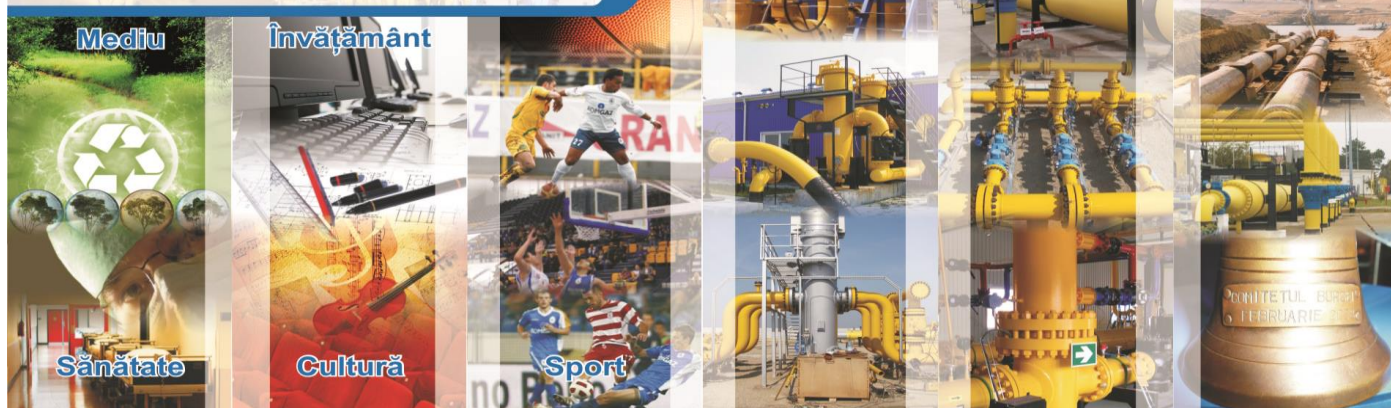


SNTGN TRANSGAZ SA CORPORATE GOVERNANCE RULES

O companie responsabilă
este o companie a viitorului



This document was updated on April 29th, 2016, in accordance to the provisions of the Bucharest Stock Exchange Corporate Governance Code, and is a SNTGN TRANSGAZ SA corporate governance reference document

PREAMBLE

Corporate governance is a concept having many connotations, including the responsibility of the managers for the financial report data accuracy, very tight financial reporting deadlines, financial result disclosure and complete transparency, internal audit, external audit and processes transparency of processes. Corporate governance particularly refers to the modality in which the rights and responsibilities are shared between the categories of participants in the activity of the company, such as the board of administration, managers, shareholders and other interest groups, specifying at the same time the way decisions regarding the activity of the company are taken, the strategic objectives are defined, the means to reach these strategic objectives and the way economic performance is monitored.

The practice confirms the necessity to intensify the efforts toward the acceptance of corporate governance, since it has been noticed that the organizations dedicated to implementing its principles have succeeded in maximizing performance.

Since by the implementation and application of the corporate governance codes, policies and principles, the companies provide a balance between conformity and performance, enhance economic efficiency and improve the investment climate. SNTGN TRANSGAZ SA, as security issuer on the Romanian capital market, has prepared these Corporate Governance Rules in accordance with the requirements of the Bucharest Stock Exchange Corporate Governance Code.

SNTGN TRANSGAZ SA is the technical operator of the National Gas Transmission System (NTS) giving effect to the national strategy goals regarding gas transmission, international transit, dispatching, research and design by performing related trading acts in line with the Romanian laws in force.

The main object of activity is pipeline transmission: the CAEN 4950 code (article 7 of the Articles of Incorporation updated on 29.04.2016, and article 6 of Annex 1 of Government Resolution 334/2000 on the reorganizing of the National Gas Transmission Company Romgaz S.A., as further amended).

SNTGN TRANSGAZ SA is the technical operator of the NTS securely, efficiently and competitively supplying over 90 % of the gas domestically consumed, complying with the European performance and environmental protection standards. SNTGN TRANSGAZ SA is responsible for the efficient, safe, secure, transparent provision of the public gas transmission service, ensuring non-discriminatory access and the limitation of the environmental impact.

The general and specific strategic goals of SNTGN TRANSGAZ are aligned with the requirements of the new EU energy policy for a safe and secure energy supply, sustainable development and competitiveness. Therefore, the implementation of the corporate governance principles and the development of the responsible and transparent business practices have become an increasing necessity in consolidating and applying the business strategies and policies of the companies. Thus, by setting these rules, SNTGN TRANSGAZ SA intends to provide a sound company corporate governance framework.

1. CORPORATE GOVERNANCE STRUCTURES

1.1 Board of Administration

The National Gas Transmission Company TRANSGAZ SA is administered by a Board of Administration, having general competence to accomplish all necessary acts to successfully fulfil the company's object of activity, except for the issues under the competence of the general assembly of the shareholders, according to the Articles of Incorporation updated on 29.04.2016 or to the applicable laws.

The Board of Administration consists of 5 members who guarantee the efficient supervision, analysis and assessment of the company's activity, and the equal treatment of the shareholders. The members of the Board of Administration are elected by the General Assembly of the Shareholders for a period of four years, and may be revoked by the Ordinary General Assembly in case of failure to meet the main objectives. A member of the Board of Administration may be a shareholder. The TRANSGAZ Board of Administration is presided over by a chairman elected by the General Assembly of the Shareholders from the members of the Board of Administration who ensure the optimum functioning of the company's units.

The members of the Board of Administration have the obligation to participate in all the general assemblies of the shareholders and to exercise their mandate in full knowledge and good faith, acting in the company's interests with due diligence, without disclosing the company's confidential information and trade secrets over the duration and following completion of their mandate. The Articles of Incorporation of the National Gas Transmission Company TRANSGAZ SA updated on 29.04.2016 sets the obligations, responsibilities and competences of the Board of Administration and the duties of the company administrators.

1.2 Advisory committees

With a view to comply with the capital market legal requirements (Law 297/2004 on the capital market, as further amended, and the Bucharest Stock Exchange Corporate Governance Code), by Resolution 7/27.05.2013 the Board of Administration approved the updating of the structure and composition of the advisory committees, consisting of three members, as follows:

- the Nomination and Remuneration Committee;
- the Audit and Rating Committee;
- the NTS Safety and Security Committee;
- the Strategy and Development Committee;
- the Regulatory and Public Authorities Relations Committee

The advisory committees have responsibilities set by the job description defined by the Internal Regulations of the Board of Administration advisory committees. They are responsible for the performing of analysis and issuing of recommendations to the Board of Administration in the relevant domains, quarterly submitting to it reports regarding their activity.

1.3 Executive management

SNTGN TRANSGAZ SA is managed by the director-general, who has two deputy directors-general and executive directors in subordination.

The director-general is appointed by the Board of Administration and may be a Board member or not, and is confirmed by the General Assembly of the Shareholders. The person who is incompatible with the quality of administrator according to Law 31/1990 on the trading companies, as further amended and supplemented, may not be appointed director-general. The Board of Administration delegates the management of the company to the director-general of TRANSGAZ SA, and the director-general represents the company in its relationship with third parties. The obligations of the director-general are set by the company's Internal Regulations and include without limitation the following:

- To apply the company's strategy and development policies as established by the Board of Administration;
- To employ, promote and dismiss personnel according to the law;
- To participate in the negotiation of the collective labour contract, the negotiation and conclusion of which are performed according to the law, within the limits of the mandate given by the Board of Administration;
- To negotiate the individual labour contracts with the obeying of the law;
- To conclude legal acts for and on behalf of TRANSGAZ SA within the limits set by the resolutions of the Board of Administration;
- To establish the duties and responsibilities of the subordinated employees;
- To approve the receipt and payment operations in accordance with the legal competences and with the company's Articles of Incorporation;
- To approve sales and purchase operations, within the limits of the competences delegated by the Board of Administration;
- To empower the executive directors, the regional office directors and any other person to exercise any responsibility within its remit.

The executive directors and the regional centres directors (SNTGN TRANSGAZ SA's organizational structure comprises 9 regional operating centres and a branch) are appointed, suspended or revoked by the director-general, are officers of TRANSGAZ SA and report to him and to the members of the Board of Administration. The executive and regional offices directors' responsibilities are set by the Internal Regulations of SNTGN TRANSGAZ SA.

1.4 Code of Professional Conduct

The SNTGN TRANSGAZ SA Code of Professional Conduct sets the ethical rules of professional and social behaviour necessary for obtaining social and professional reports appropriate for creating and maintaining the high-level corporate prestige and values. It presents a series of professional, social and moral standards, responsibilities and rules of ethics for the employees, aiming at the preservation and achievement of cooperation, good understanding and correctness, preventing the occurrence of any unpleasant incident or conflict which might affect the labour and social relations and the company's prestige, image and integrity. The Code of Conduct rules are mandatory for all employees and apply to all the organizational and hierarchical structures of the company.

2 SHAREHOLDERS' RIGHTS

2.1. Shareholders' rights

All of the holders of financial instruments of the same type and class, issued by SNTGN TRANSGAZ SA, are equally treated, and the company uses its best endeavours to achieve effective, active and transparent communication for the equitable exercising of rights.

2.2 Shareholders' treatment

All of the TRANSGAZ shareholders are equally treated. All shares issued give their holders equal rights; any modification of such rights is submitted by the affected shareholders for approval in the special assemblies of the relevant shareholders.

SNTGN TRANSGAZ SA uses its best endeavours to facilitate the participation of the shareholders in the general assemblies of the shareholders, the dialogue between the shareholders and the members of the Board of Administration and/or the management, and the full exercising of their rights.

The participation of the shareholders in the general assemblies is fully encouraged. If shareholders are not able to participate, they have the possibility to cast an absentee vote based on a special power of attorney or by correspondence.

Considering the principles of transparency and fair information, the company has created a special link – *Investors Information* - on its own website, where relevant information is made available and is permanently updated with regard to procedures on General Assembly of the Shareholders access and participation, convening, agenda supplementation, Board of Administration replies to shareholders' questions, current reports, financial statements of the company, the exercising of the voting rights in the General Assembly of the Shareholders, General Assembly agenda documents, special power of attorney templates, the financial calendar, the company's corporate governance, etc..

TRANSGAZ SA has established an organizational unit specialized in capital market activity administration, the *Investor Relations*, dealing with the relationship with the investors and the shareholders. The staff of the department is permanently prepared / trained / instructed with regard to the company – shareholders relationship, the corporate governance principles, the management and the relationship with the clients.

3 THE BOARD OF ADMINISTRATION

3.1. Role and obligations of the Board of Administration

SNTGN TRANSGAZ SA is administered by the Board of Administration, which meets at the headquarters of the company or in another established location, whenever necessary, but at least once every three months, when convened by the chairman of the board, following the request of two board members or of the director-general. In these meetings the Board of Administration takes decisions which lead to the effective and efficient performance of the obligations.

The members of the Board of Administration are obliged not to disclose any confidential information and any trade secret of the company to which they have access as administrators. This obligation also stands following completion of their mandate of administrator.

The main competences of the Board of Administration are:

- To set the company's main directions of activity and development;
- To set the accounting and financial control system, and to approve the financial planning;
- To approve TRANSGAZ SA's organizational structure and internal regulations;
- To appoint, suspend or revoke the director-general of TRANSGAZ SA, and to establish his remuneration;
- To supervise the activity of the director-general;
- To prepare the annual report, to organize the general assemblies of the shareholders in compliance with Law 31/1990, as further amended and supplemented, and to set their remuneration and to implement the General Assembly of the Shareholders' resolutions;
- To submit the application for the commencement of the TRANSGAZ's insolvency proceedings according to the applicable laws;
- To approve the level of the manager securities;
- To conclude legal acts for the acquirement, alienation, exchange or serving as collateral of the assets which are part of TRANSGAZ's patrimony, under the approval of the General Assembly of the Shareholders, according to the law;
- To approve the subsidiaries' competences by domain of activity (economic, commercial, technical, administrative, financial, legal, etc.) for the fulfilling of the company's object of activity;
- To approve the conclusion of any contract for which it has not delegated the competence to the company's director-general;
- To submit TRANSGAZ SA's activity report, balance sheet and profit and loss account for the previous year to the General Assembly of the Shareholders annually, at the closure of the financial year;
- To submit the activity programme and the draft income and expense budget for the following year to the General Assembly of the Shareholders;
- To convene the General Assembly of the Shareholders whenever necessary;
- To establish TRANSGAZ S.A.'s employees' rights, obligations and responsibilities, according to the approved organizational structures;
- To establish the competences and the contracting level of the current bank loans, short-term and medium-term commercial credits, and the approval of the issuing of guarantees;
- To approve the number of posts and the rules for the establishing of the operating and production units;
- To approve the production, research, development and investment programmes;
- To approve the environmental protection and labour security policies according to the applicable laws;
- To approve the modification of the income and expense budget structure, within limits of the budget approved by the General Assembly of the Shareholders and of the competences for which it is mandated;
- To negotiate the collective labour contract by mandating the director-general, and the approval of the staff regulations;
- To establish and approve the allowance of the Board of Administration's secretary;

- To ensure and to bear the responsibility for the carrying out of any other duties and obligations set by the General Assembly of the Shareholders or foreseen by the laws in force;
- To adopt any other decision regarding the activity of the company, except for those which fall under the competence of the General Assembly of the Shareholders.

3.2 Board of Administration structure

TRANSGAZ's Board of Administration structure provides a balance between the executive and non-executive members, so that no person or limited group of persons may dominate the Board of Administration decision-making process, which is a joint responsibility of the Board of Administration, held jointly liable for all the decisions taken in the exercising of its competences.

Independent administrators who renounce to their mandate must provide a detailed statement of the reasons of renunciation.

The members of the Board of Administration must update their competences on a permanent basis and have the obligation to improve their knowledge of the company's activity and of the best corporate governance practices for the carrying out of the role assumed.

3.3 Appointment of the Board of Administration members

The company's Nomination and Remuneration Committee coordinates the Board of Administration member appointing process and issues recommendations for the position of administrator and for the Board of Administration vacancies, following a formal, well-established and transparent procedure.

The list of candidates for the position of administrator must be submitted to the company at least 15 days before the date set for the holding of the General Assembly of the Shareholders, and published on the company's website in due time.

3.4 Remuneration of the Board of Administration members

The company's Nomination and Remuneration Committee sets the administrators' and directors' remuneration policy.

The Committee has to present to the Board of Administration proposals regarding the administrators' and directors' remuneration, compliant with the company's remuneration policy. The remuneration of the non-executive directors is proportional to the responsibilities and to the time dedicated to exercising their obligations. The total amount of the direct and indirect remuneration of the administrators and directors, broken down by fixed and by variable components, is presented in the Annual Report.

4 TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

4.1. Transparency

SNTGN TRANSGAZ SA periodically and continuously provides to the media and on the company's website (www.transgaz.ro) reports on the important company events, including without limitation, the financial situation, the performance, the ownership and management.

The company prepares and makes available relevant information periodically and continuously, meeting the International Financial Reporting Standards and the environmental, social and corporate governance standards. Information is offered both in Romanian and in English.

The company holds meetings with the financial analysts, brokers, market specialists and investors, on the occasion of the presentation of the financial statements, documents which are important for the investment decision.

4.2 Financial reporting

TRANSGAZ's Audit and Rating Committee analyzes periodically the efficiency of the financial reporting, internal control and risk management system of the company.

The Committee performs audit analyses and prepares audit reports based on them, and verifies the compliance of the audit reports with the audit plan approved by the company. The Audit and Rating Committee assists the members of the Board of Administration in monitoring the reliability and integrity of the financial information supplied by the company, in particular by revising the relevance and consistency of the accounting standards applied (the consolidation criteria included).

The Committee cooperates with the company's external financial auditor, who presents to the Committee a report of the relationship existing between the external auditor and the company and its group.

The Audit and Rating Committee monitors the independence and objectivity of the financial auditor in particular by monitoring the rotation of the partners of the audit firm dedicated to the company, and makes recommendations to the Board of Administration regarding the selection, appointment, reappointment, replacement of the financial auditor and the terms and conditions of his/her remuneration.

5 CONFLICT OF INTERESTS AND TRADES WITH THE PARTIES INVOLVED

5.1. Conflict of interests

The members of the Board of Administration must take decisions in the company's exclusive interests and have the obligation to refrain from taking part in any deliberation or decision that creates a conflict between their personal interests and those of the company or any subsidiary controlled by the company.

5.2 Trade with the parties involved

Each member of the Board of Administration must ensure that a direct or indirect conflict of interests with the company or a subsidiary controlled by the company is avoided, and in case such conflict arises, he/she has the obligation to refrain from deliberating or voting on the relevant issue, in accordance with the legal provisions.

For ensuring the procedural fairness of the transactions with the parties involved, the members of the Board of Administration must apply without limitation the following criteria:

- the maintaining of the Board of Administration's or General Assembly of the Shareholders' competence, as appropriate, for the approval of the the most important transactions;
- the requiring of a prior opinion of the internal control body with regard to the most important transactions;
- the entrusting of the negotiations related to such transactions to one or several independent administrators or to the administrators who have no ties with the related parties;
- the recourse to independent experts.

6 CORPORATE INFORMATION REGIME

The Board of Administration sets the corporate information sharing policy, in compliance with the laws in force and the company's Articles of Incorporation. The information sharing policy must guarantee equal access to information for the shareholders, investors and key shareholders, and must not allow abuses regarding confidential information or information of transactions with related parties.

7 SOCIAL RESPONSIBILITY

Following the corporate social responsibility principle, the company has initiated a series of socially responsible actions supporting sustainable development and performance.

The key role of TRANSGAZ SA in the energy field in Romania and in Europe is completed by its desire to support the real needs of all those who contribute permanently to the good performance of its activity.

As part of its sustainable development strategy, the target of the social responsibility policy is increasing company's responsibility towards the employees, shareholders, partners, community and the environment.

The priority domains in which TRANSGAZ S.A. is socially involved and will be involved are the sustainable development of the community, education, sport, art and culture, humanitarian actions, health and the environment.

8 ADMINISTRATION SYSTEM

SNTGN TRANSGAZ SA has a monistic administration system.

If a dualistic administration system is adopted, the provisions of the articles of these *Rules* must be applied accordingly and in compliance with the targets of good corporate governance, information transparency and market and investor protection.

9 FINAL PROVISIONS

SNTGN TRANSGAZ SA adheres to the Bucharest Stock Exchange Corporate Governance Code and [applies](#) the recommendations of this code, according to the Declaration on the compliance or non-compliance with the provisions of the **Corporate Governance Code (the Declaration ``you apply or explain``)** the recommendations corresponding to principles no.: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 17, 18 and explains the recommendations corresponding to principles no. 14, 16, and 19.

The SNTGN TRANSGAZ SA Corporate Governance Rules encloses the template of the Comply or Explain Statement of compliance with the provisions of the Bucharest Stock Exchange Corporate Governance Code, statement which starting from 2011, and with the 2010 financial reporting has become mandatory for the companies listed with the Bucharest Stock Exchange.