THE NATIONAL GAS TRANSMISSION COMPANY

RULES OF INTERNAL PROCEDURE

on the organization and operation of the advisory committees established within the Company's Board of Administration

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CHAPTER 1

THE LEGAL FRAMEWORK RELATED TO THE ESTABLISHMENT, ORGANIZATION AND OPERATION OF THE ADVISORY COMMITTEES

- **Law no. 31/1990** on companies, republished, with its further amendments and completions, art. 138^1 paragraph 2, article 138^2 paragraph 2, article 140^2 paragraph (1) and paragraph (2);

- **GEO no. 109/2011** on corporate governance of public companies, article 34, article 35 paragraph 2 and article 55 paragraph (2) and paragraph (3);

- Bucharest Stock Exchange **Corporate Governance Code**;

- **Articles of Incorporation of SNTGN Transgaz SA** updated , chapter V, article 19, point 11;

- **Decisions of the Board of Administration (DBA):**

  - **DBA nr. 10/28.02.2018;**
  - **DBA nr. 22/11.07.2017;**
  - **DBA nr. 15/16.05.2017;**
  - **DBA nr. 39/17.12.2015;**
  - **DBA nr.43/19.11.2014;**
  - **DBA nr.21/ 16.06.2014;**
  - **DBA nr.2/ 10.02.2014;**
  - **DBA nr.13/ 29.07.2013;**
  - **DBA nr.7/ 27.05.2013**;
  - **DBA nr.16/ 30.10.2009**;
  - **DBA nr.13/ 24.09.2009**.

CHAPTER 2

NAME OF THE ADVISORY COMMITTEES

1. **Nomination and Remuneration Committee;**
2. **Audit and Rating Committee;**
3. **NTS Safety and Security Committee;**
4. **Strategy and Development Committee;**
5. **Regulation and Relationship with Public Authorities Committee.**

CHAPTER 3

RESPONSIBILITIES OF THE ADVISORY COMMITTEES

1. NOMINATION AND REMUNERATION COMMITTEE

- It coordinates the process of appointing the members of the Board of Administration;
- It prepares and proposes to the Board of Administration the Procedure for the selection of the members of the Board;
- It issues recommendations both for the position of administrator, as well as for filling the vacancies within the Board of Administration;
- It assesses the range of professional competencies, knowledge and expertise at the level of the Board of Administration , directors and other management positions;
- It establishes the requirements for filling in certain positions in the management of the company;
- It prepares and proposes to the Board of Administration the selection procedure of the candidates for the positions of director and other management positions;
- It recommends candidates for the above-mentioned positions to the Board of Administration;
- It applies the best practices of corporate governance, by improving the knowledge on the company's activity and by permanent update on the professional competencies of the members of the Board of Administration;
- It prepares the administrators' remuneration policy ;
- It submits this remuneration policy for approval to the General Meeting of the Shareholders;
- It issues proposals on the remuneration of the directors and other managerial positions;
- It informs on the remuneration policy in the Articles of Incorporation / Company's Corporate Governance Regulation;

- It presents in the Annual Report the total amount of the direct and indirect remuneration of administrators and managers, split on the fixed and variable component of these remunerations; when establishing the remuneration of the non-executive administrators, it shall observe the remuneration proportionality principle with the responsibility and time spent by them on exercising their positions ;
- It prepares an annual report on the remunerations and other perks granted to the administrators and managers throughout the financial year and this report shall be presented to the General Meeting of the Shareholders and it shall comprise the information provided in article 55, paragraph 3 of GEO no. 109/2011 on the corporate governance of public companies;
- If necessary, it may use the help of external experts in order to fulfil the tasks required.

Remark:

- ***The committee shall comprise at least two members of the Board of Administration , in accordance with article 140², paragraph (1) of the Companies Law, republished and updated;***
- ***The committee shall be composed of non-executive administrators, at least one of the members of the committee shall be independent non-executive administrator, in accordance with article 140², paragraph (2) of the Companies Law, republished and updated and article 34, paragraph (4) of GEO no. 109/2011 on the corporate governance of public companies.***

2. AUDIT AND RATING COMMITTEE

- It assists the Board of Administration and it makes recommendations to it, regarding the establishment of the accountancy system and financial control and it approves the financial and budgetary planning;
- It monitors the effectiveness of the quality internal control systems and of the entity's risk management systems and, as applicable, of the internal audit related to the financial reporting of the audited entity, without affecting its independence.
- It monitors the statutory audit of the annual financial statements and of the annual consolidated financial statements, particularly its conduct,

considering the findings and conclusions of the competent authority, according to art. 26, paragraph (6) of Regulation (EU) no. 537/2014;

- It performs an annual evaluation of the internal control system and it presents relevant reports in the attention of the Board of Administration;
- It assesses conflicts of interest regarding the transactions of the company and its subsidiaries with affiliated parties;
- It monitors the application of generally accepted legal standards and internal audit standards;
- It receives and evaluates internal audit team reports;
- It submits regular reports to the Board of administration;
- It prepares and submits to the Board of Administration for approval an opinion related to the a policy opinion to ensure that any transaction of the company with any of the companies with which it has close relationships whose value is equal to or greater than 5% of the net assets of the company (According to the latest financial report) is approved by the Council;
- It convenes whenever it is necessary, but at least twice a year, when preparing the semester and annual results and their results are communicated to the shareholders and general public;
- It checks the conformity of the audit reports, prepared in accordance with the audit plan, approved by the company ;
- It provides support to the Board of Administration in monitoring the credibility and completeness of the financial information supplied by the company, especially reviewing the relevance and consistency of the accountancy standards applied by the Board;
- It collaborates with the company's external financial audit body, and the latter shall provide a report describing all current relations between the external financial audit body, on one hand and the company or group to which it belongs, on the other hand;
- It is responsible for the procedure for the selection of the financial auditor or of the auditing company and recommends to the general shareholders' assembly the financial auditor or the auditing company/companies to be appointed/appointed according to art. 16 of Regulation EU no. 537/2014,

except for the case in which art. 16, paragraph (8) of Regulation (EU) no. 537/2014 is applied;

- It assesses and monitors the independence of the financial auditors or of the auditing companies pursuant to art. 21-25, 28 and 29 of Law no. 162/2017 on the statutory audit of the annual financial statements and of the consolidated annual financial statements and on the amendment of legislative instruments and to art. 6 of Regulation (EU) no. 537/2014 and, particularly the opportunity to provide non-audit services to the audited entity, according to art. 5 of the relevant regulation;
- It notifies the members of the audited entity's Board of Administration of the statutory audit results and explains how the statutory audit contributed to the financial reporting integrity and what the role of the committee was in this process;
- It monitors the financial reporting process and provides recommendations or proposals for ensuring the integrity thereof;
- It performs the tasks provided by article 47 of GEO no. 90/2008, approved with amendments by Law no. 278/2008, in accordance with article 34, paragraph (3) of GEO no. 109/2011.

Remark:

- ***The committee shall comprise at least three members of the Board of Administration and most of the members shall be independent in accordance with article B.1. of the Corporate Governance Code of the BSE;***
- ***The committee shall be composed of non-executive administrators, at least one of the members of the committee shall be independent non-executive administrator, in accordance with article 140², paragraph (2) of the Companies Law, republished and updated and article 34, paragraph (4) of GEO no. 109/2011 on corporate governance of public companies.***
- ***At least one member of the Committee must have proven and appropriate audit or accountability experience in accordance with Article B.1. of the BSE Code of Corporate Governance;***
- ***The Chair of the Committee shall be an independent non-executive member in accordance with Article B.2. Of the BSE Code of Corporate Governance.***

3. NTS' SAFETY AND SECURITY COMMITTEE

- It periodically analyses Transgaz' list of critical infrastructure objectives and the security measures decided;
- It provides the conditions required for the implementation of the protective measures for all critical infrastructure objectives of the company or under the company's authority/coordination;
- It monitors / updates its own terrorism prevention and fight programs by optimal programs of physical and organizational protection, with specific recommendations to the Board of Administration ;
- It monitors the fulfilment of NTS' maintenance and modernization programs, as well as the compliance with the technical norms on operation and maintenance of the production facilities.

Remark:

- ***The committee shall comprise at least two members of the Board of Administration , in accordance with article 140², paragraph (1) of the Companies Law, republished and updated ;***
- ***At least one of the members of the committee shall be independent non-executive administrator, in accordance with article 140², paragraph (2) of the Companies Law, republished and updated.***

4. STRATEGY AND DEVELOPMENT COMMITTEE

- It assists the Board of Administration in fulfilling the latter's responsibilities on preparing and updating the company's general development strategy;
- It analyses the opportunities identified regarding the business development and issues specific recommendations to the Board of Administration;
- It analyses and provides assistance to the Board of Administration regarding the company's international development and cooperation directions;
- It monitors and analyses the fulfilment of the strategic and action plans / programs on Transgaz obligations, as technical operator of the NTS and stock exchange issuer;

- It prepares proposals on the improvement and streamlining of the strategic, development and collaboration activities;
- It issues recommendations to the Board of Administration on the efficient operability of strategic and action plans/programs;
- It monitors and analyses the fulfilment of the performance indicators of the transmission system and economic and financial performance of the company's activity.

Remark:

- ***The committee shall comprise at least two members of the Board of Administration, in accordance with article 140², paragraph (1) of the Companies Law, republished and updated ;***
- ***At least one of the members of the committee shall be independent non-executive administrator, in accordance with article 140², paragraph (2) of the Companies Law, republished and updated.***

5. REGULATION AND RELATIONSHIP WITH PUBLIC AUTHORITIES COMMITTEE

- It assists the Board of Administration in the analysis of the regulation activity, as well as of the relevant legal obligations incumbent to the company;
- It monitors the company's compliance with the obligations under the relevant applicable regulations;
- It analyses the regulatory framework and it submits specific proposals to the Board of Administration;
- It monitors the collaboration with public authorities and assists the Board of Administration in the establishment and management of the collaboration policy.

Remark:

- ***The committee shall comprise at least two members of the Board of Administration, in accordance with article 140², paragraph (1) of the Companies Law, republished and updated ;***
- ***At least one of the members of the committee shall be independent non-executive administrator, in accordance with article 140², paragraph (2) of the Companies Law, republished and updated.***

CHAPTER 4

STRUCTURE OF THE ADVISORY COMMITTEES ESTABLISHED WITHIN THE COMPANY'S BOARD OF ADMINISTRATION

1. NOMINATION AND REMUNERATION COMMITTEE	
VĂDUVA PETRU ION	**Non-executive administrator**
MINEA NICOLAE	**Non-executive, independent administrator**
ILIESCU BOGDAN GEORGE	**Non-executive, independent administrator**
2. AUDIT AND RATING COMMITTEE	
ILIESCU BOGDAN GEORGE	**Non-executive, independent administrator President of the Audit and Rating Committee**
MINEA NICOLAE	**Non-executive, independent administrator**
LĂPUȘAN REMUS GABRIEL	**Non-executive, independent administrator**
3. NTS' SAFETY AND SECURITY COMMITTEE	
STERIAN ION	**Executive administrator**
VĂDUVA PETRU ION	**Executive administrator**
LĂPUȘAN REMUS GABRIEL	**Non-executive, independent administrator**
4. STRATEGY AND DEVELOPMENT COMMITTEE	
STERIAN ION	**Executive administrator**
VĂDUVA PETRU ION	**Non-executive administrator**
ILIESCU BOGDAN GEORGE	**Non-executive, independent administrator**
MINEA NICOLAE	**Non-executive, independent administrator**
5. REGULATIONS AND RELATIONSHIP WITH PUBLIC AUTHORITIES COMMITTEE	
STERIAN ION	**Executive administrator**
VADUVA PETRU ION	**Non-executive administrator**
LĂPUȘAN REMUS GABRIEL	**Non-executive, independent administrator**

CHAPTER 5

Template

REPORT ON THE ACTIVITY OF THE ADVISORY COMMITTEES ESTABLISHED WITHIN THE BOARD OF ADMINISTRATION

MONTH.....YEAR.....

1. **ADVISORY COMMITTEE.....**

2. **STRUCTURE OF THE ADVISORY COMMITTEE:**

   1. **Mrs. / Mr. .....**
   2. **Mrs. / Mr. .....**
   3. **Mrs. / Mr. .....**

3. **MENTIONS ON THE ACTIVITIES PERFORMED:**

   - **CONSULTATIONS.....**
     .....
     .....
   - **ANALYSES PERFORMED.....**
     .....
     .....
     .....
   - **WORKS PERFORMED (BRIEFINGS/NOTES/COMMUNICATIONS)**
     .....
     .....
     .....
   - **PROPOSALS/MEASURES/RECOMMENDATIONS.....**
     .....
     .....
     .....
     .....

No...../date.....

Mrs. .....
Mr. .....

REMARK TO THE REPORT ON THE ACTIVITIES OF THE ADVISORY COMMITTEES ESTABLISHED WITHIN THE BOARD OF ADMINISTRATION:

Point 3*:*

- Regarding the point ***"Consultation"*** – the discussions and meetings with the company's executive management shall be considered; "they were necessary" or "they were not necessary" shall be filled in and in case they were necessary, the Department/Direction/Service with which discussions took place shall be mentioned;
- Regarding the point "**Analysis performed**" – the issues analysed and the support material used for analysis (e.g. investment programs, budget, research programs etc.) shall be mentioned;
- Regarding the point **"Works performed"** – the types and titles of the works performed, as applicable, shall be filled in.

Point 4:

- The measures/proposals/recommendations deemed necessary, following the analyses performed and the works carried out, the persons in charge and the completion deadlines shall be filled in.