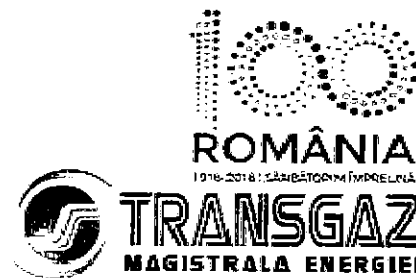




**SOCIETATEA NAȚIONALĂ DE TRANSPORT
GAZE NATURALE "TRANSGAZ" SA MEDIAȘ**
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ANNUAL REPORT

of the Nomination and Remuneration Advisory Committee concerning the remunerations of TRANSGAZ' Administrators, Director General and Chief Financial Officer for the year 2017

I. Legal framework concerning the remuneration policy and criteria for TRANSGAZ' administrators and director general:

- Art.15. point 3 let (d) of the Articles of Incorporation of SNTGN Transgaz SA, updated on 29.04.2016, providing that the main duty of the GMS is, ***establishing the monthly remuneration of the board members;***
- Art.111, line (2), let. c) of Companies Law no. 31/1990, with the further amendments and supplementing, in addition to the debate of other items on the agenda, the GMS is obliged ***"to establish the remuneration due for the current year to the members of the Board of Administration , unless otherwise established in the articles of incorporation"***;
- Art.153^A18, line (1) of Companies Law no. 31/1990 with the further amendments and supplementing, providing that ***"The remuneration of the members of the Board of Administration is established by the articles of incorporation or by decision of the general meeting of shareholders"***;
- Art. II of Law no 111/27.05.2016 on the approval of the Government Emergency Ordinance no 109/2011 on the corporate governance of public enterprises ***"The mandate contracts of the members of the board of administration and of the directors, respectively of the members of the supervisory committee and of the directorate are under the laws in force upon their conclusion if the parties do not agree upon their amendment, according to the current law"***
- Considering the content of art. II of Law no 111/2016 please find below the provisions of GEO no 109/2011 to be applicable until 29.04.2017, respectively 10.07.2017 and 11.07.2017;
- Art. 37, line (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, amended by GEO no. 51/May 29th 2013, providing that ***"The remuneration of the members of the Board of Administration is established by the general meeting of the shareholders"***.
- Art. 37 line (2) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, amended by GEO no. 51/May 29th 2013, providing that ***"The remuneration of the members of the Board of Administration consists in a fixed monthly compensation and a variable component consisting in a share of company's net profit, a pensions scheme or another form of remuneration based on performance indicators"***;
- Art. 37, line (3) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/May 29th 2013, providing

that **"The fixed monthly compensation of non-executive members may not exceed the average of the past 12 months of the average gross monthly earning in the field in which the company performs its activity, communicated by the National Institute of Statistics previous to the appointment"**;

- Art. 37 line (5) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/May 29th 2013, providing that **"the level of variable component is established by the board of nominee according to grounded recommendations formulated based on a compared study on the remuneration conditions for similar positions within companies having the same object of activity, in which the state holds the majority or entire capital, from Romania or other European countries...the nomination committee or, as applicable, by the headhunting experts whose services were contracted for the selection procedure related to the members of the board of administration..."**
- Art. 37 line (6) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/ May 29th 2013, providing that **"the GMS shall ensure the set up of the monthly fixed compensation of each member of the Board of Administration, that it is justified as concerns the specific tasks, the tasks within consulting committees, the number of meetings, objectives and performance criteria established in the mandate agreement"**;
- Art. 39 line (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/ May 29th 2013, providing that **"the remuneration and other benefits offered to administrators shall be recorded in the yearly financial statements and in the yearly report of the nomination and remuneration committee"**;
- Art. 39 line (3) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, **according to which the policy and criteria for remunerating administrators and managers in case of an unitary system are made public on the Internet page of the public enterprise by the care of the Board of Administration;**
- Art.37, paragraph (2) of the Emergency Ordinance no. 109/2011 on Corporate Governance of Public Undertakings, as amended and supplemented, **"the remuneration of non-executive members of the Board of Administration consists of a monthly fixed allowance and a variable component. The fixed allowance cannot exceed twice the average monthly gross earnings for the last 12 months for the activity carried out according to the main object of activity registered by the company at the class according to the classification of the activities in the national economy communicated by the National Institute of Statistics prior to the appointment . The amount of variable component of non-executive members may not exceed 12 monthly fixed indemnities "**;
- Art.20. point 1 let (d) of the Articles of Incorporation of the company updated on 12.12.2017, providing that **the main task of the Board of Administration and the duty to appoint, suspend or revoke the director general of Transgaz and to establish his/her remuneration;**
- Art.142, line (2), let. c) of Companies Law no. 31/1990, with the further amendments and supplementing, provides that the Board of Administration has, in addition to the basic competencies, that can not be delegated to managers, **the competence to appoint and revoke the managers and to establish their remuneration;**
- Art.143, line (1) corroborated with Art.143 line (4) of Companies Law no. 31/1990 with the further amendments and supplementing and corroborated with Art. 19. point 7 of the updated Articles of Incorporation of the company, providing that the **Board of Administration will delegate the company's management to the Director General of SNTGN Transgaz SA who is not the Chairman of the Board of Administration ;**
- Art.143, line (5) of Companies Law no. 31/1990 with the further amendments and supplementing, **the manager of a joint stock company may only be the person to**

whom the company's management duties have been delegated to according to art. 143, line (1) of the Law no. 31/1990;

- Art.153¹⁸, line (2) of Companies Law no. 31/1990, with the further amendments and supplementing, providing that **the remuneration of directors in a unitary system is established by the Board of Administration**. The articles of incorporation or general meeting of shareholders establishes the general limits of all remunerations granted in this respect;
- Art. 38 line (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/ May 29th 2013, providing that **"The remuneration of directors is established by the Board of Administration and may not exceed the level of the remuneration established for the executive members of the Board of Administration . This is the only form of remuneration of the directors who are also administrators"**.
- Art. 38 line (2) of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, providing that **"the remuneration (of directors) consists in a fixed monthly compensation and a variable component consisting in a share of company's net profit, a pensions scheme or another form of remuneration based on performance indicators"**;
- Art. 37 line (3) of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, providing that **"The fixed monthly allowance of executive members may not exceed 6 times the average of the past 12 months of the average gross monthly wage for the activity carried out according to the main scope of activity registered by the company, at the level of the class in line with the classification of the activities in the national economy, communicated by the National Institute of Statistics previous to the appointment"**;
- Art. 34 line (2) of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, providing that **"The nomination and remuneration committee formulates proposals on the remuneration of directors/members of the Board of Administration and other management positions"**.

II. The structure of the remuneration of TRANSGAZ' administrators and of the director general

Based on the norms enumerated above and on the mandate contracts concluded the following amounts of the remuneration have been established:

Fixed remuneration

For the period 01.01.2017-29.04.2017

The monthly gross fixed remuneration for each non-executive member of the Board of Administration is of lei 4,037 and was approved by Decision of the General Ordinary Meeting of Shareholders no. 8 of July 10th 2013, art. 3.

For the period 30.04.2017-31.12.2017

The monthly gross fixed remuneration for each non-executive member of the Board of Administration is of lei 4,970 and was approved by Decision of the General Ordinary Meeting of Shareholders no. 1 of 27.04.2017.

The fixed remuneration is paid to the **MANDATOR** in the month following the one for which it is due at the date of payment of the salaries to employees.

For the period 16.05.2017-31.12.2017 the monthly gross fixed remuneration of the Director General (executive administrator) is of lei 29,808 and has been approved by Decision of the Board of Administration no. 18 of July 12th 2017, art. 6.

For the period 21.07.2017-31.12.2017 the monthly gross fixed remuneration of the Chief Financial Officer is of lei 28,840 and has been approved by Decision of the Board of Administration no. 28 of 28 August 2017, art. 23, point 3.

The fixed remuneration is paid to the **MANDATOR** during the last working day of the month for which it is due.

Variable remuneration

For the periods: 01.01.2017-29.04.2017, respectively 01.01.2017-10.07.2017, 01.01.2017-11.07.2017 and 16.05.2017, for the non-executive administrators, respectively the executive administrator (the Director General) the variable remuneration was approved by Decision of the General Ordinary Meeting of Shareholders no. 9 of September 23rd 2013, art. 2, at the same time with the approval of the template of the Mandate contract to be concluded by the members of Transgaz' Board of Administration, template agreed by the majority shareholder, the Romanian State, represented by the Ministry of Public Finance, and published on TRANSGAZ' webpage by means of letter no. 5917/August 28th 2013.

For the periods: 30.04.2017-31.12.2017 and 16.05.2017-31.12.2017, for the non-executive administrators, the maximum value of the variable component, as approved by the Decision of the General Ordinary Meeting of Shareholders no. 2 of March 6, 2018, is set at lei 149,760 gross/year.

According to Decision of the General Ordinary Meeting of Shareholders no. 2 of March 6, 2018, art. 3, the decision on the setting of the variable component for the Director General and for the Chief Financial Officer was postponed to the next GOMS meeting.

The payment of the variable component is made annually after the Shareholders' General Meeting approves the Annual Financial Statements prepared in accordance with IFRS and the Annual Report of the Nomination and Remuneration Advisory Committee.

Therefore, for the period 01.01.2017-29.04.2017, respectively 01.01.2017-10.07.2017 and 01.01.2017-11.07.2017 the Mandate contract provides the following:

In addition to the gross monthly allowance, the Mandator has the right to receive a variable annual component of the remuneration calculated based on the Performance indicators provided in the Table "PERFORMANCE CRITERIA AND OBJECTIVES IN ORDER TO CALCULATE THE VARIABLE COMPENSATION" at Appendix no. 1 to this report, as follows:

Variable annual remuneration = Annual bonus for performance indicator referring to EBIDTA + Annual bonus for performance indicator referring to "Operating expenses (excluding depreciation)" + Annual bonus for performance indicator referring to "Investments"

The annual bonus for performance indicator referring to EBIDTA is due to the MANDATOR only to the extent the level of EBIDTA indicator achieved during the year for which the determination is made is equal to or higher than the EBIDTA indicator of the concerned year, respectively assumed through the Administration plan and is in the following **net amount**:

- lei equivalent of the amount of euro 40,000 for the member of the Board of Administration occupying the position of Director General of the Mandatory;
- lei equivalent of the amount of euro 10,000 for the Chairman of the Board of Administration ;
- lei equivalent of the amount of euro 8,000 for each of the other non-executive members of the Board of Administration.

The annual bonus for the performance indicator referring to "Operating expenses (excluding depreciation)" is due to the MANDATOR only to the extent the difference between the level of the indicator "Total operating expenses" and the level of the indicator "Depreciation" achieved during the year for which the determination is made is lower than the level of the indicator "Operating expenses (excluding depreciation)" assumed through the Administration plan for the concerned year. The bonus is calculated by applying a 3% coefficient to net saving obtained during that year due to reaching a level of expenses lower than the one assumed through the administration plan; the **net amount** is established based on the formula:

Annual bonus for the performance indicator referring to "Operating expenses (excluding depreciation)" = 3% x ("Operating expenses excluding depreciation" undertaken during that year through the Management Plan – ("Total operating expenses" made during that year – "Depreciation" achieved during that year).

The annual bonus previously provided shall be distributed among the members of the Board of Administration in percentage according to the following calculation formula:

- 54% of the annual Bonus to the member of the Board of Administration also occupying the position of Director General of the Mandatory;
- 13% of the annual Bonus to the Chairman of the Board of Administration;
- 11% of the annual Bonus to each of the other non-executive members of the Board of Administration.

The annual bonus for the performance indicator referring to "Investments" is due to the MANDATOR only to the extent the level of "Investments" indicator achieved during the year for which the determination is made is higher than the "Investments" indicator of the concerned year assumed through the Administration plan. The bonus is calculated by applying a 3% coefficient to the additional investments value achieved during that year, value established as difference between the level of the "Investments" indicator achieved and the indicator "Investments" undertaken by the Management plan; its **net amount** is established according to the formula:

Annual bonus for the performance Indicator referring to "Investments" = 3% x ("Investments" made during that year – "Investments" undertaken for that year by the Management plan)

The annual bonus previously provided shall be distributed among the members of the Board of Administration in percentage according to the following calculation formula:

- 54% of the annual Bonus to the member of the Board of Administration also occupying the position of Director General of the Mandatory;
- 13% of the annual Bonus to the President of the Board of Administration;
- 11% of the annual Bonus to each of the other non-executive members of the Board of Administration.

The level achieved during that year of „EBITDA”, „Total operating expenses” and “Depreciation” indicators serving as calculation basis of the provided bonuses is given by the corresponding level of that indicator within the yearly financial statements drafted according to the International Financial Reporting Standards adopted by the European Union applied to the concerned year, audited according to the law, and the assumed level of „EBITDA” respectively “Operating expenses excluding depreciation” indicators shall be the one provided in the Table “General Result” in the Management Plan.

The level achieved during that year for “Investments” indicators serving as calculation basis of the provided bonus is given by the corresponding level of “Investment expenses” indicator within the budget drafted for that year as ascertained in the Inspection report of the Ministry of Public Finance concerning the framing of economic-financial indicators resulted during that year (row 80) and the assumed level of that indicator is the one provided in the Table “Investment sources” row 2.1 of the Management Plan.

The payment of the Bonus for „EBITDA” performance indicator shall be effected in four equal quarterly installments payable during the fiscal year for which it is established and the regulation shall be done depending on the results obtained during that year within 30 days as of the approval by the GMS of the audited yearly financial statements, the MANDATOR following to entirely reimburse the value of the bonus if the concerned performance indicator is not fulfilled.

The payment of the bonuses for the performance indicator referring to “Operating expenses (excluding depreciation)” and for the performance indicator referring to “Investments” shall be effected within 30

days as of the approval by the GMS of the audited yearly financial statements corresponding to the year for which the concerned bonuses are granted.

For the period 30.04.2017 – 31.12.2017 the Mandate Contract provides in article 6, corroborated with the Addendum to the Mandate Contract, art 1, the following:

The method for the calculation of the amount of the variable component of the remuneration:

Annual variable remuneration due = Amount of variable remuneration established by the addendum to the mandate contract * total fulfillment of the Key Performance Indicators (KPI).

The total fulfillment of the key performance indicators (TFKPI) is the weighted average of the weighting coefficient of each KPI of the fulfillment degree of each KPI (FDEKPI).

$$TFKPI = \sum (FDEKPI * \text{weighted average})$$

The fulfillment degree of each KPI (FDEKPI) may be higher than 100% and lower than 0% but in the calculation of the total fulfillment degree of the KPI (TFKPI) will be taken into account as follows:

- FDEKPI > 100% means FDEKPI=100%
- FDEKPI < 0% means FDEKPI=0%

The variable component of the remuneration due to the members of the Board of Administration will be proportional to the TFKPI for the appropriate financial year.

At the same time if the TFKPI \geq 80%, the variable component of the remuneration is paid according to the presented calculation method.

- TFKPI \geq 50% and TFKPI < 80%, the variable component of the remuneration is not paid;
- TFKPI < 50%, the administrators may be revoked.

The KPI are evaluated annually based on the annual audited financial standing and on the other verification instruments.

The key performance indicators are provided for in annex no 2 to this report.

In the course of 2017 the remunerations paid for the non-executive and executive members of TRANSGAZ' Board of Administration are:

Fixed remuneration (net amounts):

➤ 01.01.2017-29.04.2017

Chairman of the BA, Ion Sterian – 11.392 lei

Non-executive members:

Bogdan ILIESCU – 11.392 lei

➤ **01.01.2017-10.07.2017**, respectively **11.07.2017**

Radu CERNOV – 17.767 lei

Andrei RIZOIU – 17.903 lei

➤ **01.01.2017 – 16.05.2017**

Executive Member (Director General) – Petru VĂDUVA – 77.914 lei.

➤ **30.04.2017-31.12.2017**

Non-executive Member: Bogdan ILIESCU – 28.056 lei

➤ **16.05.2017-31.12.2017**

Non-executive Member: Petru Văduva – 26.302 lei

➤ **11.07.2017-31.12.2017**

Non-executive Member: Nicolae MINEA – 19.393 lei
Remus LĂPUȘAN – 20.040 lei

➤ **16.05.2017-31.12.2017**

Executive Member (Director General): Ion STERIAN- 154.866 lei

➤ **21.07.2017-31.12.2017**

Chief executive officer: Marius LUPEAN – 80.719 lei.

Variable remuneration:

I. Bonus for „EBITDA” performance indicator

“EBITDA” performance indicator was fulfilled 123% respectively at a value of lei 713.346 thousand undertaken in the Management plan, an amount of lei 879.154 thousand being actually achieved.

The variable component related to the bonus for this indicator was paid until 29.04.2017, respectively 10.07.2017, 11.07.2017 and 16.05.2017 as follows (net amounts):

- Chairman of the BA – Ion STERIAN 15,022 lei
- Non-executive members (three)
 - Bogdan ILIESCU – 12.014 lei
 - Radu CERNOV – 18.216 lei
 - Andrei RIZOIU – 18.216 lei
- Executive member (Director General) – lei 60,077

II. Annual bonus for “Operating expenses (excluding depreciation)” performance indicator

This compensation criterion, that rewards the administrators by 3% of the additional savings to the ones estimated in the Management Plan is essential for the shareholders and for the company's clients, considering that all savings made have a positive effect for the decrease of NTS transmission tariffs, with direct impact on the industrial and household consumers of natural gas and on all players on the Romanian gas market. Moreover, such savings lead to a substantial benefit for the state and the company's shareholders by increasing the level of dividends.

In 2017, such savings were significant and clearly suggested the sustained effort of the administrators to eliminate a high degree of inefficiency that existed within the company during the previous management teams.

For the “Operating expenses (excluding depreciation)” indicator the Management plan included a level of lei 139,606 thousand corresponding to the year 2017.

It is worth mentioning that as of 2016 a new activity appeared within Transgaz, namely the physical balancing of the National gas Transmission System, activity related to the obligation to maintain the NTS in a permanent physical balance by selling-purchasing balancing gas as well as other actions provided in the applicable regulatory framework. This activity was not taken into account upon the preparation of the Management Plan in 2013 and therefore the level undertaken for 2017 of the operating expenses excluding depreciation does not include the expenses related to the balancing activity. Moreover, Transgaz cannot gain profit from the balancing activity, any profit or loss from the balancing activity is to be distributed/covered by the market by the neutrality tariff, once ANRE approved such methodology. Therefore, in our opinion such expenses should be deducted from the total operating expenses excluding depreciation, achieved in 2017.

According to the audited financial statements related to 2017, the total operating expenses excluding depreciation and the balancing costs summed up lei 870,792 thousand thus representing a degree of accomplishment of the undertaken level of 131%.

Under these circumstances, the annual bonus for 2017 performance indicator related to "Operating expenses (excluding depreciation) and balancing costs" is calculated by applying the percentage of 3% to the difference between the level undertaken in the plan (lei 139,606 thousand) and the real level achieved (lei 870,792 thousand), resulting a net amount of the bonus of lei 4,717,682 thousand.

The net variable component related to the bonus for this indicator is distributed between the members of the Board of Administration, according to the provisions of the mandate contract and taking also into account the "Comparative Study for the establishment of the variable component of the remuneration of the members of Transgaz' Board of Administration and of the Director General" prepared in line with

GEO no 109/2011, art 37, para(5) by the headhunting firm whose services were contracted for the selection of the members of the Board of Administration, as follows:

- **Chairman of the BA (01.01.2017-29.04.2017) – Ion STERIAN –lei 156,764**
- **Non-executive members – (01.01.2017-29.04.2017) Bogdan ILIESCU – lei 60,059
(01.01.2017- 10.07.2017) Radu CERNOV – lei 96,648
(01.01.2017 – 11.07.2017) Andrei RIZOIU – lei 97,198**
- **Executive member (Director General; 01.01.2017-16.05.2017) Petru VĂDUVA –426,373 lei.**

III. Annual bonus for „Investments” performance indicator

“Investments” performance indicator was 25% fulfilled respectively at a value of lei 381.820 thousand undertaken in the management plan, an amount of lei 95.599 thousand being actually achieved.

Under these circumstances, the members of the Board of Administration do not have the right to receive for 2017 an annual bonus related to “Investments” performance indicator.

This performance criterion rewards the administrators by 3% of the investments made in addition to the ones included in the Management Plan starting from the presumption that such new investments are vital to the future development of the system especially for special projects of national interest associated to new gas sources. These future investments must be carefully managed so that no non-sustainable price increases occur. Thus, due to the rating system based on fixed profit ratios applied to the regulated assets base, any increase of the assets base (result of investments) not accompanied by a corresponding increase of the transported volumes may automatically lead to increases of transmission rates.

During 2017 major progresses were achieved in connection to the greatest investment program carried out by Transgaz – the BRUA Project, estimated at EUR 479 million for Phase I to which EUR 68 million will be added in the second phase related to the development and the increase of the capacity of the interconnection with Hungary.

In 2017 the following steps were taken in relation to the BRUA investment project:

1. Completion of the FEED;
2. Obtaining of the Construction Permit;
3. Signing the contract – Procurement of the compressor groups;
4. Signing the contract – Procurement of the valves;
5. Signing the contract – Procurement of the electro insulating joints;
6. Launching onto SEAP of the sectoral auctions related to the works for the execution of the pipeline LOT 1, 2 and 3;
7. Signing the contracts for the execution of the pipeline LOT 1, 2 and 3;
8. Launching onto SEAP of the procurement procedure on the execution of the compressor stations;
9. Launching onto SEAP of the procurement procedures related to the services for the monitoring of the biodiversity for the gas transmission pipelines construction projects and the related technical equipment;
10. The completion of the external audit of the project "Grant FEED for the three compressor stations on the corridor PCI 7.1.5 – Romanian Section" following the completion of the Engineering study, all the actions implemented by Transgaz were accepted without objections/observations for the achievement of the project and at the same time the expenses incurred for them are accepted as eligible.
11. The conclusion of the Loan agreement with the European Investment Bank for the amount of euro 50 million with a fixed interest EUR for a fixed period of 15 years and a 3 years grace period for the repayment of the principal, the offer of BEI was appointed winning following the conduct of the competitive negotiation procedure in which BEI participated together with other 3 winning bids;
12. The conclusion of a second financing contract with the European Investment Bank for the amount of euro 50 million of the Open Contract type, which will allow Transgaz to select, after the conclusion of the contract the method for repayment and drawing – Lei or EUR, the type of interest – fixed or variable, the performance of the drawings – during 2018 and 2019 with a payment period of 15 years and a grace period for the principal repayment of 3 years. Such contract will supplement Transgaz' own

financing sources, if needed, and, at the same time, it allows the company to cancel the loan in the first 12 months from signing, without financing costs.

13. The conclusion, following the procurement procedure, of Framework Agreements with 4 companies to provide specific archeological services necessary for the implementation of the BRUA Phase 1;

14. Submission with the Competent Authority for Projects of Common Interest (ACPIC) of the Final Report of the project related to the public consultation and authorization procedure in view of obtaining the Comprehensive Decision. At present, the Ministry of Energy issue the Comprehensive Decision subject to the publication in the Official Gazette of the Governmental Decision on the removal from the agricultural use of the lands outside of built-up areas.

For period 30.04.2017-31.12.2017 according to Art 37 para (2) of the Governmental Ordinance no 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented **“the remuneration of the non-executive members of the board of administration is made up of a fixed monthly allowance and a variable component. The quantum of the variable component of the non-executive members cannot exceed 12 fixed monthly allowances”**, the amounts related to the performance bonuses for the non-executive administrators were distributed as follows:

Non-executive members: **Petru VĂDUVA – 49.469 lei**
Bogdan ILIESCU – 52.926 lei
Nicolae MINEA – 648 lei
Remus LĂPUȘAN – 648 lei

According to the Decision of the Ordinary General Meeting of the Shareholders no 2 dated 06 march 2018, art 3, the decision related to the setting of the variable component for the Director General and for the Chief Financial Officer was postponed for the following Ordinary General Meeting of the Shareholders.

CONCLUSIONS:

Considering the modifications to Transgaz management and to the structure/componence of the company's Board of Administration but also the performance indicators' achievement degree, the quarterly payment of the bonus for the "EBITDA" indicator results that, the annual bonus for 2017 owed to the Board of Administration according to the mandate contract sums up the total net amount of lei 1,075,799 which is distributed per each member of the Board of Administration, as follows:

- Chairman of the BA: Mr. Ion Sterian – 171,786 lei, out of which 15,022 lei were paid in the course of the year and 156,764 lei remaining to be paid;
- Non-executive members:
 - Mr. Iliescu Bogdan 124.999 lei, of which paid within the year 12.014 lei, remaining to be paid 112.985 lei;
 - Mr. Rizoiu Andrei –115.414 lei, of which paid within the year 18.216 lei, remaining to be paid 97.198 lei;
 - Mr. Cernov Radu – 114.864, of which paid within the year 18.216 lei, remaining to be paid 96.648 lei;
 - Mr. Petru Văduva – 49.469 lei;
 - Mr. Nicolae Minea – 648 lei;
 - Mr. Remus Lăpușan – 648 lei;

Executive member (Director General): Petru Vaduva – 486,450 lei, of which paid within the year 60,077, remaining to be paid **426,373 lei**.

According to the Decision of the Ordinary General Meeting of the Shareholders no 2 dated 06 march 2018, art 3, the decision related to the setting of the variable component for the Director General and for the Chief Financial Officer was postponed for the following Ordinary General Meeting of the Shareholders.

Nevertheless, compared to the variable remuneration value in accordance with the contract of mandate arisen from the application of the calculation formulas provided by the contracts of mandate at the level of undertaken performance indicators and, respectively, actually fulfilled, also taking into consideration

the "Compared study for setting out the variable component of the remuneration of the members of the Board of Administration and the Director General of TRANSGAZ" prepared in accordance with the Government Emergency Ordinance no.109/2011, Article 37 (5) by the human resources recruitment company whose services were contracted for the selection of the members of the Board of Administration, **the net amount of the annual bonus that would be due to them for 2016 shall be paid within the range below:**

Chairman of the BA: Mr. Ion Sterian –RON 548.006;

- Non-executive members: Mr. Cernov Radu RON 215.052,
 - Mr. Iliescu Bogdan RON 215.052 and
 - Mr. Rizoiu Andrei –RON 215.052.
- Executive member (Director General); Petru Vaduva –RON 1.330.991

According to the Decision of the Ordinary General Meeting of the Shareholders no 2 dated 06 march 2018, art 3, the decision related to the setting of the variable component for the Director General and for the Chief Financial Officer was postponed for the following Ordinary General Meeting of the Shareholders.

We would like to mention that the remunerations described above are the only forms of remuneration of the members of the Board of Administration and that no member benefits from other bonuses, benefits in kind or additional or anticipated pension schemes.

The mandate contract concluded with each member of the Board of Administration is valid as of the renewal/appointment in the position and until 29.04.2021 starting from the date of the Decision of the General Ordinary Meeting of the Shareholders by which the Mandatory was elected as administrator.

Nomination and Remuneration Committee

STERIAN ION (until 16.05.2017) illegible signature

VĂDUVA PETRU ION (as of 17.05.2017) illegible signature

CERNOV RADU ȘTEFAN (until 10.07.2017) illegible signature *and handwritten note: I do not agree with the method for the calculation of the annual bonus for 2017 as its amount was reduced and thereby the provisions of the Mandate Contract were breached based on limits under a non-legal comparative study.*

ILIESCU BOGDAN GEORGE illegible signature

MINEA NICOLAE (as of 11.07.2017) illegible signature

**PERFORMANCE CRITERIA AND OBJECTIVES
FOR CALCULATING THE VARIABLE COMPONENT OF THE REMUNERATION
2017**

Tag no	PERFORMANCE CRITERIA	PERFORMANCE OBJECTIVE
1	EBIDTA	Achievement of EBIDTA target undertaken in the Management plan 879,154 lei thousand
2	Operating expenses excluding depreciation	Decrease of operating expenses (excluding depreciation expenses and balancing costs) actually achieved reported to the level undertaken in the Management plan 870,792 lei thousand
3	Investments	Increase of the level of investments made reported to the level undertaken in the Management plan 95,599 lei thousand

**PERFORMANCE CRITERIA AND OBJECTIVES
UNDERTAKEN BY THE MANAGEMENT PLAN
2017**

Tag no	PERFORMANCE CRITERIA	PERFORMANCE OBJECTIVES
1	EBIDTA	Achievement of EBIDTA target undertaken in the Management plan 713,346 lei thousand
2	Operating expenses excluding depreciation	Decrease of operating expenses (excluding depreciation expenses) actually achieved reported to the level undertaken in the Management plan 1,139,606 lei thousand
3	Investments	Increase of the level of investments made reported to the level undertaken in the Management plan 381,820 lei thousand

Performance indicators identified in respect of the company and included in the Company's Management Plan for 2017-2021

A. ECONOMIC AND FINANCIAL PERFORMANCE INDICATORS – standard performance indicators	
Commissioned investments	
EBITDA	
Labour output	
Outstanding payments	
Outstanding receivables	
Technological consumption	
Operating expenses at 1000 lei operating revenues	
Profitability indicators	
Liquidity indicators	
Management indicators	
B. PERFORMANCE INDICATORS – Performance indicators for the calculation of the remuneration variable component	
FINANCIAL	NON-FINANCIAL
1. Outstanding payments	1. Monitoring of Investment and implementation strategy.
2. Operating expenses (except for depreciation, balancing, construction activity and provisions for asset impairment and for risks and expenses)	2. Energy efficiency increase
3. Quick liquidity rate -"Acid test ratio"	3. Gas transmission performance indicators
4. Net leverage rate	4. Internal/managerial control system implementation
5.EBITDA	5. Client satisfaction
	6. Setting risk management and risk monitoring policies
	7. Key performance indicators timely reporting.
	8. The company's performance indicators revising request.
	9. The increase in the institutional integrity, by inclusion of the corruption prevention measures as an element of the managerial plans
	10. Reduction of vulnerabilities and fraud and corruption risks (preparation and compliance with the anti-bribery policy).
	11. Strengthening of the corruption fighting performance by criminal and administrative means.

**KEY PERFORMANCE INDICATORS FOR THE CALCULATION OF THE ANNUAL VARIABLE
REMUNERATION COMPONENT**

Tag no	Indicators' group according to GD no. 722/ 2016 Annex 2b	PERFORMANCE INDICATOR	PERFORMANCE OBJECTIVE
A	FINANCIAL KEY PERFORMANCE INDICATORS		
1	<i>Cash flow</i>	Outstanding payments	<i>Maintaining outstanding payments at zero.</i>
2	<i>Costs</i>	Operating expenses (less depreciation, balancing, construction activity and provisions for asset impairment and for risks and expenses) (thousand lei)	<i>Maintaining operating expenses in compliance with the Management Plan</i>
3	<i>Debt</i>	Quick liquidity rate "Acid test"	<i>The quick liquidity rate "Acid test" to record annual values above 1.</i>
4		Net leverage rate	<i>Maintaining the net leverage rate under the limits established for obtaining bank loans, precisely: 3-2017; 3-2018; 5,5-2019; 5,5-2020; 4-2021</i>
5	<i>Revenues</i>	EBITDA (thousand lei)	Achieving the target EBITDA under the Management Plan

B NON-FINANCIAL KEY PERFORMANCE INDICATORS			
1	Operational	Monitoring the implementation and Investment strategy	<i>Implementation of FID (Final Investment Decision) projects under the 10 years Development Plan</i>
2		Increasing energy efficiency	<i>Maintaining the share of the technological consumption in the total circulated gas below 1%</i>
3	Oriented towards public service	Performance indicators of the gas transmission service	<i>Achievement of the targets provided for in the Performance standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016)</i>
4	Corporate governance	Implementation of the internal/managerial control system	<i>Implementation of the provisions of Order no. 400/2015 of the General Secretariat of the Government for the approval of the Internal/Managerial Control Code for public entities as amended I = implemented standards /provided standards in the Order 400/2015*100 Achievement of the measures provided for in the Program for the implementation of the SCIM I = measures achieved within the deadline /proposed measures *100</i>
5		Clients Satisfaction	<i>Achievement of the targets provided for in the administration plan (According to PP 165 Client satisfaction evaluation a score between 6-8 represents the fact that the services offered satisfied the requirements of the clients accordingly)</i>
6		Setting the risk management policies and risk monitoring	<i>Achievement of the targets provided for in the administration plan for the implementation of the requirements of Standard 8 of Order SGG no. 400/2015 for the approval of the Internal/management control Code for public entities as subsequently amended.</i>
7		Timely reporting of the key performance indicators	<i>Compliance with the legal reporting deadlines I = actual reporting deadlines/provided reporting deadlines *100</i>
8		Request for revision of the company's key performance indicators (KPIs)	<i>Request to revise the company's KPIs within 60 days from the date the revising need was found. I=no. of indicators required to be revised within the deadline / total no. of indicators required to be revised</i>
9		Increasing institutional integrity by including measures for the prevention of corruption as an element of managerial plans	<i>Compliance with the measures undertaken by the approved Integrity Plan I = measures achieved within the deadline/proposed measures*100</i>
10		Reducing vulnerabilities and fraud and corruption risks (preparation and compliance with the anti-bribery policy)	<i>Compliance with the measures undertaken by the approved Integrity Plan</i>
11	Increasing corruption fighting performance by criminal and administrative methods.	<i>Compliance with the measures undertaken by the approved Integrity Plan</i>	

I. Target values of the key performance indicators under Transgaz' Management Plan for 2017-2021
 II.1 Key performance indicators – financial

Indicator	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Source
1 Outstanding payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Accounting Reporting of the National Agency for Fiscal Administration Form F30- Information data Financial reports
2 Operating expenses (less depreciation, balancing, construction activity and provisions for asset impairment and for risks and expenses) (thousand lei)	811.576	952.321	1.002.101	948.385	933.300	968.346	948.385	933.300	968.346	948.385	933.300	968.346	948.385	933.300	Audited annual financial statements
3 Quick liquidity rate "Acid test"	4,82	1	1,39	1,11	0,91	1	1,11	0,91	1	1,11	0,91	1	1,11	0,91	Audited financial statement
4 Net leverage rate	0	3	3	5,5	5,5	4	5,5	5,5	4	5,5	5,5	4	5,5	5,5	Audited annual financial statements
5 EBITDA	902.296	565.892	458.599	666.322	503.477	1.015.013	666.322	503.477	1.015.013	666.322	503.477	1.015.013	666.322	503.477	Audited annual financial

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Corporate governance									
9	Implementation of the internal/managerial control system	94%	94%	94%	94%	94%	100%		
	Implementation of the provisions of Order no. 400/2015 of the General Secretariat of the Government for the approval of the Internal/Managerial Control Code for public entities as amended I = implemented standards /provided standards in the Order 400/2015*100 Achievement of the measures provided for in the Program for the implementation of the SCIM I = measures achieved within the deadline /proposed measures *100								Program for the implementation of the internal/managerial control system (prepared pursuant to the Order)
9.1	Clients Satisfaction	7,7	7,8	7,9	8	8			Annual report for the assessment of the client satisfaction
	Achievement of the targets provided for in the administration plan (According to PP 165 Client satisfaction evaluation a score between 6-8 represents the fact that the services offered satisfied the requirements of the clients accordingly)								
9.2	Setting the risk management policies and risk monitoring	100%	100%	100%	100%	100%	100%		Annual report on the risk management (prepared pursuant to Order)
	Achievement of the targets provided for in the administration plan for the implementation of the requirements of Standard 8 of Order SGG no. 400/2015 for the approval of the Internal/management control Code for public entities as subsequently amended.								
10	Timely reporting of the key performance indicators	100%	100%	100%	100%	100%	100%		Annual Report on the compliance with the Reporting Calendar
	Compliance with the legal reporting deadlines I = actual reporting deadlines/provided reporting								

	Indicator	Unit	2017	2018	2019	2020	2021	2022	2023
		deadlines *100							
10.1	Request for revision of the company's key performance indicators (KPIs)	Request to revise the company's KPIs within 60 days from the date the revising need was found. I = no. of indicators required to be revised within the deadline / total no. of indicators required to be revised	100%	100%	100%	100%	100%	100%	100%
11	Increasing institutional integrity by including measures for the prevention of corruption as an element of managerial plans	Compliance with the measures undertaken by the approved Integrity Plan I = measures achieved within the deadline/proposed measures*100	100%	100%	100%	100%	100%	100%	Approved integrity plan.
12	Reducing vulnerabilities and fraud and corruption risks (preparation and compliance with the anti-bribery policy)	Compliance with the measures undertaken by the approved Integrity Plan	100%	100%	100%	100%	100%	100%	Approved integrity plan.
13	Increasing corruption fighting performance by criminal and administrative methods.	Compliance with the measures undertaken by the approved Integrity Plan	100%	100%	100%	100%	100%	100%	Approved integrity plan.

II. Description of the key performance indicators

B. Key performance indicators for the calculation of the variable component of the remuneration

B.1 Financial key performance indicators

B.1.1 Outstanding payments

Name of the indicator: Outstanding payments

Target value: Maintaining outstanding payments at zero.

Description: In the context of the implementation of one of the most extensive and important programs for the development of gas transmission infrastructure, it is intended to provide the necessary financial sources for compliance with the payment deadlines stipulated in the contracts

Verification method: Accounting reporting ANAF – form F 30 – information data

Formula of the indicator: *Amount of the outstanding payments from the Form F 30.*

Method of Calculation: for the 0 lei amount of the indicator the achievement is 100%. The achievement of the indicator decreases according to the following formula: $\text{amount of the indicator} / 10.000.000 \text{ lei} * 5\%$

B.1.2 Operating expenses (less depreciation, balancing, construction activity and provisions for asset impairment and for risks and expenses)

Name of the indicator: Operating expenses (less depreciation, balancing, construction activity and provisions for asset impairment and for risks and expenses)

Target value: Maintaining operating expenses in compliance with the Management Plan (less depreciation, balancing, construction activity and provisions for asset impairment and for risks and expenses).

Description: The reduction of the operating expenses has an impact to the reduction of the gas transmission tariffs.

Verification method: Annual financial standing prepared according to the International Financial Reporting Standards adopted by the European Union, related to such year, audited according to the law – Situation of the comprehensive income and Notes to the financial standing

Formula of the indicator: *Operating expenses before the balancing activity and the construction activity according to IFRIC12 - (depreciation expenses + expenses related to provisions for the impairment of assets + expenses on the provision for risks and expenses).*

Method of Calculation: The achievement of the indicator decreases commensurate with the percentage for the exceeding of the indicator provided in the Management Plan.

B.1.3 Quick liquidity rate "Acid test"

Name of the indicator: Quick liquidity rate "Acid test"

Target value: *The quick liquidity rate "Acid test" to record annual values above 1.*

Description: Quantifying the company's capacity to pay the short term debts using the assets from the balance with a high level of liquidity.

Verification method: Annual financial standing prepared in line with the International Financial Reporting Standards adopted by the European Union related to such year, audited according to the law – Situation of the comprehensive income.

Formula of the indicator: *(current assets- stocks)/current debts*

Method of Calculation: for amounts lower than 1 the achievement of the indicators decreases commensurate with it.

B.1.4 Net leverage rate

Name of the indicator: Net leverage rate

Target value: *Maintaining the level of the net leverage rate below the limits set for obtaining financing from banks, namely 3 – 2017; 3- 2018; 5,5 – 2019; 5,5 -2020; 4-2021*

Description: In the context of the implementation of one of the largest and most important development programs of the natural gas transmission infrastructure, the company's leverage capacity must be kept within limits that do not affect the financial balance of the company.

Verification method: Annual financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union for the relevant year, audited under the law –Comprehensive Income situation, Statement of Comprehensive Income

Formula of the indicator: *(short term loans + long term loans)/EBITDA*

Method of Calculation: the achievement of the indicator decreases commensurate with the percentage related to the exceeding of the indicator provided for in the Management Plan.

B.1.3 EBITDA

Name of the indicator: EBITDA

Target value: Achievement of the EBITDA target undertaken in the Management Plan.

Description: Ensuring the internal financing source for supporting strategic investment projects.

Verification method: Annual financial standing prepared according to the International Financial Reporting Standards adopted by the European Union, related to such year, audited according to the law – Situation of the comprehensive income and Notes to the financial standing

Formula of the indicator: *Operating income before the balancing activity and the construction activity according to IFRIC12 - (operating expenses before the balancing activity and the construction activity according to IFRIC12 -depreciation).*

Method of Calculation: the achievement of the indicator is determined according to the formula: achieved EBITDA/ EBITDA from the Management Plan*100.

B.2 Non-financial key performance indicators

B.2.1 Operational

B.2.1.1 Implementation and Investment strategy

Name of the indicator: Investment strategy

Target value: Implementation of FID projects under the 10 years Development Plan

Description: Monitoring major projects

Verification method: The development plan approved by ANRE

Method of Calculation: the achievement of the indicator is determined according to the formula: achieved actions/planned actions x100

B.2.1.2 Increasing energy efficiency

Name of the indicator: Technological consumption

Target value: Maintaining the share of the technological consumption in the total circulated gas below 1%

Description: Monitoring the technological consumption and maintaining the share at the level planned in the Management Plan

Verification method: Gas balance

Formula of the indicator: *The gas quantity representing technological consumption/total gas quantity circulated *100*

Method of Calculation: the achievement of the indicator decreases commensurate with the percentage of exceeding the amounts provided in the Management Plan.

B.2.2 Oriented towards clients

B.2.2.1 Performance indicators of the gas transmission service

Name of the indicator: Performance indicators of the gas transmission service

Target value: *Achievement of the targets provided for in the Performance standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016)*

Description: See Annex 1

Verification method: Report prepared by Transgaz according to ANRE Order 161/26.11.2015

Formula of the indicator: See Annex 1

Method of Calculation: The achievement of the indicator decreases commensurate with the percentage of the non-achievement of the amounts provided for in the management plan.

B.2.3 Corporate governance

B.2.3.1 Implementation of the internal/managerial control system

Name of the indicator: Implementation of the internal/managerial control system

Target value: *Achievement of the measures provided for in the Program for the implementation of the SCIM*

Description: *Implementation of the provisions of Order no. 400/2015 of the General Secretariat of the Government for the approval of the Internal/Managerial Control Code for public entities as amended.*

Verification method: Program for the implementation of the approved SCIM

Method of Calculation: The achievement of the indicator is determined according to the formula: I = measures achieved within the deadline/proposed measures *100

B.2.3.2 Clients Satisfaction

Name of the indicator: Clients Satisfaction

Target value: Achievement of the targets provided for in the administration plan

Description: *According to PP 165 Client satisfaction evaluation a score of 6-8 represents the fact that the services offered satisfied the requirements of the clients accordingly*

Verification method: Annual report for the assessment of the client satisfaction

Formula of the indicator: *According to the Process procedure PP-165*

Method of Calculation: The achievement of the indicator decreases commensurate with the percentage of the non-achievement of the amounts provided for in the management plan.

B.2.3.3 Setting the risk management policies and risk monitoring

Name of the indicator: Setting the risk management policies and risk monitoring

Target value: Achievement of the targets provided for in the administration plan

Description: *implementation of the requirements of Standard 8 of Order SGG no. 400/2015 for the approval of the Internal/management control Code for public entities as subsequently amended.*

Verification method: *Annual report on the risk management (prepared pursuant to Order SGG no. 400/2015)*

Method of Calculation: The achievement of the indicator is determined according to the formula: $I = \text{measures achieved within the deadline/proposed measures} * 100$

B.2.3.4 Timely reporting of the key performance indicators

Name of the indicator: **Timely reporting of the key performance indicators**

Target value: Compliance with the legal reporting deadlines

Description: Monitoring the reporting calendar in order to comply with the deadline.

Verification method: *Actual reporting transmission date/ scheduled date in the calendar/legal/administrative act of the reporting*

Method of Calculation: The achievement of the indicator is determined according to the formula: $I = \text{measures achieved within the deadline/proposed measures} * 100$

B.2.3.5 Request for revision of the company's key performance indicators

Name of the indicator: **Request for revision of the company's key performance indicators**

Target value: Revision of the company's performance indicators within 60 days from the finding of the need for revision.

Description: Revision of the company's performance indicators

Verification method: GSM Convening

Method of Calculation: The achievement of the indicator is determined according to the formula: $I = \text{no of requested indicators for revision within the deadline/ total no of indicators requested for revision}$.

B.2.3.6: Increasing institutional integrity by including measures for the prevention of corruption as an element of managerial plans

Name of the indicator: **Increasing institutional integrity by including measures for the prevention of corruption as an element of managerial plans**

Target value: Compliance with the measures undertaken by the approved Integrity Plan

Description: achievement of the measures included in the Integrity Plan

Verification method: *The approved Integrity Plan*

Method of Calculation: The achievement of the indicator is determined according to the formula: $I = \text{measures achieved within the deadline/proposed measures} * 100$

B.2.3.7 Reducing vulnerabilities and fraud and corruption risks (preparation and compliance with the anti-bribery policy)

Name of the indicator: **Reducing vulnerabilities and fraud and corruption risks (preparation and compliance with the anti-bribery policy)**

Target value: Compliance with the measures undertaken by the approved Integrity Plan

Description: achievement of the measures included in the Integrity Plan

Verification method: *The approved Integrity Plan*

Method of Calculation: The achievement of the indicator is determined according to the formula: $I = \text{measures achieved within the deadline/proposed measures} * 100$

B.2.3.8: Increasing corruption fighting performance by criminal and administrative methods.

Name of the indicator: **Increasing corruption fighting performance by criminal and administrative methods.**

Target value: Compliance with the measures undertaken by the approved Integrity Plan

Description: achievement of the measures included in the Integrity Plan

Verification method: *The approved Integrity Plan*

Method of Calculation: The achievement of the indicator is determined according to the formula: $I = \text{measures achieved within the deadline/proposed measures} * 100$

III. Annex 1

Performance indicators related to the gas transmission service – according to Order ANRE 16/126.11.2015 entered into force on 1 October 2016

Indicator		Formula	Unit
IPO Registration of requests/applications/ complaints related to the gas transmission system service			
IP_0^1	$IP_0^1 = \frac{N_{T0} + N_{T2}}{N_{inreg} - N_{clasate}} \times 100 \%$	<p>a) N_{T0} – number of registration whose registration number was sent in line with the provisions of art. 7 para. (3) letter a);</p> <p>b) N_{T2} – number of registration whose registration number was sent in a shorter time span than the one provided in art 7 para (3) letter b);</p> <p>c) N_{inreg} - total number of requests/applications/ complaints registered in line with the provisions of art. 7 para (1);</p> <p>d) $N_{clasate}$ - total number of requests/applications/ complaints classified in line with the provisions of art. 7 para (6).</p>	$IP_0^1 \geq 90\%$
IP1 Compliance with the gas delivery –taking off conditions			
IP_1^1	$IP_1^1 = \frac{N_{Rparametrii10}}{N_{TRparametrii} - N_{RCLparametrii}} \times 100 \%$	<p>a) $N_{Rparametrii10}$ - number of referrals/complaints related to the non-compliance with the technological parameters agreed, answered in less than 10 days from their registration;</p> <p>b) $N_{TRparametrii}$ - total number of referrals/complaints related to the non-compliance with the technological parameters agreed;</p> <p>c) $N_{RCLparametrii}$ - total number of referrals/complaints related to the non-compliance with the technological parameters agreed; classified</p>	$IP_1^1 \geq 95\%$
IP_1^2	$IP_1^2 = \frac{N_{verificareP24}}{N_{TverificareP}} \times 100 \%$	<p>d) $N_{verificareP24}$ - number of verifications of the agreed technological parameters performed by the TSO in a time span shorter than 24 hours from the registration of the referral/complaint;</p> <p>e) $N_{TverificareP}$ - number of referrals/complaints related to the non-compliance with the technological parameters.</p>	$IP_1^2 \geq 95\%$
IP_1^3	$IP_1^3 = \frac{N_{Rcalitate15}}{N_{TRcalitate} - N_{RCLcalitate}} \times 100 \%$	<p>f) $N_{Rcalitate15}$ - number of referrals/complaints related to gas quality answered in less than 15 days from their registration;</p> <p>g) $N_{TRcalitate}$ - total number of referrals/complaints received related to gas quality;</p> <p>h) $N_{RCLcalitate}$ - total number of referrals/complaints received related to gas quality; classified.</p>	$IP_1^3 \geq 95\%$

Definition of the terms in the formula	Formula	Target
<p>i) $N_{Rm\acute{a}s\acute{u}r\acute{a}r\acute{e}15}$ - number of referrals/complaints related to metering gas quantities answered in less than 15 days from their registration; j) $N_{TRm\acute{a}s\acute{u}r\acute{a}r\acute{e}}$ - total number of referrals/complaints related to metering gas quantities, received; k) $N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}$ - total number of referrals/complaints related to metering gas quantities, classified.</p>	$IP_1^4 = \frac{N_{Rm\acute{a}s\acute{u}r\acute{a}r\acute{e}15}}{N_{TRm\acute{a}s\acute{u}r\acute{a}r\acute{e}} - N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}} \times 100\%$	$IP_1^4 \geq 95\%$
<p>l) $N_{Vm\acute{a}s\acute{u}r\acute{a}r\acute{e}2}$ - number of systems/methods for metering gas quantity checked at their place of operation in a time span shorter than 2 business days from the registration of referrals/complaints; m) $N_{TRm\acute{a}s\acute{u}r\acute{a}r\acute{e}}$ - total number of referrals/complaints related to gas metering, received; n) $N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}$ - total number of referrals/complaints related to gas metering, classified.</p>	$IP_1^5 = \frac{N_{Vm\acute{a}s\acute{u}r\acute{a}r\acute{e}2}}{N_{TRm\acute{a}s\acute{u}r\acute{a}r\acute{e}} - N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}} \times 100\%$	$IP_1^5 \geq 95\%$
IP2 Access to the TS		
<p>a) N_{acces} - number of NTS access agreements or refusals issued in a time span smaller than the one provided for in the applicable law in the gas sector; b) N_{Tcaces} - total number of NTS access requests received.</p>	$IP_2^1 = \frac{N_{acces}}{N_{Tcaces}} \times 100\%$	$IP_2^1 \geq 95\%$
<p>a) $N_{Racces15}$ - total number of referrals/complaints related to NTS access, answered in a time span shorter than 15 days from the date of their registration, b) $N_{TRacces}$ - total number of referrals/complaints related to NTS access, received; c) $N_{RCLacces}$ - total number of referrals/complaints related to NTS access, classified.</p>	$IP_2^2 = \frac{N_{Racces15}}{N_{TRacces} - N_{RCLacces}} \times 100\%$	$IP_2^2 \geq 95\%$
IP3 Connection to the TS		
<p>a) $N_{racordare}$ - number of technical opinions for the connection to the TS and of refusals in this respect, issued in a time span shorter than the one provided for in the applicable laws in the gas sector; b) $N_{TRacordare}$ - total number of requests for NTS connection, received.</p>	$IP_3^1 = \frac{N_{racordare}}{N_{TRacordare}} \times 100\%$	$IP_3^1 \geq 95\%$
<p>a) $N_{Rracordare15}$ - number of technical opinions for the connection to the TS answered by the TSO in a time span shorter than 15 days from their registration; b) $N_{TRracordare}$ - total number of referrals/complaints related to NTS connection, received; c) $N_{RCLracordare}$ - total number of referrals/complaints related to NTS access, classified.</p>	$IP_3^2 = \frac{N_{Rracordare15}}{N_{TRracordare} - N_{RCLracordare}} \times 100\%$	$IP_3^2 \geq 95\%$
<p>a) N_{IR} - number of connection equipment commissioned in a time span shorter than the one provided for in the connection contract,</p>	$IP_3^3 = \frac{N_{IR}}{N_{TIR}} \times 100\%$	$IP_3^3 \geq 95\%$

Indicator	Description	Formula	Target
b)	N_{TIR} – total number of connection equipment commissioned.		
a)	$N_{Rrperf15}$ - number of referrals/complaints related to the design, execution, reception and/or commissioning of the connection installation answered in a time span shorter than 15 days from their registration;	$IP_3^4 = \frac{N_{Rrperf15}}{N_{TRrperf15} - N_{RCLrperf15}} \times 100 \%$	$IP_3^4 \geq 95\%$
b)	$N_{TRrperf15}$ - total number of referrals/complaints related to the design, execution, reception and/or commissioning of the connection installation, received;		
c)	$N_{RCLrperf15}$ - total number of referrals/complaints related to the design, execution, reception and/or commissioning of the connection installation, classified.		
IP4 Restoration of the lands and/or goods affected by the execution of works to NTS facilities			
a)	$N_{Rrrefacere15}$ - number of referrals/complaints answered in less than 15 days from their registration;	$IP_4^1 = \frac{N_{Rrrefacere15}}{N_{TRrrefacere} - N_{RCLrrefacere}} \times 100 \%$	$IP_4^1 \geq 95\%$
b)	$N_{TRrrefacere}$ - total number of referrals/complaints related to the restoration of the affected lands and/or assets by the execution of some works to NTS facilities, received;		
c)	$N_{RCLrrefacere}$ - total number of referrals/complaints related to the restoration of the affected lands and/or assets by the execution of some works to NTS facilities, classified.		
IP5 Notification of unplanned limitations and/or interruptions and resumption of the gas transmission service			
a)	N_{U6} - number of NTS users affected by the unplanned interruption, notified as soon as possible but within maximum 6 hours from the moment of interruption;	$IP_5^1 = \frac{N_{U6}}{N_{Uafectati}} \times 100 \%$	$IP_5^1 \geq 98\%$
b)	$N_{Uafectati}$ - total number of NTS users affected by the unplanned interruption.		
a)	N_{U24} - number of NTS users affected for a period longer than 24 hours, notified accordingly;	$IP_5^2 = \frac{N_{U24}}{N_{Uafectati}} \times 100 \%$	$IP_5^2 \geq 98\%$
b)	$N_{Uafectati}$ - total number of NTS users affected by the unplanned interruption		
IP6 Notification of unplanned limitations and/or interruptions and resumption of the gas transmission service			
a)	N_{U5} - number of NTS users affected by the unplanned interruption notified in a time span of more than 5 business days before the limitation/interruption;	$IP_6^1 = \frac{N_{U5}}{N_{Uafectati}} \times 100 \%$	$IP_6^1 \geq 98\%$
b)	$N_{Uafectati}$ – Total number of affected NTS users.		
a)	$N_{Uretuare}$ - number of affected NTS users for which the resumption of the transmission service was ensured within the deadline mentioned in the notification;	$IP_6^2 = \frac{N_{Uretuare}}{N_{Uafectati}} \times 100 \%$	$IP_6^2 \geq 98\%$
b)	$N_{Uafectati}$ - Total number of NTS users affected by the planned interruption.		

Calculations to be filled in by the auditors	Calculations to be filled in by the auditors	
<p>IP7 Settlement of requests/applications/ complaints related to the provision of the gas transmission service others than the ones mentioned particularly in this standard</p>	$IP_7^1 = \frac{N_{SSRao}}{N_{TSSR} - N_{SSRactasate}} \times 100 \%$	<p>a) N_{SSRao} - number of requests/applications/complaints others than the ones treated particularly in this standard, answered within 30 days from their registration; b) N_{TSSR} - total number of requests/applications/complaints others than the ones treated particularly in this standard, received; c) $N_{SSRactasate}$ - total number of requests/applications/complaints others than the ones treated particularly in this standard, classified.</p> <p>$IP_7^1 \geq 80\%$</p>
IP8 Tel Verde		
$IP_8^1 = \frac{N_{Atimp60}}{N_{Atotal}} \times 100 \%$		<p>a) $N_{Atimp60}$ - number of emergency calls answered in a time span shorter than 60 seconds; b) N_{Atotal} - total number of emergency calls, received.</p> <p>$IP_8^1 \geq 98\%$</p>
$IP_8^2 = \frac{N_{ASc6}}{N_{ASctotal}} \times 100 \%$		<p>a) N_{ASc6} - number of emergency calls related to gas releases to which the intervention team arrived in less than 6 hours from the moment the call was received; b) $N_{ASctotal}$ - total number of emergency calls related to gas releases, received.</p> <p>$IP_8^2 \geq 98\%$</p>
IP9 Achievement of the obligation to pay the compensations due in line with the provisions of the performance standard for the gas transmission service		
$IP_9^1 = \frac{N_{comp30}}{N_{Tccomp}} \times 100 \%$		<p>a) N_{comp30} - number of compensations paid within 30 days from the registration of the claim; b) N_{Tccomp} - total number of the claims for payment of compensations, received.</p> <p>$IP_9^1 \geq 90\%$</p>

D. Key performance indicators for the calculation of the variable component of the remuneration	Chairman of the BA	Members of the BA	Director General	Chief Financial Officer
D1 – Financial KPI	20%	20%	50%	50%
D1.1 Outstanding payments	4%	4%	10%	10%
D1.2 Operating expenses	4%	4%	10%	10%
D.1.3 Quick liquidity ratio (acid test)	4%	4%	10%	10%
D.1.4 Net leverage ratio	4%	4%	10%	10%
D.1.5 EBITDA	4%	4%	10%	10%
D2 - Non-financial KPI	80%	80%	50%	50%
D.2.1 Operational	20%	20%	15%	15%
D2.1.1 Investments	15%	15%	10%	10%
D.2.1.2 Increasing energy efficiency	5%	5%	5%	5%
D.2.2 Oriented towards public services	10%	10%	15%	15%
D.2.2.1 Gas transmission standard	10%	10%	15%	15%
D.2.3 Corporate Governance	50%	50%	20%	20%
D.2.3.1 SCIM	10%	10%	4%	4%
D.2.3.2 Client satisfaction	10%	10%	4%	4%
D.2.3.3 Risk management	5%	5%	4%	4%
D.2.3.4 Reporting indicators in due time	10%	10%	4%	4%
D.2.3.6 Increasing integrity	15%	15%	4%	4%
TOTAL	100%	100%	100%	100%

Chairman and non-executive			executive and economic		
weighting	achievement degree	level of achievement of the indicator	weighting	achievement degree	level of achievement of the indicator
4%	100%	0,040	10%	100%	0,100
4%	100%	0,040	10%	100%	0,100
4%	100%	0,040	10%	100%	0,100
4%	100%	0,040	10%	100%	0,100
4%	100%	0,040	10%	100%	0,100
15%	100%	0,150	10%	100%	0,100
5%	100%	0,050	5%	100%	0,050
10%	0%	0,000	15%	0%	0,000
10%	100%	0,100	4%	100%	0,040
10%	100%	0,100	4%	100%	0,040
5%	100%	0,050	4%	100%	0,040
10%	100%	0,100	4%	100%	0,040
15%	100%	0,150	4%	100%	0,040
100%		0,900	100%		0,850
		90%			85%