

No. SCMD 18586/11.03.2021

Submitted for approval to the OGMS dated 27-28 April 2021

Report

On the approval of the evaluation of the compliance with the key financial and non-financial performance indicators for 2020 attached as annex to the non-executive administrators' Mandate Contracts

SUMMARY

By OGMS Resolution no. 12/19.12.2017, art.1, the key financial and non-financial performance indicators, attached as annex to the administrators' mandate contracts were approved, in line with Annex no. 2 to Order no. 1367/GS/15.12.2017.

By OGMS Resolution no. 2/04.03.2020, art. 3 the revision of financial performance indicators was approved in the form as submitted by the Board of Administration and endorsed by BoA Resolution no. 3/27.01.2020, the consolidated version of the key performance indicators targets represents an annex to the non-executive administrators' mandate contracts, to be submitted to the General Shareholders Meeting for approval.

PROPOSAL

In line with the provisions of art. 30, para. (7) corroborated with art. 37 para. (2) of GEO no.109/2011 on the corporate governance of public enterprises, as amended, the evaluation of the fulfilment of the key financial and non-financial performance indicators attached to the mandate contract of the non-executive administrators, as annex, is submitted to the General Meeting of Transgaz' Shareholders for approval.

Detailed contents

By BoA Resolution no. 36/10.10.2017 based on Report no. 47365/09.10.2017, the Board of Administration approved Transgaz' Administration Plan for the period 2017-2021 noting the need for the financial and non-financial indicators as negotiated and approved by the General Meeting of the Shareholders to be revised.

By OGSM Resolution no 12/19.12.2017, art. 1, the key financial and non-financial performance indicators attached as an annex to the administrators' mandate contracts were approved in line with Annex no 2 to Order no 1367/GS/15.12.2017. The revision of financial performance indicators was approved by OGMS Resolution no. 2/04.03.2020, art. 3 and the consolidated version of the key performance indicators target represents an annex to the non-executive administrators' mandate contracts.

Following the revision of financial indicators, the members of the Board of Administration approve, by the BoA Resolution no. 17/29.05.2020, Transgaz' Administration Plan for the period 2017-2021, as updated.

In line with the provisions of art. 30 para. (7), corroborated with art. 37 para. (2) of GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the evaluation of the compliance with the key financial and non-financial performance indicators, attached as annex to the non-executive administrators' mandate contracts is submitted to the General Meeting of Transgaz' Shareholders for approval.

Annexes:

Annex 1 - Key financial performance indicators for the calculation of the remuneration variable component – Achievements 2020;

Annex 2 - Key non-financial performance indicators for the calculation of the remuneration variable component – Achievements 2020;

Annex 3 – The substantiation of the key financial performance indicators' calculation;

THE NOMINATION AND REMUNERATION COMMITTEE

PETRU ION VĂDUVA

NICOLAE MINEA

BOGDAN GEORGE ILIESCU

Annex 1
to OGMS Report no. SCMD /
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Financial key performance indicators for the calculation of the remuneration variable component

No.	Performance criteria	Performance objective	2020	
			Indicators according to the revised Administration Plan	Indicators achieved as at 31.12.2020
1.	Outstanding payments – thousand lei	Maintaining outstanding payments to zero	0	0
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) – thousand lei	Maintaining the level of the operating expenses at the level undertaken in the Administration Plan	1.095.239	846.555
3.	Acid test ratio	Quick liquidity rate (Acid test ratio) to register annual values over 1.	1,11	1,29
4.	Net debt-to-equity ratio	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 3-2017; 3-2018; 5,5-2019; 5,5-2020; 4-2021	5,5	3,88
5.	EBITDA – thousand lei	Achieving the EBITDA target undertaken in the Administration Plan	349.317	414.677

Annex 2

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Key non-financial performance indicators for the calculation of the remuneration variable component – Achieved 2020

No.	Indicator	Objective	No.	2020		Achievement degree
				Planned	Achieved	
Operational						
6.	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from the 10 years Development Plan $I=(\text{achieved}+\text{initiated actions})/\text{proposed actions}$				
		Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).	6.1	Construction Phase I Lot 1, Lot 2 and section Pui-Jupa TCS Bibesti	Completed	100%
		Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea	6.2	Completion of FEED and pre-feasibility study / acquisition of construction permits – stage 2 - construction and commissioning	Completed	
		Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;	6.3	Isaccea I - construction and commissioning Negru Vodă 1 – start of construction	- GMS Isaccea 1 completed - FEED completed	
		Project for the NTS Development in the North Eastern part of Romania to improve gas supply to the region and to ensure transmission capacities to the Republic of Moldova	6.4	Construction (Commissioning in 2021)	- Pipeline construction in progress (Lot 1 and Lot 2) - Compressor Stations Onesti and Gheraiesti - completed	
		Project on new NTS developments to take over gas from the Black Sea shore	6.5	Construction (Commissioning in 2021)	- Construction works in progress	

7.	Increasing energy efficiency	Maintaining the share of the NTS consumption in the total circulated gas below 1%	7.1	<1	0.56%	100%
Oriented towards public services						
8.	Performance indicators related to the gas transmission service	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)	8.1	$IP_0^1 \geq 90\%$	99,72%	100%
			8.2	$IP_1^1 \geq 95\%$	*	
			8.3	$IP_1^2 \geq 95\%$	*	
			8.4	$IP_1^3 \geq 95\%$	100,00%	
			8.5	$IP_1^4 \geq 95\%$	100,00%	
			8.6	$IP_1^5 \geq 95\%$	100,00%	
			8.7	$IP_2^1 \geq 95\%$	97,06%	
			8.8	$IP_2^2 \geq 95\%$	*	
			8.9	$IP_3^1 \geq 95\%$	100,00%	
			8.10	$IP_3^2 \geq 95\%$	*	
			8.11	$IP_3^3 \geq 95\%$	*	
			8.12	$IP_3^4 \geq 95\%$	*	
			8.13	$IP_4^1 \geq 95\%$	*	
			8.14	$IP_5^1 \geq 98\%$	100,00%	
			8.15	$IP_5^2 \geq 98\%$	100,00%	
			8.16	$IP_6^1 \geq 98\%$	100,00%	
			8.17	$IP_6^2 \geq 98\%$	100,00%	
			8.18	$IP_7^1 \geq 80\%$	87,86%	
			8.19	$IP_8^1 \geq 98\%$	100,00%	
			8.20	$IP_8^2 \geq 98\%$	*	
			8.21	$IP_9^1 \geq 90\%$	*	
Corporate governance						
9.	Implementing the internal/managerial control system	Implementing the provisions of the SGG Order no. 600/2018 for the approval of the Internal/managerial control Code of public enterprises as subsequently amended.	9.1	94%	Achieved -Letter SCMD/1277/08..01.2021 sent to the General Secretariat of the Government on the Progress of the I/MCS implementation and development at SNTGN Transgaz SA on 31.12.2020; Entry no. SGG 20/1041/DC of 18.01.2021.	100%

		I = implemented standards/standards provided by Order 600/2018*100			<ul style="list-style-type: none"> -Centralized progress of the I/MCS implementation and development at SNTGN Transgaz SA on 31.12.2020, no. SCMD/1139/08.01.2021. -Self-Assessment Questionnaire on the progress of the I/MCS standards implementation on 31.12.2020, no. SCMD/1138/08.01.2021. -Synthesis of self-assessment results on 31.12.2020, no. 1146/08.01.2021. - The Director General's Report on the I/MCS as at 31.12.2020 no. SCMD/1144/08.01.2021 -Updating Decision no. 751/23.07.2018 on the establishment of the Monitoring Committee, based on Decision no. 36/14.01.2020 and Decision no. 736/30.06.2020; - Updating Decision no. 282/15.03.2019 on the appointment of the persons responsible for I/MCS, based on Decision no. 38/14.01.2020; - Updating the Transgaz I/MCS Development Plan for 2020 no.1264/10.01.2020; - Report on the I/MCS implementation as at 31.12.2020, no. 4975/26.01.2021; - Report on Transgaz performance monitoring for 2020 no. 4973/26.01.2021. - Report to the Board of Administration regarding "The status of the implementation of the internal / managerial control system and Performance Monitoring 2019", registration no. DG 21004 / 06.04.2020, Resolution no. 14 / 29.04.2020 of the Board of Administration -Political Statement on Transgaz' sensible positions within / 10.08.2020 -Policy regarding Transgaz' sensible positions, registration no. SCMD / 8211 / 12.0242754 / 30.07.2020. - Transgaz' Business continuity plan, registration no. SCMD / 53823 / 23.09.2020 	
10.	Clients satisfaction	Achievement of the targets provided for in the administration plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)	10.1	8	8	100%
11.	Setting the risk management	Achievement of the targets provided for in the administration plan related	11.1	Updating the risk management specific documents	<p>Achieved</p> <ul style="list-style-type: none"> -Decision no. 737/30.06.2020 for the updating the Risk Management Team; 	100%

	policies and risk monitoring	to the implementation of the requirements of Standard 8 of SGG Order no. 600/2018 for the approval of the internal/managerial Control Code of public entities			<p>-2020 Tolerance Limit no. 1512/13.01.2020</p> <p>-The risk profile of Transgaz, December 2019, no.1512/13.01.2020;</p> <p>-Statement – Commitment of the Director-General regarding Risk management, updated in 29.04.2020.</p>	
			11.2	<p>Updating the Register of Risks</p> <p>Updating the Plan of measures to mitigate risks</p>	<p>Achieved</p> <p>- the company's Register of the Risks for 2020, no.1173/10.01.2020;</p> <p>- the company's Plan of measures to mitigate risks for 2020 nr. 1434/13.01.2020</p> <p>- the company's revised Risk Register, December 2020, registration no. 73794/30.12.2020</p>	
			11.3	Report on risk management and monitoring	<p>Achieved</p> <p>-Report on risk management and monitoring within the company, for 2020, no. 3108/19.01.2021;</p> <p>Report to the Board of Administration regarding the management and monitoring of risks within Transgaz, for 2019, reg. no. DG 21001 / 06.04.2020, BoA Resolution no. 14 / 29.04.2020</p>	
12.	Timely reporting of the key performance indicators	Compliance with the legal deadlines for reporting I = actual reporting deadlines/reporting deadlines provided *100	12.1	Financial communication calendar to BSE	Achieved (please see the company's website)	100%
			12.2	Status of achievement of the 10 year National transmission system development plan	<p>Achieved</p> <p>Letter SCMD/11471/26.02.2020</p> <p>Deadline: 1 March 2020</p>	
			12.3	SCIM reporting	<p>Achieved</p> <p>Letter no. SCMD/1277/08.01.2021 sent to the General Secretariat of the Government, on the Transgaz I/MCS progress of implementation and development as at 31.12.2020; Entry no. SGG 1041/DC of 18.01.2021. (reported annually)</p>	
			12.4	Reporting related to the achievement of the performance indicators of the gas transmission service	<p>Achieved</p> <p>Letter no. 66442/19.11.2020 - ANRE report for gas year 2019-2020 (reported annually)</p>	
			12.5	Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011	<p>Achieved</p> <p>Letter SCMD 36417/01.07.2020</p> <p>Report S1100 for H I 2020 and KPI for 2019</p> <p>Letter SCMD 126/04.01.2021 Report S1100 for H II 2020</p>	

Report for Semester II 2019						
13.	Increasing institutional integrity by including the measures for the prevention of corruption as an element of the managerial plans	Compliance with the measures undertaken by the approved Integrity Plan I = measures achieved within the deadline /proposed measures *100	13.1	Publication of the SCIM assessment results	Achieved Published report on the Internal/Management Control System on 31.12.2020, no. 1144/08.01.2021 at: http://zonapublica.transgaz.ro/Sistem%20de%20Control%20Intern%20Managerial/Sistem%20de%20Control%20Intern%20Managerial/6.%20Documente%20de%20evaluare%20interna%20si%20raportare/3.%20Raport%20anual%20al%20SCIM/Raportare%20c%C4%83tre%20SGG%20la%2031.12.2020/	100%
			13.2	Annual evaluation of the implementation of the Integrity Plan and its adaptation to the newly occurred risks and vulnerabilities	Achieved At the level of S.N.T.G.N. TRANSGAZ S.A. the annual evaluation was performed, and by Letter DG 6410/29.01.2021 the 31.12.2020 Report on the evaluation of the Transgaz Integrity Plan, the Integrity Incidents Report (Annex 1) and the Report for implementing measures were sent to the General Secretariat of the Government; S.N.A. (Annex 2)	
			13.3	Annual publication of the performance indicators monitored within the company's Integrity Plan	Achieved (by the publication of the Annual Evaluation of the Integrity Plan on intranet): http://zonapublica.transgaz.ro/Strategia%20de%20lupta%20anticoruptie/	

Annex 3
to OGMS Report no. SCMD/18586/11.03.2021
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Substantiation of the financial performance indicators calculation

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1	Operating revenue before the balancing and construction activity, according to IFRIC12		1.333.503.828
2	Operating profit before the balancing and construction activity, according to IFRIC12		167.668.232
3	Total operating costs less the balancing and construction activity according to IFRIC 12:	row 1-row 2	1.165.835.596
4	Depreciation		247.008.520
5	Cost of provisions for risks and charges		6.073.259
6	Cost of provision for asset depreciation and for risks and charges:	row 6a + row 6b + rd.6c	66.198.415
6a	Loss/gain from impairment of receivables – Financial Statements - page 63	Note 23	67.030.695
6b	Loss/(gain) from write-down of inventories - Financial Statements - page 63	note 23	-832.280
6c	Loss/(gain) from write-down of intangible assets - Financial Statements – page.63	note 23	0
7	Operating costs less the depreciation, balancing, construction activity and provision for asset depreciation and for risks and charges	row 3- row 4- row 5- row 6	846.555.402
8	EBITDA	Row 1 - (row 3 – row 4)	414.676.751
9	Current assets		1.093.398.127
10	Inventories		191.061.018
11	Current liability		700.280.113
12	Acid test ratio	(row 9-row 10)/row11	1,29
12	Long-term loans		1.536.684.049
13	Short-term loans		70.992.640
14	Net debt-to-equity ratio	(row 12+row 13)/row 8	3,88