

No.22109/09.05.2018

## REPORT

### **of the Nomination and Remuneration Advisory Committee concerning the variable component of the remuneration of TRANSGAZ' Director General and Chief Financial Officer for the year 2017**

#### **I. Legal framework concerning the remuneration policy and criteria for TRANSGAZ' Director General and Chief Financial Officer:**

- 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 Transgaz' director general 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.153<sup>18</sup>, 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 29<sup>th</sup> 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. By the Decision of the Ordinary General Shareholders Meeting no. 3 dated 27 April 2018**, art 13, the general limits of the variable component of the remuneration of TRANSGAZ' directors were approved as follows:

Director General – variable component within the limit of the amount of Euro 377.5 thousand gross/year;

Chief Financial Officer - variable component within the limit of the amount of Euro 36 thousand gross/year.

By the **Decision no 22/2018, Transgaz' Board of Administration** approved, in the meeting of 03.05.2018, art 26.2, based on the Report no 1880/02.05.2018, the following:

1. The amount of the variable component of the remuneration of Transgaz' directors is as follows:
  - Director General – Euro 377.5 thousand gross/year;
  - Chief Financial Officer – Euro 36 thousand gross/year.
2. The template of the addenda to the mandate contracts of the company's directors.

### **Variable remuneration**

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.

In addition to the gross monthly allowance, according to the mandate contract, art 3.4, respectively 6.4, 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” set by Addendum to the mandate contract.

For the period 16.05.2017-31.12.2017, for the Director General, Addendum no 5 to the mandate contract provides the introduction of art 3.7 – “The maximum amount of the variable component of the remuneration of Transgaz' Director General is Euro 337.5 thousand gross/year. The amount will be paid proportional to the degree of fulfilment of the performance indicators from the Annex”.

For the period 21.07.2017-31.12.2017, for the Chief Financial Officer, addendum no 2 to the mandate contract - provides the introduction of art 6.5 – “The maximum amount of the variable component of the remuneration of Transgaz' Chief Financial Officer is of Euro 36 thousand gross/year. The amount will be paid proportional to the degree of fulfilment of the performance indicators from the Annex”.

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).

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

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%

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

- TFKPI ≥ 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 1 to this report.

### **III. Calculation of the variable component of the remuneration of Transgaz' Director General and Chief Financial Officer**

- **Director General**

Considering the provisions of the Mandate Contract and of the Addendum no 5, as well as the provisions of annex no 1 to this report, the amount of the variable component of the remuneration of the Director General results from the following calculation:

$$(377,500 \text{ Eur} \times 0.85 \times 4.6597 \text{ lei/Eur} \times 229 \text{ days} / 365 \text{ days}) = \text{lei } 938,072 \text{ gross} - \text{contributions} = \text{lei } 548,772 \text{ net}$$

- **Chief Financial Officer**

Considering the provisions of the Mandate Contract and of the Addendum no 2, as well as the provisions of annex no 1 to this report, the amount of the variable component of the remuneration of the Chief Financial Officer results from the following calculation:

$$(36,000 \text{ Eur} \times 0.85 \times 4.6597 \text{ lei/Eur} \times 163 \text{ days} / 365 \text{ days}) = \text{lei } 63,676 \text{ gross} - \text{contributions} = \text{lei } 37,250 \text{ net}$$

It is worth mentioning that the fixed indemnity, together with the variable remuneration component described above, is the only form of remuneration of Transgaz' Director General and of the Chief Financial Officer and they do not benefit from any other bonuses, benefits in kind or supplementary or anticipated pension schemes.

The mandate contracts concluded with the Director General and the Chief Financial Officer are valid from the date of the appointment and until 29.04.2021.

### ***Nomination and Remuneration Committee***

**VĂDUVA PETRU ION (as of 17.05.2017)**

**ILIESCU BOGDAN GEORGE**

**MINEA NICOLAE (as of 11.07.2017)**

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

<b>A. ECONOMIC AND FINANCIAL PERFORMANCE INDICATORS – standard performance indicators</b>	
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>B. PERFORMANCE INDICATORS – Performance indicators for the calculation of the remuneration variable component</b>	
<b>FINANCIAL</b>	<b>NON-FINANCIAL</b>
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
<b>A</b>	<b>FINANCIAL KEY PERFORMANCE INDICATORS</b>		
1	<b>Cash flow</b>	Outstanding payments	<b><i>Maintaining outstanding payments at zero.</i></b>
2	<b>Costs</b>	Operating expenses (less depreciation, balancing, construction activity and provisions for asset impairment and for risks and expenses)	<b><i>Maintaining operating expenses (less depreciation, balancing, the construction activity and the provision for the impairment of assets and for risks and expenses) in compliance with the Management Plan</i></b>
3	<b>Debt</b>	Quick liquidity rate "Acid test"	<b><i>The quick liquidity rate ("Acid test") to record annual values above 1.</i></b>
4		Net leverage rate	<b><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></b>
5	<b>Revenues</b>	EBITDA	<b><i>Achieving the target EBITDA under the Management Plan</i></b>

<b>B NON-FINANCIAL KEY PERFORMANCE INDICATORS</b>			
1	<b>Operational</b>	The implementation and Investment strategy	<b>Implementation of FID (Final Investment Decision) projects under the 10 years Development Plan</b>
2		Increasing energy efficiency	<b>Maintaining the share of the technological consumption in the total circulated gas below 1%</b>
3	<b>Oriented towards public service</b>	Performance indicators of the gas transmission service	<b>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)</b>
4	<b>Corporate governance</b>	Implementation of the internal/managerial control system	<b>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</b>
5		Clients Satisfaction	<b>Achievement of the targets provided for in the administration plan</b> (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)
6		Setting the risk management policies and risk monitoring	<b>Achievement of the targets provided for in the administration plan</b>
7		Timely reporting of the key performance indicators	<b>Compliance with the legal reporting deadlines</b>
8		Request for revision of the company's key performance indicators (KPIs)	<b>Revision of the company's KPIs within 60 days from the date the revising need was found.</b>
9		Increasing institutional integrity by including measures for the prevention of corruption as an element of managerial plans	<b>Compliance with the measures undertaken by the approved Integrity Plan</b>
10		Reducing vulnerabilities and fraud and corruption risks (preparation and compliance with the anti-bribery policy)	<b>Compliance with the measures undertaken by the approved Integrity Plan</b>
11		Increasing corruption fighting performance by criminal and administrative methods.	<b>Compliance with the measures undertaken by the approved Integrity Plan</b>

I. Target values of the key performance indicators under Transgaz' Management Plan for 2017-2021

II.1 Key performance indicators – financial

Tag no.	Indicator	Objective	Achieved 2016	2017	2018	2019	2020	2021	Check-up instrument
1	Outstanding payments	Maintaining outstanding payments at zero.	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)	Maintaining operating expenses in compliance with the Management Plan	811.576	952.321	1.002.101	933.300	948.385	968.346	Audited annual financial statements
3	Quick liquidity rate "Acid test"	The quick liquidity rate "Acid test" to record annual values above 1.	4,82	1	1,39	0,91	1,11	1	Audited financial statement
4	Net leverage rate	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	0	3	3	5,5	5,5	4	Audited annual financial statements
5	EBITDA	Achieving the target	902.296	565.892	458.599	503.477	666.322	1.015.013	Audited annual financial

Tag no.	Indicator	Objective	Achieved 2016	2017	2018	2019	2020	2021	Check-up instrument
	(thousand lei)	EBITDA under the Management Plan							statements

## II.2 Non-financial key performance indicators

Tag no.	Indicator	Objective	2017	2018	2019	2020	2021	Check-up instrument
<b>Operational</b>								
6	Monitoring the implementation and Investment strategy	<b>Implementation of FID projects under the 10 years Development Plan</b> <i>I = (achieved + initiated) / proposed actions</i>	Measures proposed in the 10 Years NTS Development Plan as approved by the Romanian Energy Regulatory Activity (ANRE)					The report submitted to ANRE on 15 March every year.  10 Years NTS Development Plan as approved by ANRE. Report on the achieved actions + annex schedule
7	Increasing energy efficiency	<i>Maintaining the share of the technological consumption in the total circulated gas below 1%</i>	1	1	1	1	1	Report on the technological consumption annual achievement  Administration plan
<b>Oriented towards public services</b>								
8	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>	See Annex 1 $IP_0^1 \geq 90\%$ , $IP_1^1 \geq 95\%$ , $IP_1^2 \geq 95\%$ , $IP_1^3 \geq 95\%$ , $IP_1^4 \geq 95\%$ , $IP_1^5 \geq 95\%$ , $IP_1^6 \geq 95\%$ , $IP_1^7 \geq 95\%$ , $IP_1^8 \geq 95\%$ , $IP_1^9 \geq 95\%$ , $IP_2^1 \geq 95\%$ , $IP_2^2 \geq 95\%$ , $IP_2^3 \geq 95\%$ , $IP_2^4 \geq 95\%$ , $IP_2^5 \geq 95\%$ , $IP_2^6 \geq 95\%$ , $IP_2^7 \geq 95\%$ , $IP_2^8 \geq 95\%$ , $IP_2^9 \geq 95\%$ , $IP_3^1 \geq 95\%$ , $IP_3^2 \geq 95\%$ , $IP_3^3 \geq 95\%$ , $IP_3^4 \geq 95\%$ , $IP_3^5 \geq 95\%$ , $IP_3^6 \geq 95\%$ , $IP_3^7 \geq 95\%$ , $IP_3^8 \geq 95\%$ , $IP_3^9 \geq 95\%$ , $IP_4^1 \geq 95\%$ , $IP_4^2 \geq 95\%$ , $IP_4^3 \geq 95\%$ , $IP_4^4 \geq 95\%$ , $IP_4^5 \geq 95\%$ , $IP_4^6 \geq 95\%$ , $IP_4^7 \geq 95\%$ , $IP_4^8 \geq 95\%$ , $IP_4^9 \geq 95\%$ , $IP_5^1 \geq 98\%$ , $IP_5^2 \geq 98\%$ , $IP_5^3 \geq 98\%$ , $IP_5^4 \geq 98\%$ , $IP_5^5 \geq 98\%$ , $IP_5^6 \geq 98\%$ , $IP_5^7 \geq 98\%$ , $IP_5^8 \geq 98\%$ , $IP_5^9 \geq 98\%$ , $IP_6^1 \geq 98\%$ , $IP_6^2 \geq 98\%$ , $IP_6^3 \geq 98\%$ , $IP_6^4 \geq 98\%$ , $IP_6^5 \geq 98\%$ , $IP_6^6 \geq 98\%$ , $IP_6^7 \geq 98\%$ , $IP_6^8 \geq 98\%$ , $IP_6^9 \geq 98\%$ , $IP_7^1 \geq 80\%$ , $IP_7^2 \geq 80\%$ , $IP_7^3 \geq 80\%$ , $IP_7^4 \geq 80\%$ , $IP_7^5 \geq 80\%$ , $IP_7^6 \geq 80\%$ , $IP_7^7 \geq 80\%$ , $IP_7^8 \geq 80\%$ , $IP_7^9 \geq 80\%$ , $IP_8^1 \geq 98\%$ , $IP_8^2 \geq 98\%$ , $IP_8^3 \geq 98\%$ , $IP_8^4 \geq 98\%$ , $IP_8^5 \geq 98\%$ , $IP_8^6 \geq 98\%$ , $IP_8^7 \geq 98\%$ , $IP_8^8 \geq 98\%$ , $IP_8^9 \geq 98\%$ , $IP_9^1 \geq 90\%$					Report pursuant to ANRE Order 161/26.11.2015 (as attached)



Tag no	Indicator	Objective	2017	2018	2019	2020	2021	Check-up instrument
Corporate governance								
9	Implementation of the internal/managerial control system	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	94%	94%	94%	94%	100%	Program for the implementation of the internal/managerial control system (prepared pursuant to the Order)
9.1	Clients 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)	7,7	7,8	7,9	8	8	Annual report for the assessment of the client satisfaction
9.2	Setting the risk management policies and risk monitoring	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.	100%	100%	100%	100%	100%	Annual report on the risk management (prepared pursuant to Order)
10	Timely reporting of the key performance indicators	Compliance with the legal reporting deadlines I = actual reporting deadlines/provided reporting	100%	100%	100%	100%	100%	Annual Report on the compliance with the Reporting Calendar

Tag no	Indicator	Objective	2017	2018	2019	2020	2021	Check-up instrument
		<i>deadlines *100</i>						
10.1	<b>Request for revision of the company's key performance indicators (KPIs)</b>	<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>	100%	100%	100%	100%	100%	Convening of the General Shareholders' Assembly
11	<b>Increasing institutional integrity by including measures for the prevention of corruption as an element of managerial plans</b>	<i>Compliance with the measures undertaken by the approved Integrity Plan I = measures achieved within the deadline/proposed measures*100</i>	100%	100%	100%	100%	100%	Approved integrity plan.
12	<b>Reducing vulnerabilities and fraud and corruption risks (preparation and compliance with the anti-bribery policy)</b>	<i>Compliance with the measures undertaken by the approved Integrity Plan</i>	100%	100%	100%	100%	100%	Approved integrity plan.
13	<b>Increasing corruption fighting performance by criminal and administrative methods.</b>	<i>Compliance with the measures undertaken by the approved Integrity Plan</i>	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:  $\text{amount of the indicator} / 10.000.000 \text{ lei} \times 5\%$

##### 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 161/26.11.2015 entered into force on 1 October 2016

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

Calculation Formula of the indicators	Definition of the terms in the formula	Objective
$IP_1^4 = \frac{N_{Rm\acute{a}surare15}}{N_{TRm\acute{a}surare} - N_{RCLm\acute{a}surare}} \times 100\%$	i) $N_{Rm\acute{a}surare15}$ - number of referrals/complaints related to metering gas quantities answered in less than 15 days from their registration; j) $N_{TRm\acute{a}surare}$ – total number of referrals/complaints related to metering gas quantities, received; k) $N_{RCLm\acute{a}surare}$ - total number of referrals/complaints related to metering gas quantities, classified.	$IP_1^4 \geq 95\%$
$IP_1^5 = \frac{N_{Vm\acute{a}surare2}}{N_{TRm\acute{a}surare} - N_{RCLm\acute{a}surare}} \times 100\%$	l) $N_{Vm\acute{a}surare2}$ - 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) $N_{TRm\acute{a}surare}$ – total number of referrals/complaints related to gas metering, received; n) $N_{RCLm\acute{a}surare}$ - total number of referrals/complaints related to gas metering, classified.	$IP_1^5 \geq 95\%$
<b>IP2 Access to the TS</b>		
$IP_2^1 = \frac{N_{acces}}{N_{TCacces}} \times 100\%$	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) $N_{TCacces}$ - total number of NTS access requests received.	$IP_2^1 \geq 95\%$
$IP_2^2 = \frac{N_{Racces15}}{N_{TRacces} - N_{RCLacces}} \times 100\%$	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.	$IP_2^2 \geq 95\%$
<b>IP3 Connection to the TS</b>		
$IP_3^1 = \frac{N_{racordare}}{N_{TCracordare}} \times 100\%$	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) $N_{TCracordare}$ - total number of requests for NTS connection, received.	$IP_3^1 \geq 95\%$
$IP_3^2 = \frac{N_{Rracordare15}}{N_{TRracordare} - N_{RCLracordare}} \times 100\%$	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.	$IP_3^2 \geq 95\%$
$IP_3^3 = \frac{N_{IR}}{N_{TIR}} \times 100\%$	a) $N_{IR}$ – number of connection equipment commissioned in a time span shorter than the one provided for in the connection contract,	$IP_3^3 \geq 95\%$

Calculation Formula of the indicators	Definition of the terms in the formula	Objective
	b) $N_{TIR}$ – total number of connection equipment commissioned.	
$IP_3^4 = \frac{N_{Rperpif15}}{N_{TRperpif} - N_{RCLperpif}} \times 100\%$	a) $N_{Rperpif15}$ - 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; b) $N_{TRperpif}$ - total number of referrals/complaints related to the design, execution, reception and/or commissioning of the connection installation, received; c) $N_{RCLperpif}$ - total number of referrals/complaints related to the design, execution, reception and/or commissioning of the connection installation, classified.	$IP_3^4 \geq 95\%$
<b>IP4 Restoration of the lands and/or goods affected by the execution of works to NTS facilities</b>		
$IP_4^1 = \frac{N_{Rrefacere15}}{N_{TRrefacere} - N_{RCLrefacere}} \times 100\%$	a) $N_{Rrefacere15}$ - number of referrals/complaints answered in less than 15 days from their registration; b) $N_{TRrefacere}$ - 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) $N_{RCLrefacere}$ - 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.	$IP_4^1 \geq 95\%$
<b>IP5 Notification of unplanned limitations and/or interruptions and resumption of the gas transmission service</b>		
$IP_5^1 = \frac{N_{U6}}{N_{Uafectati}} \times 100\%$	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; b) $N_{Uafectati}$ - total number of NTS users affected by the unplanned interruption.	$IP_5^1 \geq 98\%$
$IP_5^2 = \frac{N_{U24}}{N_{Uafectati}} \times 100\%$	a) $N_{U24}$ - number of NTS users affected for a period longer than 24 hours, notified accordingly; b) $N_{Uafectati}$ - total number of NTS users affected by the unplanned interruption	$IP_5^2 \geq 98\%$
<b>IP6 Notification of unplanned limitations and/or interruptions and resumption of the gas transmission service</b>		
$IP_6^1 = \frac{N_{U5}}{N_{Uafectati}} \times 100\%$	a) $N_{U5}$ - number of NTS users affected by the unplanned interruption notified in a time span of more that 5 business days before the limitation/interruption; b) $N_{Uafectati}$ – Total number of affected NTS users.	$IP_6^1 \geq 98\%$
$IP_6^2 = \frac{N_{Ureluare}}{N_{Uafectati}} \times 100\%$	a) $N_{Ureluare}$ - number of affected NTS users for which the resumption of the transmission service was ensured within the deadline mentioned in the notification; b) $N_{Uafectati}$ - Total number of NTS users affected by the planned interruption.	$IP_6^2 \geq 98\%$



Calculation Formula of the indicators	Definition of the terms in the formula	Objective
<b>IP7 Settlement of requests/applications/ complaints related to the provision of the gas transmission service others than the ones mentioned particularly in this standard</b>		
$IP_7^1 = \frac{N_{SSR30}}{N_{TSSR} - N_{SSRclase}} \times 100\%$	a) $N_{SSR30}$ - 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) $N_{SSRclase}$ - total number of requests/applications/complaints others than the ones treated particularly in this standard, classified.	$IP_7^1 \geq 80\%$
<b>IP8 Tel Verde</b>		
$IP_8^1 = \frac{N_{Atimp60}}{N_{Atotal}} \times 100\%$	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.	$IP_8^1 \geq 98\%$
$IP_8^2 = \frac{N_{ASC6}}{N_{ASCtotal}} \times 100\%$	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.	$IP_8^2 \geq 98\%$
<b>IP9 Achievement of the obligation to pay the compensations due in line with the provisions of the performance standard for the gas transmission service</b>		
$IP_9^1 = \frac{N_{comp30}}{N_{TCcomp}} \times 100\%$	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.	$IP_9^1 \geq 90\%$

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
<b>D1 – Financial KPI</b>	<b>20%</b>	<b>20%</b>	<b>50%</b>	<b>50%</b>
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%
<b>D2 - Non-financial KPI</b>	<b>80%</b>	<b>80%</b>	<b>50%</b>	<b>50%</b>
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%
D2.3 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 Timely reporting of indicators	10%	10%	4%	4%
D.2.3.6 Increasing integrity	15%	15%	4%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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
		<b>90%</b>			<b>85%</b>