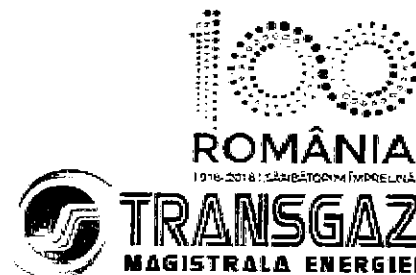




**SOCIETATEA NAȚIONALĂ DE TRANSPORT
GAZE NATURALE "TRANSGAZ" SA MEDIAȘ**
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ANNUAL REPORT

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.153¹⁸, 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 ≥ 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 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	Cash flow	Outstanding payments	<i>Maintaining outstanding payments at zero.</i>
2	Costs	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	Debt	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	Revenues	EBITDA (thousand lei)	<i>Achieving the target EBITDA under the Management Plan</i>

B NON-FINANCIAL KEY PERFORMANCE INDICATORS			
1	Operational	Monitoring the implementation and Investment strategy	Implementation of FID (Final Investment Decision) projects under the 10 years Development Plan
2		Increasing energy efficiency	Maintaining the share of the technological consumption in the total circulated gas below 1%
3	Oriented towards public service	Performance indicators of 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)
4	Corporate governance	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
5		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)
6		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.
7		Timely reporting of the key performance indicators	Compliance with the legal reporting deadlines I = actual reporting deadlines/provided reporting deadlines *100
8		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
9		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
10		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
11		Increasing corruption fighting performance by criminal and administrative methods.	Compliance with the measures undertaken by the approved Integrity Plan

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

Key performance indicator	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	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Indicator	Indicator	2017	2018	2019	2020	2021	2022	2023	2024
	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%	Convening of the General Shareholders' Assembly
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: $\text{amount of the indicator} / 10.000.000 \text{ lei} \times 5\%$

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 16/26.11.2015 entered into force on 1 October 2016

Indicator of quality of service		Indicator of quality of service	
IPO Registration of requests/applications/ complaints related to the gas transmission system service		IP1 Compliance with the gas delivery –taking off conditions	
$IP_0^1 = \frac{N_{T0} + N_{T2}}{N_{inreg} - N_{clasate}} \times 100 \%$	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).	$IP_1^1 = \frac{N_{Rparametrii10}}{N_{TRparametrii} - N_{RCLparametrii}} \times 100 \%$	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
$IP_1^2 = \frac{N_{verificareP24}}{N_{TverificareP}} \times 100 \%$	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.	$IP_1^3 = \frac{N_{Rcalitate15}}{N_{TRcalitate} - N_{RCLcalitate}} \times 100 \%$	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.

Formulae for the calculation of the indicators	Definition of the terms in the formulae	Requirements
$IP_1^4 = \frac{N_{m\acute{a}s\acute{u}r\acute{a}r\acute{e}15} - N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}}{N_{m\acute{a}s\acute{u}r\acute{a}r\acute{e}} - N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}} \times 100\%$	i) $N_{m\acute{a}s\acute{u}r\acute{a}r\acute{e}15}$ - 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.	$IP_1^4 \geq 95\%$
$IP_1^5 = \frac{N_{m\acute{a}s\acute{u}r\acute{a}r\acute{e}2} - N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}}{N_{m\acute{a}s\acute{u}r\acute{a}r\acute{e}} - N_{RCLm\acute{a}s\acute{u}r\acute{a}r\acute{e}}} \times 100\%$	l) $N_{m\acute{a}s\acute{u}r\acute{a}r\acute{e}2}$ - 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.	$IP_1^5 \geq 95\%$
IP2 Access to the TS		
$IP_2^1 = \frac{N_{acces}}{N_{TRacces}} \times 100\%$	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) $N_{TRacces}$ - total number of NTS access requests received.	$IP_2^1 \geq 95\%$
$IP_2^2 = \frac{N_{Racces15} - N_{RCLacces}}{N_{TRacces} - N_{RCLacces}} \times 100\%$	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.	$IP_2^2 \geq 95\%$
IP3 Connection to the TS		
$IP_3^1 = \frac{N_{racordare}}{N_{TRacordare}} \times 100\%$	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) $N_{TRacordare}$ - total number of requests for NTS connection, received.	$IP_3^1 \geq 95\%$
$IP_3^2 = \frac{N_{Rracordare15} - N_{RCLracordare}}{N_{TRracordare} - N_{RCLracordare}} \times 100\%$	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,	$IP_3^3 \geq 95\%$

Indicators of the quality of services		Indicators of the quality of services	
		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.	$IP_3^4 \geq 95\%$
IP4 Restoration of the lands and/or goods affected by the execution of works to NTS facilities			
$IP_4^1 = \frac{N_{Rrefacere15}}{N_{TRrefacere} - N_{RCLrefacere}} \times 100$ %		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.	$IP_4^1 \geq 95\%$
IP5 Notification of unplanned limitations and/or interruptions and resumption of the gas transmission service			
$IP_5^1 = \frac{N_{U6}}{N_{Uafectati}} \times 100$ %		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	$IP_5^2 \geq 98\%$
IP6 Notification of unplanned limitations and/or interruptions and resumption of the gas transmission service			
$IP_6^1 = \frac{N_{U5}}{N_{Uafectati}} \times 100$ %		a) N_{U5} - number of NTS users affected by the unplanned interruption notified in a time span of more than 5 business days before the limitation/interruption; b) $N_{Uafectati}$ - Total number of affected NTS users.	$IP_6^1 \geq 98\%$
$IP_6^2 = \frac{N_{Ureulare}}{N_{Uafectati}} \times 100$ %		a) $N_{Ureulare}$ - 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 of the indicator	Calculation of the indicator	
IP7 Settlement of requests/applications/ complaints related to the provision of the gas transmission service others than the ones mentioned particularly in this standard		
$IP_7^1 = \frac{N_{SSR30}}{N_{TSSR} - N_{SSRclacate}} \times 100 \%$	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) $N_{SSRclacate}$ - total number of requests/applications/complaints others than the ones treated particularly in this standard, classified.	$IP_7^1 \geq 80\%$
IP8 Tel Verde		
$IP_8^1 = \frac{N_{Atimp60}}{N_{Atotal}} \times 100 \%$	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.	$IP_8^2 \geq 98\%$
IP9 Achievement of the obligation to pay the compensations due in line with the provisions of the performance standard for the gas transmission service		
$IP_9^1 = \frac{N_{comp30}}{N_{TCcomp}} \times 100 \%$	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
D1 – Financial KPI		20%	20%	50%	50%
D1.1 Outstanding payments		4%	4%	10%	10%
D1.2 Operating expenses		4%	4%	10%	10%
D1.3 Quick liquidity ratio (acid test)		4%	4%	10%	10%
D1.4 Net leverage ratio		4%	4%	10%	10%
D1.5 EBITDA		4%	4%	10%	10%
D2 - Non-financial KPI		80%	80%	50%	50%
D2.1 Operational		20%	20%	15%	15%
D2.1.1 Investments		15%	15%	10%	10%
D2.1.2 Increasing energy efficiency		5%	5%	5%	5%
D2.2 Oriented towards public services		10%	10%	15%	15%
D2.2.1 Gas transmission standard		10%	10%	15%	15%
D2.3 Corporate Governance		50%	50%	20%	20%
D2.3.1 SCIM		10%	10%	4%	4%
D2.3.2 Client satisfaction		10%	10%	4%	4%
D2.3.3 Risk management		5%	5%	4%	4%
D2.3.4 Reporting indicators in due time		10%	10%	4%	4%
D2.3.6 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%