

# **SNTGN TRANSGAZ SA MEDIAŞ**

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## **ANNEXES TO THE ANNUAL REPORT OF THE DIRECTORS – 2013**

**ANNEX 1 – CORPORATE GOVERNANCE  
ANNEX 2 - HSSEQ**

## ANNEX 1 – CORPORATE GOVERNANCE

### Information on the Statutory, Administrative and Executive Management of the Company

#### Information on the Statutory Management of the Company (General Meeting of Shareholders)

The interests of the State within the General Meeting of Shareholders of Transgaz are represented by the Ministry of Economy. According to the Emergency Ordinance no. 18 of March 27<sup>th</sup>, 2013, Art. 2, on May 1<sup>st</sup>, 2013, the shares held by the State with the National Natural Gas Transportation Company “Transgaz” SA Mediaş are transferred from the management of the Ministry of Economy to the management of the Ministry of Public Finances.

The State Representative in the General Meeting of Shareholders shall be appointed and revoked by the Minister’s order, and his/her voting right in the General Meeting of Shareholders shall be exercised based on a special mandate granted by the Minister’s Order.

After the acceptance of transacted Transgaz shares on a regulated market, shareholders, others than the State, may be represented in the General Meeting of Shareholders by other people than the shareholders themselves, based on a special mandate, according to the regulations of the Romanian National Securities Commission (CNVM).

The General Meeting of Shareholders of Transgaz is the governing body which decides on the Company’s activity and on its economic policy. The General Meetings of Shareholders are ordinary and extraordinary.

The **Ordinary General Meeting of Shareholders** has the following main duties:

- to approve the proposals regarding the global strategy of development, technological upgrading, modernization, economic-financial restructuring of the Company;
- to elect and revoke directors, according to the applicable laws;
- to appoint and revoke the Chairman of the Board of Directors of Transgaz;
- to establish the level of the monthly remuneration for the members of the board of directors;
- to approve the income and expenditure budget and the activity plan for the following financial year;
- to approve the limit of the remuneration for the chief executive officer of the company, and the bonuses to which he/she is entitled;
- to discuss, approve or amend the annual financial statements based on the reports of the directors and of the financial auditors and to determine the dividend;
- to approve the distribution of profit according to the law;
- to decide whether to contract long-term bank loans, including external loans;
- to analyze the reports of the Board of Directors on the status and perspectives relating to profit and dividends, position on the internal and international market,

technical level, quality, workforce, environmental protection, relations with the customers;

- to decide in relation to the directors' management;
- to decide in relation to the pledging, lease or closing of one or several units of the Company;
- to approve the rules of organization and operation of the Board of Directors;
- to appoint and dismiss the financial auditor and to set the minimum length of the financial audit contract;
- to perform any other duties devolving upon him/her according to the applicable laws.

The **Extraordinary General Meeting of Shareholders** gathers in order to decide as follows:

- to change the legal form of Transgaz;
- to relocate the company's head office;
- to change the field or/and the company's main object of activity;
- to increase the share capital or reduce it by issuing new shares according to the law;
- to merge with other companies, or to split Transgaz;
- to prematurely dissolve the company;
- to issue new bonds;
- to alter the number of shares or their nominal value;
- to decide upon the establishment or closing down of Transgaz sub-units;
- any other modification in the Memorandum of Association or any other decision for which the approval of the Extraordinary General Meeting of Shareholders is required.

The General Meeting of Shareholders may authorize the Board of Directors to exercise the following attributions: to relocate the company's head office, to change the secondary field of activity, and to increase the share capital.

The General Meeting of Shareholders is convened by decision of the Board of Directors, whenever necessary, according to the legal provisions in force and to the provisions of the Memorandum of Association of Transgaz, as updated.

The notice to attend the General Meeting of Shareholders is published in the Official Gazette of Romania Part IV and in a widely spread central newspaper, and on the internet page of Transgaz, at least 30 days before the gathering date and it shall include the following information: company name, date of the general meeting, starting time, venue, reference date, agenda and any other details required by the applicable legislation in force.

The Board of Directors will provide to the interested shareholders the documents to be debated and approved by the General Meeting of Shareholders, and the special powers of attorney and materials containing information relating to each topic on the agenda. All these materials shall be made available to the shareholders on the company's website or at its head office.

The Ordinary General Meeting of Shareholders is validly assembled and may take decisions, if upon the first call, the shareholders who hold at least half of the share capital are present and, upon the second call, whatever the share capital represented by the present shareholders; in such case, the decisions will be approved by a majority of votes cast.

The Extraordinary General Meeting of Shareholders is validly assembled and may take decisions, if upon the first call, shareholders holding at least  $\frac{3}{4}$  of the share capital are present and, upon the second call, they hold at least half of the share capital; in such case the decisions will be approved by a majority of the votes held by the present or represented shareholders, but no less than the votes of the shareholders representing half of the share capital upon the first call or one third of the share capital upon the second call.

The decisions of the General Meetings of Shareholders are taken by public vote. The secret vote is mandatory for the appointment or revocation of the members of the Board of Directors, for the appointment, revocation or dismissal of financial auditors, and for decisions referring to the responsibility of the members of the company's administrative, management and control organs. The decisions made by the General Meeting of Shareholders within the limits of the law and of the Memorandum of Association are mandatory even for the shareholders who did not participate to the meeting or voted against.

#### **List of members of the General Meeting of Shareholders:**

|                  |  |
|------------------|--|
| Zeveleanu Cornel | State Representative, until 12.06.2013 |
| Marica Anca      | State Representative, until 12.06.2013 |
| Sterian Ioan     | State Representative, until 12.06.2013 |

On 12.06.2013, the following State representatives in the General Meeting of Shareholders of Transgaz were appointed by the Order of the Minister of Public Finances:

|                        |  |
|------------------------|--|
| Remus Vulpescu         | State Representative, appointed by Order No. 728 of 12.06.2013 – until resignation on 23.01.2014;          |
| Iulian Marian Butnaru  | State Representative, appointed by Order No. 728 of 12.06.2013 – until now;                                |
| Andra Luminița Răduică | State Representative, appointed by Order No. 728 of 12.06.2013 and revoked by Order No. 944 of 04.07.2013. |

#### **Information on the Board of Directors (BD)**

##### **Management System**

Transgaz has a one-tier management system and it is managed by a Board of Directors. The Board of Directors has general competence for carrying out all actions necessary for successfully fulfilling the company's object, except for the matters falling within the

competence of the General Meeting of Shareholders, according to the provisions of the Memorandum of Association, as updated on 10.07.2013 or to the applicable laws.

Transgaz management is performed by a board of directors, consisting of the majority of non-executive and independent managers, as stipulated in Art. 138<sup>2</sup> of Law No. 31/1990, republished, with subsequent amendments and completions.

The Board of Directors is made up of 5 members who guarantee the efficiency of the capacity of supervision, analysis and assessment of the company's activity and the fair treatment of shareholders. The members of the Board of Directors are elected by the General Meeting of Shareholders for a 4-year term of office, and, provided they appropriately fulfill their attributions, their mandate may be renewed, or they can be revoked by the Ordinary General Meeting of Shareholders if they fail to reach their main objectives.

The members of the Board of Directors may be shareholders. The Board of Directors of Transgaz is chaired by a Chairman appointed by the General Meeting of Shareholders, among the members of the Board of Directors, who ensures the optimal operation of the company's bodies. The members of the Board of Directors will attend all General Meetings of Shareholders and will wittingly exercise their mandate, in good faith for the benefit of the company, with due diligence and care, without disclosing the company's confidential information and trade, both during the term of office and after its end.

The Memorandum of Association of Transgaz, as updated on 10.07.2013 and approved by the Board of Directors, by the Decision of the Extraordinary General Meeting of Shareholders no. 7/10.07.2013, regulates the duties, responsibilities and powers of the Board of Directors and the obligations of the company's directors.

### **Role and Obligations of the Board of Directors**

Transgaz is managed by a Board of Directors that gathers at the company's head office or at any other location it establishes, whenever necessary, but at least once every three months, upon the call of the Chairman of the Board, following the request of two members of the board or by the chief executive officer.

During the meetings, the Board of Directors will adopt decisions which shall enable the fulfillment of the duties, in an effective and efficient manner. The members of the Board of Directors will not disclose the company's confidential information and trade secrets to which they have access in their capacity of directors. This obligation is also applicable after the expiry of their term of office as directors.

The main powers of the Board of Directors are the following:

- to set the main activity and development plans of the company;
- to establish the accounting and financial control system and approve the financial planning;
- to approve the organizational structure and rules of organization and operation of Transgaz;
- to appoint, suspend or revoke the Chief Executive Officer of Transgaz and establish his/her remuneration;
- to supervise the activity of the Chief Executive Officer;
- to draw up the annual report, organize the General Meetings of Shareholders, and implements its decisions;

- to file the request for opening the insolvency procedure of Transgaz, according to the applicable regulations;
- to approve the level of guarantees for the persons who have the capacity of managers;
- to conclude legal documents to acquire, alienate, change or pledge assets held by Transgaz, with the approval of the General Meeting of Shareholders when the law provides so;
- to approve the powers of the branches according to business fields (economic, commercial, technical, administrative, financial, legal etc.) in order to fulfill the company's object;
- to approve the change in the secondary object of activity of Transgaz;
- to approve the setup/closing of working points – facilities belonging to the National Gas Transmission System (SNT);
- to approve the conclusion of any contracts for which it has not granted powers to the company's Chief Executive Officer;
- to annually submit to the General Meeting of Shareholders, after the end of the financial year, the report regarding the activity of Transgaz, the balance sheet and the profit and loss account for the previous year;
- to submit to the General Meeting of Shareholders the activity plan and the draft income and expenditure budget for the following year;
- to convene the General Meeting of Shareholders whenever needed;
- to establish the rights, obligations and responsibilities of Transgaz personnel, according to the approved organizational structure;
- to establish the powers and level of the current bank borrowing, of short- and medium-term commercial loans and approve the release of the guarantees;
- to approve the number of jobs and the normative documents for creation of the functional and production departments;
- to approve the production, research, development and investment programs;
- to approve policies for environmental protection and occupational safety, according to the legal regulations in force;
- to approve, within the limit of the income and expenditure budget approved by the General Meeting of Shareholders, alterations in its structure, within the limits of the powers granted to it;
- to negotiate the collective labour agreement by mandating the Chief Executive Officer and approve the personnel's statute;
- to establish and approve the level of the allowance for the secretary of the Board of Directors;
- to ensure and be liable for the fulfillment of any other tasks and duties established by the General Meeting of Shareholders or stipulated by the legislation in force;
- to make any other decisions regarding the company's activity, except for those who pertain to the General Meeting of Shareholders.

The structure of the Board of Directors of Transgaz ensures a balance between the executive and non-executive members, so that no individual or small group of individuals can dominate the decision-making process of the Board of Directors. The decision-making process within the company will remain the collective responsibility of the Board of Directors, which will be held jointly and severally liable for all decisions it

made in exercise of its powers. The independent directors' renunciation to their mandate will be accompanied by a detailed statement regarding the reasons for such renunciation.

The members of the Board of Directors will continually update their competences and improve their knowledge in respect of the company's activity and best practices of corporate governance in order to fulfill their role.

#### List of the Members of the Board of Directors:

|     |                             |   |  |
|-----|-----------------------------|---|--|
| 1.  | Schmidt Victor<br>Alexandru | BD Chairman until 30.04.2013 (OGM no. 5 of 30.04.2013)  |  |
| 2.  | Rusu Ioan                   | BD Member until 10.07.2013 (OGM no. 8 of 10.07.2013)  | Chief Executive Officer, S.T.N.G.N. Transgaz S.A. Medias until 04.06.2013, then appointed Deputy CEO (BD Decision No. 8 of 04.06.2013)   |
| 3.  | Truță Oana                  | BD Member until 30.04.2013 (OGM no. 5 of 30.04.2013)  |  |
| 4.  | Albulescu Mihai             | BD Member until 30.04.2013 (OGM no. 5 of 30.04.2013)  |  |
| 5.  | Raicu Ionica                | BD Member until 30.04.2013 (OGM no. 5 of 30.04.2013)  |  |
| 6.  | Văduva Petru Ion            | BD Member until 30.04.2013 (OGM no. 5 of 30.04.2013) and reappointed on 10.07.2013 (OGM No. 8 of 10.07.2013)  | On 04.06.2013, the Board of Directors appoints him as the Chief Executive Officer of SNTGN Transgaz SA, based on the recommendation of the independent expert established by the tutelary authority. |
| 7.  | Sterian Ion                 | BD Member until 30.04.2013 (OGM no. 5 of 30.04.2013) and reappointed on 10.07.2013 (OGM No. 8 of 10.07.2013)<br>BD Chairman as of 10.07.2013 (OGM no. 8 of 10.07.2013, Art. 2)                  |  |
| 8.  | Cernov Radu<br>Ștefan       | BD Member until 30.04.2013 (OGM no. 5 of 30.04.2013), temporary member between 13.06.2013 – 10.07.2013 (BD Decision No. 9 of 13.06.2013), and reelected on 10.07.2013 (OGM No. 8 of 10.07.2013) |  |
| 9.  | Preda Mihaela               | BD Member as of 30.04.2013 (OGM No. 5 of 30.04.2013) until her resignation on 30.05.2013 (BD Decision No. 8 of 04.06.2013)  |  |
| 10. | Iliescu Bogdan<br>George    | Temporary BD Member as of 04.06.2013 (BD Decision No. 8 of 04.06.2013), and reelected BD member on 10.07.2013 (OGM No. 8 of 10.07.2013)   |  |
| 11. | Neacșu Vlad<br>Nicolae      | BD Member as of 10.07.2013 (OGM No. 8 of 10.07.2013)  |  |



## **Appointment of the Members of the Board of Directors**

The company set up a Nomination Committee which coordinates the process of appointment of the members of the Board of Directors and makes recommendations both for the position of director and the filling of vacancies thereof.

According to the provisions of the Government Emergency Ordinance No. 109/2011 regarding the corporative governance of public enterprises, the tutelary authority has performed a manager selection process, assisted by an interdependent HR recruiting expert. The announcement regarding the selection of the BD members has been published in a widely spread newspaper and on the Company's website.

The selection process has been completed in full observance of the non-discrimination, equal treatment and transparency principles. The mandate of current managers rightfully terminates on the date when the newly selected managers are appointed.

## **Remuneration of the Members of the Board of Directors**

The company established a Remuneration Committee to develop the remuneration policy for directors and managers.

The Committee will submit proposals to the Board of Directors in respect of the remuneration of the directors and managers, making sure that these proposals are consistent with the remuneration policy adopted by the company.

On 27.05.2013, in the BD Decision No. 7/27.05.2013, the new structure and the new composition of the Advisory Committees setup within SNTGN Transgaz SA were approved, while the Nomination Committee and the Remuneration Committee merged into the **Nomination and Remuneration Committee**.

The remuneration of non-executive directors will be proportional to the responsibilities and time dedicated to their duties. The remuneration of the BD members is made of a fixed monthly allowance and a variable component consisting of a participation quota of the company's net profit, a pension scheme or another form of remuneration based on the existing performance indicators.

The Ordinary General Meeting of Shareholders No. 8 on 10.07.2013 approved the quantum of the gross fixed monthly allowance for every member of the Board of Directors, as well as for the Chairman of the Board of Directors, and afterwards, the Ordinary General Meeting of Shareholders No. 9 on 23.09.2013 approved the "SNTGN Transgaz SA 2013 - 2017 Plan of Administration" pursuant to the provisions of the Government Emergency Ordinance No. 109/2011. The same assembly approved the variable component of the remuneration that managers are entitled to since the beginning of their mandate, according to the performance indicators undertaken in this plan of administration, as well as the form of the contract of mandate concluded with the members of the Board of Directors of SNTGN Transgaz SA.



The remuneration and the other advantages granted to managers and directors are written down in the annual financial statements and in the annual report of the nomination and remuneration committee.

### **Financial Reporting**

Transgaz set up an Audit Committee and, following the approval of the new structure of the Advisory Committees by the BD Decision No. 7 of 27.05.2013, the Audit and Rating Committee was set up to regularly assess the compliance of financial statements, of internal control and of the risk management system and company's rating. The members of the committee assist and make recommendations to the Board of Directors in order to establish the accounting and financial control system and the budget and financial planning.

The Committee conducts audit analyses and draws up audit reports based thereon, at the same time verifying the compliance of the drawn up audit reports with the audit plan approved within the company. The Committee supports the members of the Board of Directors in monitoring the credibility and integrity of the financial information provided by the company, particularly by reviewing the relevance and consistency of the accounting standards it has applied.

The Committee also cooperates with the company's external financial auditor which provides a report describing all the relationships existing between the latter, on the one hand, and the company and the group to which it belongs, on the other hand.

The Audit Committee monitors the independence and accuracy of the financial auditor, in particular by monitoring the rotation of the partners assigned to the company within the audit firm and makes recommendations to the Board of Directors regarding the selection, appointment, re-appointment, replacement of the financial auditor and terms and conditions of the remuneration thereof.

### **Conflict of Interests**

The members of the Board of Directors will make decisions in the sole interest of the company and will not take part in the debates or decisions that create a conflict between their personal interests and those of the company or of subsidiaries controlled by it.

### **Transactions with stakeholders**

Each member of the Board of Directors will make sure that any direct or indirect conflict of interest with the company or a subsidiary controlled by it is avoided, and in the event such a conflict occurs, such member will abstain from debating and voting in respect of the concerned matters, in accordance with the legal provisions in force.

In order to ensure the procedural fairness of the transactions with stakeholders, the members of the Board of Directors use the following criteria, without limitation to such criteria:

- maintaining the authority of the Board of Directors or of General Meeting of Shareholders, as the case may be, to approve the most important transactions;
- requesting a prior opinion on the most important transactions from the internal control structure;
- entrusting the negotiations of these transactions to one or several independent directors or to the directors who are not related with the concerned stakeholders;
- resorting to independent experts.

### **Advisory Committees Established at the Level of the Board of Directors**

In order to comply with the legal provisions specific to the capital market (Law no. 297/2004 on capital market, as amended, and Corporate Governance Code of Bucharest Stock Exchange), the Board of Directors approved by the BD Decision no. 16/2010 the setting up of five specialized advisory committees, each made up of minimum two members of the Board, **in force by 27.05.2013**:

- Nomination Committee;
- Remuneration Committee;
- Audit Committee;
- NTS Safety and Security Committee;
- Committee for the activity of procurement of services and products within S.N.T.G.N. Transgaz S.A.

The Advisory Committees have duties established by the job description contained in the Internal Rules for the organization and operation of the advisory committees established within the Board of Directors, and they are responsible for analyzing and making recommendations to the Board of Directors in specific fields, by submitting quarterly reports on their activity to the Board of Directors.

**On 27.05.2013**, by the BD Decision No. 7 of 27.05.2013, the new structure and the new composition of the Advisory Committees were approved, as set up within SNTGN Transgaz SA, as follows:

- Nomination and Remuneration Committee;
- Audit and Rating Committee;
- NTS Safety and Security Committee;
- Strategy and Development Committee;
- Regulatory and Public Authorities Relations Committee.

The template **of the Internal Rules on the organization and operation of the advisory committees established within the Board of Directors** may be found on the company's own web page, in the section *Management/Board of Directors*.

**The lists of duties of the five advisory committees established within the Board of Directors:**

| <b>ADVISORY COMMITTEE</b>         | <b>MENTIONS</b>   | <b>DUTIES</b>  |
|-----------------------------------|---|--|
| <b>NOMINATION COMMITTEE</b>       | <p>will be composed of minimum two members of the Board of Directors;</p> <p>will be made of non-executive managers, and at least one of the members of the committee shall be independent;</p> <p>the duties of this committee are established by the Corporate Governance Code.</p> | <ul style="list-style-type: none"> <li>▪ to coordinate the process of appointment of the members of the Board of Directors;</li> <li>▪ to make recommendations regarding both the position of director, and the filling of vacancies within the Board of Directors;</li> <li>▪ to assess the accrual of professional competences, knowledge and experience within the Board of Directors;</li> <li>▪ to establish the requirements for filling a certain position in the company's management;</li> <li>▪ to permanently update the professional competences of the members of the Board of Directors;</li> <li>▪ to improve knowledge of the company's activity for the purpose of applying the best practices in corporate governance.</li> <li>▪ to draw up the remuneration policy for directors and managers;</li> <li>▪ to submit for approval of the General Meeting of Shareholders this remuneration policy;</li> <li>▪ to inform about the remuneration policy in the Articles of Incorporation/Corporate Governance Rules of the company;</li> <li>▪ to present in the Annual Report the total amount of direct and indirect remuneration of the directors and managers, separated by fixed and variable components of such remuneration;</li> <li>▪ in establishing the remuneration of the non-executive directors, to comply with the principle of proportionality of such remuneration with the responsibility and time dedicated to the exercise of their roles;</li> <li>▪ if necessary, it may resort to assistance from external experts to fulfill the required duties.</li> </ul> |
| <b>AUDIT AND RATING COMMITTEE</b> | <p>will be composed of minimum two members of the Board of Directors;</p> <p>will be composed of non-executive directors, and at least one of the members of the committee will be independent;</p> <p>will meet whenever necessary,</p>  | <ul style="list-style-type: none"> <li>▪ to assist and submit recommendations to the Board of Directors in order to establish the accounting and financial control system, the budget-financial planning;</li> <li>▪ to assist the Board of Directors in fulfilling its duties in the field of financial reporting, internal control, risk management and Company's rating;</li> </ul>   |

|   |   |  |
|---|---|--|
|   | <p>but at least twice a year (at the end of the first semester and at the end of the year);</p> <p>the duties of this committee are established by the Corporate Governance Code.</p>   | <ul style="list-style-type: none"> <li>▪ to regularly examine the effectiveness of the financial reporting, internal control and risk management system adopted by the company;</li> <li>▪ to perform audit analyses and draw up audit reports based on such analyses;</li> <li>▪ to verify the compliance of the audit reports drawn up with the audit plan approved at company level;</li> <li>▪ to support the Board of Directors in monitoring the credibility and exhaustiveness of the financial information provided by the company, especially by reviewing the relevance and consistency of the accounting standards it has applied;</li> <li>▪ to cooperate with the company's external financial auditor, which will make available a report describing all the relationships existing between the latter, on the one hand, and the company and the group to which it belongs, on the other hand;</li> <li>▪ to make recommendations to the Board of Directors regarding the selection, appointment, re-appointment, replacement of the financial auditor and the terms and conditions of its remuneration;</li> <li>▪ to monitor the independence and fairness of the financial auditor in particular by monitoring the rotation of the partners dedicated to the Issuer within the audit firm.</li> </ul> |
| <p><b>NTS SAFETY AND SECURITY COMMITTEE</b></p> | <p>will be made up of at least two members of the Board of Directors;</p> <p>at least one committee member must be an independent non-executive director;</p> <p>the duties of this committee are established by the Corporate Governance Code.</p> | <ul style="list-style-type: none"> <li>▪ to regularly analyze the list of critical infrastructure objectives of Transgaz and the established security measures;</li> <li>▪ to ensure the conditions needed to implement the measures of protection of all the critical infrastructure objectives of the company or under the authority/coordination of the company;</li> <li>▪ to monitor/update its own programs for prevention and fight against terrorism through optimal measures of physical and organizational protection, making recommendations in this respect to the Board of Directors;</li> <li>▪ to monitor the performance of the programs of maintenance and upgrading of the NTS, as well as the compliance with the technical normative documents of operation and maintenance of the production capacities.</li> </ul>   |

|   |   |   |
|---|---|---|
| <p><b>STRATEGY AND DEVELOPMENT COMMITTEE</b></p>                    | <p>will be made up of at least two members of the Board of Directors;</p> <p>at least one committee member must be an independent non-executive director;</p> <p>the duties of this committee are established by the Corporate Governance Code.</p> | <ul style="list-style-type: none"> <li>▪ to assist the Board of Directors in fulfilling its responsibilities for the elaboration and update of the Company's general development strategy;</li> <li>▪ to analyze the identified business development opportunities, and make related recommendations to the Board of Directors;</li> <li>▪ to analyze and assist the Board of Directors with regard to the Company's development and international cooperation guidelines;</li> <li>▪ to monitor and analyze the fulfillment of strategic and action plans / programmes regarding the obligations of Transgaz as technical operator of NTS and stock exchange issuer;</li> <li>▪ to develop proposals for improving and making the strategic, development and collaboration activity more efficient;</li> <li>▪ to submit recommendations to the Board of Directors regarding the efficient operability of strategic and action plans/ programmes;</li> <li>▪ to monitor and analyze the fulfillment of the performance indicators related to the transport and economic-financial performance system of the company's activity.</li> </ul> |
| <p><b>REGULATORY AND PUBLIC AUTHORITIES RELATIONS COMMITTEE</b></p> | <p>will be made up of at least two members of the Board of Directors;</p> <p>the duties of this committee are established by the Corporate Governance Code.</p>   | <ul style="list-style-type: none"> <li>▪ to assist the Board of Directors in analyzing the company's regulatory activity and legal obligations in this field;</li> <li>▪ to monitor the company's observance of the obligations stipulated in the regulations referring to the pursued activity;</li> <li>▪ to analyze and provide the Board of Directors with proposals regarding the regulatory framework;</li> <li>▪ to monitor the collaboration relations with public authorities, and assist the Board of Directors in establishing and managing the collaboration policy.</li> </ul>   |

## The nomination of the members of the Board of Directors for each of these committees:

### **1. Nomination and Remuneration Committee**

- dated 27.05.2013, approved by BD Decision No. 7/27.05.2013

- STERIAN ION non-executive manager;
- CERNOV RADU ȘTEFAN independent non-executive manager;
- PREDA MIHAELA independent non-executive manager;  
member until 04.06.2013

- dated 29.07.2013, approved by BD Decision No. 13/29.07.2013

- STERIAN ION non-executive manager;
- CERNOV RADU ȘTEFAN independent non-executive manager;
- ILIESCU BOGDAN GEORGE independent non-executive manager

### **2. Audit and Rating Committee**

- dated 27.05.2013, approved by BD Decision No. 7/27.05.2013

- VĂDUVA PETRU ION independent non-executive manager;  
executive manager as of 04.06.2013
- PREDA MIHAELA independent non-executive manager;  
member until 04.06.2013
- CERNOV RADU ȘTEFAN independent non-executive manager;

- dated 29.07.2013, approved by BD Decision No. 13/29.07.2013

- ILIESCU BOGDAN GEORGE independent non-executive manager;
- CERNOV RADU ȘTEFAN independent non-executive manager;
- NEACȘU VLAD NICOLAE independent non-executive manager;

### **3. NTS Safety and Security Committee**

- dated 27.05.2013, approved by BD Decision No. 7/27.05.2013

- STERIAN ION non-executive manager;
- RUSU IOAN executive manager;
- PREDA MIHAELA independent non-executive manager;  
member until 04.06.2013

- dated 29.07.2013, approved by BD Decision No. 13/29.07.2013

- STERIAN ION non-executive manager;
- VADUVA PETRU ION executive manager;
- NEACȘU VLAD NICOLAE independent non-executive manager

### **4. Strategy and Development Committee**

- dated 27.05.2013, approved by BD Decision No. 7/27.05.2013

- STERIAN ION non-executive manager;
- RUSU IOAN executive manager;
- VĂDUVA PETRU ION independent non-executive manager

- dated 29.07.2013, approved by BD Decision No. 13/29.07.2013
  - STERIAN ION non-executive manager;
  - VĂDUVA PETRU ION executive manager;
  - ILIESCU BOGDAN GEORGE independent non-executive manager
  - NEACȘU VLAD NICOLAE independent non-executive manager

#### **5. Regulatory and Public Authorities Relations Committee**

- dated 27.05.2013, approved by BD Decision No. 7/27.05.2013
  - RUSU IOAN executive manager;
  - VĂDUVA PETRU ION independent non-executive manager;
  - CERNOV RADU ȘTEFAN independent non-executive manager;
  
- dated 29.07.2013, approved by BD Decision No. 13/29.07.2013
  - STERIAN ION non-executive manager;
  - VĂDUVA PETRU ION executive manager
  - CERNOV RADU ȘTEFAN independent non-executive manager.

#### **Information regarding the Executive Management**

The Board of Directors delegated the company's management to a director, who is appointed Chief Executive Officer, who represents the company in relation to third parties, and to whom are subordinated two deputy chief executive officers and executive officers.

The Chief Executive Officer is appointed by the Board of Directors, on the recommendation of the Nomination and Remuneration Committee. He/she may be appointed among managers, thus becoming an executive officer, or outside the board of directors.

An individual incompatible with the capacity of director, in accordance with Law No. 31/1990 on companies, republished, as subsequently amended and supplemented, cannot be the chief executive officer of Transgaz.

The Director elaborates and provides the board of directors with a management plan for the mandate term and for the first year of mandate, including the management strategy aiming at the fulfillment of the objectives and performance criteria established in the mandate agreement.

The management plan must be correlated to and develop the management plan of the board of directors, and it shall be submitted for their approval.

The assessment of directors' activity by the board of directors shall be focused on both the execution of the mandate contract, and the management plan.



The duties of the Chief Executive Officer will be determined by the Company's Rules of Organization and Operation, and will mainly include the following:

- application of the company's strategy and development policies, as established by the Board of Directors;
- employment, promotion and dismissal of the employed personnel, in accordance with the law;
- appointment, suspension or revocation of appointment of chief executive officers or directors at the level of branches;
- participation in the negotiation of the collective labour agreement, the negotiation and conclusion of which will be carried out in accordance with the law, within the powers given by the Board of Directors;
- negotiation of the individual labour agreements, in accordance with the law;
- signing of legal documents, for and on behalf of Transgaz, within the limits set by the decisions of the Board of Directors;
- establishing the duties and responsibilities of subordinates;
- approve the collection and payment operations, in accordance with the legal powers and the company's Memorandum of Association;
- approve operations of sale and purchase of goods, within the powers delegated by the Board of Directors;
- give powers to the executive officers and managers of the territorial sites and to any other person for the exercise of any duties within their respective jurisdictions;
- fulfillment of any other duties that they have been entrusted with by the board of directors.

The executive officers and managers of the territorial sites are appointed, suspended or revoked by the Chief Executive Officer, they are employees of Transgaz and they are liable both before it and before the Board of Directors for carrying out their duties.

The duties of the executive officers and managers of the territorial sites are set by the Rules of Organization and Operation of Transgaz.

## List of the members of the executive management

| No. | Name and forename       | Position                       | Department/Directorate                                    |
|-----|-------------------------|--------------------------------|---|
| 1   | Petru Ion Văduva        | Chief Executive Officer        |   |
| 2   | Gheorghe Hațegan        | Deputy Chief Executive Officer |   |
| 3   | Ioan Rusu               | Deputy Chief Executive Officer |   |
| 4   | Marius Lupean           | Manager                        | Economic Department                                       |
| 5   | Florea Vasile           | Manager                        | Operation Department                                      |
| 6   | Tătaru Ion              | Manager                        | Development Department                                    |
| 7   | Cosma Florin            | Manager                        | Exploitation and Maintenance Department                   |
| 8   | Ghidiu Elisabeta        | Manager                        | Corporate Strategy and Management Department              |
| 9   | Ciprian Viorel Achim    | Manager                        | HSSEQ and Control Department                              |
| 10  | Ciprian Octavian Alic   | Manager                        | Department for European Funds and International Relations |
| 11  | Idu Olga                | Manager                        | Legal Directorate   |
| 12  | Mateș Angela            | Manager                        | Human Resources Directorate                               |
| 13  | Oana Cristina Niculescu | Manager                        | Budget Strategy Directorate                               |
| 14  | Gabriela Elena Mareș    | Manager                        | Directorate for European Cooperation and Regulations      |
| 15  | Mihai Fodor             | Manager                        | Directorate for Budget and Finance                        |
| 16  | Dorin Vasile Deac Șuteu | Manager                        | Directorate for Information Technology and Communications |
| 17  | Sorin Gabriel Deac      | Manager                        | Directorate for Works Preparation and Execution           |
| 18  | Rău Ioan                | Manager                        | Directorate for Trade Balance                             |
| 19  | Șai Alexandru           | Manager                        | Directorate for Measurement and Natural Gas Quality       |
| 20  | Pătârniche Mihai        | Manager                        | National Gas Dispatching Unit                             |
| 21  | Stroia Gheorghe Marius  | Manager                        | Gas Market Operator Directorate Bucharest                 |
| 22  | Bunea Florin            | Deputy Manager                 | Gas Market Operator Directorate                           |
| 23  | Muntean Aurel           | Deputy Manager                 | Directorate for Measurement and Natural Gas Quality       |
| 24  | Lascu Sergiu            | Deputy Manager                 | Directorate for Information Technology and Communications |
| 25  | Viorel Barbu            | Manager                        | NTS Rehabilitation Directorate                            |
| 26  | Adela Pînzar            | Manager                        | Directorate for Public Procurement and Purchasing         |
| 27  | Ilie Lața               | Manager                        | Mediaș Branch   |
| 28  | Leahu Mihai             | Manager                        | Research and Design Department                            |

## **Rights of the Holders of Financial Instruments of the Issuer**

All holders of financial instruments issued by Transgaz, of the same type and class of securities benefit from equal treatment, and the company will permanently make efforts to achieve effective, active and permanent communication for the exercise of such rights in a fair manner.

All Transgaz shareholders will be treated fairly. All issued shares give their holders equal rights; any amendment of the rights conferred by such shares will be subject to the approval of the shareholders directly affected during the special meetings of the concerned holders.

Transgaz will make all diligences to facilitate the participation of shareholders in the proceedings of the General Meetings of Shareholders, of the dialogue between the shareholders and the members of the Board of Directors and/or the management and full exercise of their rights. The participation of the shareholders to the proceedings of the General Meetings of Shareholders is fully encouraged, and for shareholders who cannot attend the meetings, the possibility of absentee vote is provided - based on a special power of attorney - or by mail.

The company created a special section, called *Investor Relations*, on its own web site, where relevant information regarding the procedures for access and participation in the General Meeting of Shareholders (GMS), GMS convocations, supplements to the agenda of the GMS, Board of Directors answers to questions asked by shareholders, current reports, the company's financial statements, the exercise of the voting rights during GMS, materials on the GMS agenda, templates for special powers of attorney, financial calendar, corporate governance, etc. of the company are constantly updated and accessible, thus contributing to transparent and fair information of all the stakeholders.

At the same time, Transgaz set up a specialized organizational structure for the management of the capital market activity, namely the - *Service for Investors and Rating Agencies* - a structure the activity of which is dedicated to the relationship with the investors and shareholders. The personnel of the service are constantly prepared/instructed/trained from a professional standpoint in respect of the matters concerning the company's relationship with its shareholders, the principles of corporate governance, management, customer relationship.

## **Transparency**

Transgaz regularly and continually reports in respect of important events concerning the company, including, without being limited to financial standing, performance, ownership and management, both to mass-media and on its own website ([www.transgaz.ro](http://www.transgaz.ro)). The company prepares and distributes relevant regular and continuous information in accordance with the International Financial Reporting Standards (IFRS) and other reporting standards, namely environmental, social and management standards (ESG –Environment, Social and Governance). Information is distributed both in Romanian and in English.

The company organizes twice a year meetings with financial analysts, brokers, market specialists and investors, on the occasion of the distribution of the annual and semi-annual financial statements, which are relevant materials for investment decisions.

### **Corporate Information Regime**

The Board of Directors sets the corporate policy for information distribution, in compliance with the legislation in force and the company's Memorandum of Association, this policy guarantees equal access to information by shareholders, investors and significant shareholders and does not allow abuses regarding confidential information or information about "transactions with oneself".

### **Social Responsibility (CSR)**

Corporate Social Responsibility is a matter of corporate governance, through which a number of socially responsible actions that can be quantified in terms of sustainability and durable performance, were initiated, at company level.

Against the current background of globalization, sustainable development and competitiveness, companies are increasingly being assessed not only based on their economic performance, management quality and communication policy, but also on their contribution to the social life of the community they belong to.

In this respect, the EU developed a set of principles aimed at two dimensions of the relationship between company and community, *the internal dimension* and *the external dimension* and recommended companies to incorporate these principles into codes of conduct and to report with regard to the manner in which they applied them.

SNTGN TRANSGAZ SA Mediaş, consistent in its efforts of applying a responsible management in the process of completing its mission, is aware that sometimes financial support for a noble cause or an important goal is essential, and, therefore, through the social responsibility programmes and projects the company initiated, it became an active part of community life, proving its quality of "*good citizen*".

The key role TRANSGAZ plays in the Romanian and European energy field is naturally supplemented by its desire to support the real needs of all those who make an on-going contribution to the smooth operation of its business.

A component of TRANSGAZ strategy of sustainable development, *the social responsibility policy* is aimed at constantly increasing the company's degree of awareness in respect of employees, shareholders, partners, community and environment, as well as at increasing the efficiency of the impact of its social responsibility programmes.

The commitment the company management undertakes by its "*Policy Statement on the Quality-Environment Integrated Management System*" is solid proof that TRANSGAZ is aware of the importance of ensuring an organizational climate where all stakeholders:

employees, shareholders, clients, suppliers, community and environment can interact efficiently and responsibly, both at an economic and social level.

The company's policy on social responsibility is based on a set of principles that define this interaction between the company, on the one hand, and employees, shareholders, partners, community and environment, on the other hand.

The priority areas where TRANSGAZ develops social responsibility programs are: *sports, community development (places of worship, schools, kindergartens), education, art and culture, humanitarian actions, health (hospitals), environment.*

**SPORT** - *We are among those who believe that sport has the power to ensure harmony between body and mind!*

**COMMUNITY DEVELOPMENT** - *We are where needed!*

**EDUCATION** - *We believe in the potential of young generation and therefore we invest in its education!*

**ART AND CULTURE** - *Culture means perfect and equal human development in all respects, and we are with those who want that!*

**HUMANITARIAN ACTIONS** - *TRANSGAZ is always close to those who need real help!*

**HEALTH** - *We take care of your health as if it were our own!*

**ENVIRONMENT** - *We all want a healthy life and a clean environment, and therefore we are concerned about everything that is around us!*

Moreover, starting with 2011, SNTGN TRANSGAZ SA Mediaș can be found on [www.responsabilitatesociala.ro](http://www.responsabilitatesociala.ro), both in the section of responsible companies profiles and in the section case studies/ENVIRONMENT section/ GREEN OLYMPICS project – a project which won an award at the GREEN BUSINESS GALA in December 2010.

In 2012, Transgaz **makes its first appearance on the Romanian CSR map**, appearing on [www.csrmedia.ro](http://www.csrmedia.ro) with on-going projects, and in the companies section, with a substantial article dedicated to **The Annual C.I.Motaș Prize**, a CSR project organized for the third time in 2012.

In 2013, three corporate volunteering campaigns were organized: **"A Gift – A Smile"**  
**"Give blood and save a life"**

**'People for People' Humanitarian Campaign**, which were all occasions for Transgaz employees to donate clothes and other goods to the victims of the distressed locations in Galați County (Cudalbi, Costache Negri, Cuca), who had been affected by the floods from September 11-13, 2013.

By means of all the objectives set in relation to social corporate responsibility and by the sponsorship actions and donations initiated, SNTGN Transgaz SA Medias ethically commits to and contributes, by transparent and responsible business practices, to the sustainable development of economy and social cohesion, as well as to the improvement of the quality of life of the employees and their families and of the local community and society in which it operates.

For further details, please visit the company's website:  
[www.transgaz.ro/link/responsabilitatesociala](http://www.transgaz.ro/link/responsabilitatesociala).





## “Apply or Explain” Statement

| Principle/<br>Recommendation |    | Question   | YES | NO | If NO, then EXPLAIN  |
|------------------------------|----|--|-----|----|--|
| P19                          |    | Is the issuer managed in a two-tier system?  |     | X  | SNTGN TRANSGAZ SA has a one-tier management system and is managed by a Board of Directors. The Board of Directors has general powers to carry out all acts needed for the successful performance of the company's business object, except for matters falling within the competence of the General Meeting of Shareholders, in accordance with the provisions of the Memorandum of Association, as updated on 10.07.2013, or of the applicable laws. |
| P1                           | R1 | Has the issuer drawn up Articles of Incorporation/Rules of Corporate Governance describing the main aspects of corporate governance?   | X   |    | The company drew up, in 2010, the <i>Rules of Corporate Governance of SNTGN Transgaz SA Medias</i> , a document that was approved during the General Meeting of Shareholders of 02.03.2011.  |
|                              |    | Are the Articles of Incorporation/Rules of Corporate Governance posted on the website of the company, also indicating the date when it was last updated?   | X   |    |  |
|                              | R2 | In the Articles of Incorporation/Rules of Corporate Governance, are the corporate governance structures, functions, powers and responsibilities of the Board of Directors (BD) and the executive management defined? | X   |    |  |
|                              | R3 | Does the issuer's Annual Report provide a chapter dedicated to corporate governance chapter describing all the relevant events related to corporate governance, occurred during the previous financial year?         | X   |    |  |
|                              |    | Does the issuer distribute information through the company's website in respect of the following aspects regarding its corporate governance policy:<br>a) description of its corporate governance structures?        | X   |    |  |



| Principle/<br>Recommendation |    | Question  | YES | NO | If NO, then EXPLAIN |
|------------------------------|----|---|-----|----|---------------------|
|                              |    | b) updated Memorandum of Association?   | X   |    |                     |
|                              |    | c) internal rules of operation / its essential aspects for each commission/specialized committee?   | X   |    |                     |
|                              |    | d) "Apply or Explain" Statement?  | X   |    |                     |
|                              |    | e) list of the members of the BD, mentioning the independent and/or non-executive members and of the members of the executive management and/or specialized committee /commissions?   | X   |    |                     |
|                              |    | f) a short CV version for each member of the BD and of the executive management?  | X   |    |                     |
| P2                           |    | Does the issuer observe the rights of the holders of financial instruments issued by it, providing them with a fair treatment and submitting for approval any change to the rights conferred, during the special meetings of the concerned holders? | X   |    |                     |
| P3                           | R4 | Does the issuer publish, in a dedicated section of its website, details regarding the General Meeting of Shareholders (GMS):<br>a) the notice of convocation to the GMS?  | X   |    |                     |
|                              |    | b) the materials/documents corresponding to the agenda and any other information regarding the items on the agenda?   | X   |    |                     |
|                              |    | c) special power of attorney forms?   | X   |    |                     |
|                              | R6 | Has the issuer drawn up and proposed to the GMS procedures for the orderly and efficient progress of the GMS works, without prejudice to the right of every shareholder to freely express his opinion on the matters under debate?                  | X   |    |                     |
| R8                           |    | Does the issuer disseminate, in a dedicated section on its own website, the rights of its shareholders, as well as the rules and procedures for attending the GMS?  | X   |    |                     |
|                              |    | Does the issuer provide information in due time (immediately after the GMS) of all the shareholders through the dedicated section of its own website:   | X   |    |                     |

| Principle/<br>Recommendation |     | Question  | YES | NO | If NO, then EXPLAIN   |
|------------------------------|-----|---|-----|----|---|
|                              |     | a) regarding the decisions made by the GMS?   |     |    |   |
|                              |     | b) regarding the detailed result of the vote?   | X   |    |   |
|                              |     | Do the issuers disseminate through a special section on their own web page, easily identifiable and accessible:<br>a) current reports/press statements?   | X   |    |   |
|                              |     | b) the financial calendar, annual, semi-annual and quarterly reports?   | X   |    |   |
|                              | R9  | Is there within the company of the issuer a specialized department/special person dedicated to the relationship with the investors?   | X   |    |   |
| P4, P5                       | R10 | Does the BD meet at least once per quarter to monitor the issuer's activity?  | X   |    |   |
|                              | R12 | Does the issuer have a set of rules regarding the conduct and obligations of reporting of transactions in shares or other financial instruments issued by the company ("company's securities") carried on their own account by the directors and other stakeholders?  | X   |    |   |
|                              |     | If a member of the BD or the executive management or another stakeholder carries out, for one's own account, a transaction with the company's securities, then is the transaction disseminated through the company's own website, according to the related rules?   |     | X  | Information is disseminated by the investment firm (SSIF) with which the transaction is made. These notifications will be published on the BSE website. |
| P6                           |     | Does the structure of the Issuer's Board of Directors ensure a balance between the executive and non-executive members (and particularly from the independent non-executive directors) so that no individual or small group of people is able to dominate, in general, the decision-making process of the BD? | X   |    |   |
| P7                           |     | Does the structure of the Board of Directors of the issuer provide a sufficient number of independent members?  | X   |    |   |
| P8                           | R15 | In its activity, is the BD provided with support from the Advisory Committees/Commissions to examine specific themes, chosen by the BD,   | X   |    |   |

| Principle/<br>Recommendation |     | Question   | YES | NO | If NO, then EXPLAIN |
|------------------------------|-----|--|-----|----|---------------------|
|                              |     | and for its advice on these topics?  |     |    |                     |
|                              |     | The Advisory Committees / Commissions will submit Activity Reports to the BD regarding the themes it has entrusted?  | X   |    |                     |
|                              | R16 | Does the Board of Directors use the criteria listed in Recommendation 16 to assess the independence of its non-executive members?  | X   |    |                     |
|                              | R17 | Do the members of the BD constantly improve their knowledge through training/education in the field of corporate governance?   | X   |    |                     |
| P9                           |     | Is the election of the members of the BD based on a transparent procedure (objective criteria regarding the personal/professional qualification, etc.)?  | X   |    |                     |
| P10                          |     | Is there a Nomination Committee within the company?  | X   |    |                     |
| P11                          | R21 | Does the Board of Directors review at least once a year the need to set up a Remuneration Committee/remuneration policy for directors and the members of its executive management?                                     | X   |    |                     |
|                              |     | Is the remuneration policy approved by the GMS?  | X   |    |                     |
|                              | R22 | Is there a Remuneration Committee made up exclusively of non-executive directors?  | X   |    |                     |
|                              | R24 | Is the company's remuneration policy presented in the Articles of Incorporation/Rules of Corporate Governance?   | X   |    |                     |
| P12,<br>P13                  | R25 | Does the issuer disseminate in English the information subject to reporting requirements:<br>a) regular information (provision of regular information)?  | X   |    |                     |
|                              |     | b) continuous information (provision of continuous information)?   | X   |    |                     |
|                              |     | Does the issuer also prepare and disseminate IFRS financial reporting?   | X   |    |                     |
|                              | R26 | Does the issuer promote, at least once a year, meetings with financial analysts, brokers, rating agencies and other market professionals, in order to present financial elements relevant for the investment decision? | X   |    |                     |
|                              | R27 | Is there an Audit Committee within the company?  | X   |    |                     |

| Principle/<br>Recommendation |             | Question  | YES | NO | If NO, then EXPLAIN  |
|------------------------------|-------------|---|-----|----|--|
|                              | R28         | Does the BD or the Audit Committee, as the case may be, examine regularly the effectiveness of financial reporting, internal control and risk management system adopted by the company?   | X   |    |  |
|                              | R29         | Is the Audit Committee made up exclusively of non-executive directors and does it have a sufficient number of independent directors?  | X   |    |  |
|                              | R30         | Does the Audit Committee meet at least twice a year, such meetings being dedicated to drawing up and disseminating to shareholders and public the semi-annual and annual results?   | X   |    |  |
|                              | R32         | Does the Audit Committee make recommendations to the BD regarding the selection, appointment, re-appointment and replacement of the financial auditor, as well as the terms and conditions of its remuneration?   | X   |    |  |
| P14                          |             | Has the BD adopted a procedure to properly identify and settle conflict of interest situations?   |     | X  | Such situations are regulated by the applicable legislation. |
| P15                          | R33         | Do the directors inform the BD in respect of the conflicts of interest as they arise and abstain from debates and vote on the matters concerned, in accordance with the applicable legal provisions?  | X   |    |  |
| P16                          | R34/<br>R35 | Has the BD adopt specific procedures in order to ensure the procedural correctness (criteria for identifying transactions with significant impact, transparency, objectivity, non-competition, etc.) in order to identify transactions with stakeholders?                           |     | X  | Such situations are regulated by the applicable legislation. |
| P17                          | R36         | Has the BD adopted a procedure regarding the internal circuit and the disclosure to third parties of documents and information relating to the issuer, paying special attention to information that may influence the evolution of the market price of the securities issued by it? | X   |    |  |
| P18                          | R37/<br>R38 | Does the issuer carry out activities related to Corporate Social and Environmental Responsibility?  | X   |    |  |

### Directors of SNTGN Transgaz SA Mediaș

|    |                       |  |
|----|-----------------------|--|
| 1. | Sterian Ion           | Director since 30.04.2013<br>Chairman of the BD since 10.07.2013 |
| 2. | Văduva Petru Ion      | Director since 30.04.2013  |
| 3. | Cernov Radu-Ștefan    | Director since 30.04.2013  |
| 4. | Iliescu Bogdan George | Director since 10.07.2013  |
| 5. | Neacșu Vlad Nicolae   | Director between 10.07.2013 and 24.01.2014                       |
|    | Vulpescu Remus        | Director since 24.01.2014 and currently.                         |

Directors' CVs may be found on the company's website [http://www.transgaz.ro/ac\\_agoa.php?poz=285](http://www.transgaz.ro/ac_agoa.php?poz=285), according to the provisions of the **Emergency Ordinance No. 109/2011 on corporate governance of public enterprises**, chapter V - *Transparency. Reporting obligations*, Art. 51, which stipulates that trading companies must post on its own website the CVs of the BD members and those of Directors.

## ANNEX 2 HSSEQ ACTIVITY

### **Issuer's responsibility in respect of the environment Applicable legal framework and stage of permits**

The Company's activity is authorized according to the provisions of the Government Emergency Ordinance No. 195/2005 on environmental protection, and Order No. 1798/2007 approving the Procedure of issue of the environmental permit, included in Annex no. 1 – List of activities subject to the issue of the environmental protection.

The environmental permit renewal procedure applicable in the company for 2013 required the regulatory documents for 4 Territorial Exploitations (Brăila, Bucharest, Mediaş and Cluj) and two Compression Stations (Şinca and Dealu Frumos). Following this process, 194 sites of the company received the environmental permit.

Moreover, at the end of 2013, the Territorial Exploitation of Constanţa submitted the file for the renewal of the environmental permit, an action that was required because of the territorial reorganization completed at the level of this structure. Therefore, at the level of the company, there are 18 environmental permits, which authorize 1177 sites.

As far as water management permits are concerned, the applicable legislation requires getting the regulatory documentations for all the objectives built on waters or which are related to waters. Therefore, the company has 126 water management permits for water courses crossed by natural gas transportation mains, of which 87 were renewed in 2013.

**The total expenditure incurred for regulatory documentation in 2013 has reached the amount of 492,578 lei**, of which 170,553 lei represent the document issuance fee, while the amount of 322,025 lei was paid for the elaboration of the necessary environmental studies required by these documents.

### ***Inspections and sanctions***

In 2013, S.N.T.G.N. Transgaz S.A was subject to 14 inspections, of which 9 were carried out by the Environmental Guard – County Commissariats, and 6 by the “Romanian Waters” National Administration. As a result of these inspections, the “Romanian Waters” National Administration did not apply any contraventional sanctions, and the National Environmental Guard applied a contraventional fine in the following case:

- ☛ on 22.01.2013, the contraventional fine of 25,000 lei, with the possibility to pay 5,000 lei in 48 hours, was given to the Territorial Exploitation of Cluj, according to the provision of *Law No. 104 / 2011 on ambient air quality*, for not having notified the competent authorities of the exceeded emission limits, with reference to the technical accident from the SRM (Station for Gas Regulation and Measurement) of Sângeorgiu de Mureş.

Here are the main measures taken for the improvement of the company's activity, according to the inspection reports of the control authorities:

- notification of environmental authorities in case of any events with an impact on the environment;
- appropriate management and storage of wastes;
- compliance with the provisions of the environmental permit;
- monitoring the pollution sources according to the regulatory documents in force;
- observance of the requirements established in the water management permits and in environment agreements;
- submission of specific documentation for the authorization of objectives as far as water management is concerned.

The Company won two trials in court, as follows:

- by the Decision No. 610 / 11.12.2013, the court accepted the complaint filed by S.N.T.G.N. Transgaz S.A against the findings and sanctioning report no. 2825/16.05.2012, and, the tribunal decided to reject the appeal filed by Prut – Bârlad River Basin Administration; therefore, the fine of 12,500 lei was cancelled;
- by the Decision No. 973 / 13.11.2013, the court accepted the company's appeal, modifying the sentence, and accepting the complaint filed by S.N.T.G.N. Transgaz S.A against the findings and sanctioning report no. 48.013/19.06.2012 issued by the National Environmental Guard – Regional Commissariat of Galați; therefore, the fine of 17,500 lei was cancelled.

### ***Reducing environmental impact***

The concern about reducing environmental impact is one of the company's permanent activities, based on the monitoring of pollution sources, and on the compliance with the values set in the environmental permits by the competent authorities.

The Company's Environmental Protection Laboratory carried out the following activities:

1. Monitoring the pollution sources on the sites of SNTGN Transgaz SA;
2. Identification and assessment of environmental aspects on the sites of SNTGN Transgaz SA.

These activities are included in the **Integrated Management System for Quality and Environment (SMICM) for 2013, as approved by the Board of Directors.**

In 2013, these programmes were carried out on 639 sites, in full observance of the requirements included in the environmental permits, issued by ANPM Bucharest, and they consisted in the systematic performance, on the company's sites, of the following activities:

- noise level measurements;
- technological equipment tightness control for the identification of methane and ethyl mercaptan emissions;
- identification of various situations that do not comply with the environmental protection and/or accidental pollution legislation;
- identification and assessment of environmental aspects;
- elaboration of measurement bulletins, environment assessment sheets and monitoring reports.



Corrective technical measures were suggested for the sites where the emission limits had been exceeded, aiming to reduce the environmental impact. Such measures included: environmental protection services and works, procurement of environmental materials, waste management, and chemical tests.

**The centralized expenditure incurred in 2013 for these activities reach the amount of 331,733 lei.**

### ***Environmental Management***

The objectives of the environmental policy were transposed in the SMICM Programme for 2013, which led to the maintenance of the environmental management system, the compliance with the legal and regulatory requirements, pollution prevention, less wastes and resource consumption, as well as a reduced environmental impact. The abovementioned goals and targets were achieved by means of concrete actions, included in various programmes of the company.

**The supervisory audit of 2013 reveals the operation and maintenance of the Integrated Management System for Quality and Environment.**

### ***Health and occupational security concerns in 2013***

In 2013, the health and occupational security activity was mainly focused on the performance of the measured included in the "Prevention and Protection Plan". In order to reduce and/or eliminate the risk of on-site occupation accidents and illnesses, the company organized specific actions which contributed to the materialization of the planned measures, with a priority set on technical, organizational and sanitary-medical activities. Here are some aspects resulting from the analysis of how prevention and protection measures have been completed in the company:

The **organizational measures** carried out according to the plan:

- The medical examination of employees was carried out according to the legal requirements in force, by means of specialized labour medicine companies;
- According to the legal provisions in force, new types of individual protection equipment were procured and brought into service, selected and approved for procurement in CSSM, aiming so that employees may be appropriately equipped, assuring the necessary quantities required by the territorial exploitation sites. The deliveries for the contracts concluded in 2013 were carried out in the 4<sup>th</sup> quarter, because, after the tenders launched in February, the contracts were signed in August-September 2013. We underline the fact that, for the main types of protection outfits (winter and summer overalls, shoes and protection boots, felt shoes, water-mud proof boots, underwear, shirts), 2-year framework agreements were signed so that no problems may occur in the procurement of these items in 2014. We underline that the items from the delivered batches of safety shoes and boots were tested at the National Institute for Research and Development in Environmental Protection (INCDPM) of Bucharest in order to check their compliance with the application protection requirements, and whether they are consistent with the tendered product sample;

- Continuation of the actions referring to the “**Identification and assessment of the occupational accident and illness risk**” by means of the assessment teams created in the company, on the lucrative facilities of the Territorial Exploitation Sites. Consequently, based on these studies (the results of the assessments), the annual Prevention and Protection Plans – 2014 were elaborated for every Territorial Exploitation Site;
- Procurement from **S.C. Fortza Ro SRL Mediaş** of signalling-warning plates, made of enameled sheet, for a security signalling system carried out according to the provisions of the Government Decision No. 971/2006. They were distributed based on the demands of the Territorial Exploitation Sites;
- Conclusion of the contract with the Association SC ROMCONSULT LTD SRL Mediaş (association leader) and SC Service Implementare Producție SA Petrila (associate) for the elaboration of the technical documentations for 150 lucrative facilities (SRM, SCV, and Gas Compression Stations), which were to be submitted to INSEMEX Petroşani for the issue of the Ex. certificates and reports on explosion protection and Ex. zoning. Please note that Transgaz has concluded with **I.N.C.D.-I.N.S.E.M.E.X. Petroşani Contract no. 528/2011-2013** (for a period of 3 years) for certification services regarding the certification for facilities in dangerous Ex. areas (i.e. recertification, preparation of explosion protection reports and zoning approval for adjustment-measuring stations, compression stations etc.). Thus, the legal provisions resulting from Law no. 319/2006 on occupational safety and health, Government Decision no. 1058/2006 on the minimum requirements for improving the safety and health of workers who may be exposed to a potential risk generated by explosive atmospheres are complied with. During 2013, INCD-INSEMEX Petroşani issued 141 certificates for sites with potentially explosive environment;
- implementation of the provisions of Government Decision 300/2006 regarding minimum health and safety requirements for temporary of mobile Transgaz sites. These provisions were subsequently implemented at the level of the Research and Design Department, by carrying out the Health and Safety Plan even from its design stage, by the authorised designers, and, at the level of the Development Department, the company set as a compulsory requirement for all projects to be accompanied by a Health and Safety Plan upon entry into CTE, and the appointment by the Development Department with the Control, Quality and Environment, Protection and Security Department of safety coordinators for the work execution period. The Government Decision 300/2006 was also implemented at the level of territorial exploitation units and Mediaş Branch;
- Organization in November – December 2013 of the training course **Security and health coordinator during the execution of works**, attended by 6 occupational health and safety inspectors territorial sites and 9 site managers from Mediaş Branch,
- Conclusion of the consulting agreement with S.C. PRISMA QUALITY SRL of Ploieşti in order to implement and certify an occupational safety and health management system, according to OHSAS 18.001 – Occupational Health and Safety Assessment Health,
- Certification and recertification, within INCD- INSEMEX Petroşani, of several Transgaz specialists (engineers – energy coordinators, ohs inspectors, electricians);

- Between December 2012 – February 2013, 16 OHS specialists within the company participated to the risk assessment post-university course organized by “Lucian Blaga” University of Sibiu.

### ***Technical measures***

During the year, we monitored the implementation of the technical measures provided for in the 2013 Prevention and Protection Plans taking into account the **Projects of S.N.T.G.N. Transgaz Mediaș** regarding the policy of upgrading of the **National Transportation System**.

### ***Sanitary and Hygienic Measures***

In order to implement the sanitary and hygienic measures (providing sanitary and hygienic materials, completing/replacing the components of the first aid sanitary kits, pest control and deratization, protection food) contracts were signed by the company and followed by the specialized services of SNTGN Transgaz SA (Supply Service, Administrative Service) with companies providing the necessary materials and ensuring the concerned services.

### ***Other measures***

Actions of training, guidance and themed control were conducted by the OSH inspectors within the Internal Prevention and Protection Service, in accordance with the **Control Program**, drawn up by the Directorate for C-M.P.P. and approved by the Chief Executive Officer.

Thus, through specific means, the company managed to supervise the activity in all the types of work places and remedy any lack of conformity in an operative manner.

As regards occupational accidents, in 2013, there was one occupational accident resulting in a – employee **Bărbat Maria** – accountant in the Financial Service – Economic Department – had a car accident while going to the bank for business purposes (she was hit on the pedestrian crossing).

Another dangerous accident occurred in 2013, at Transgaz level, i.e. a **fire at SRM Negrești**, Vaslui County, belonging to Tecuci sector, Territorial Exploitation site of Brăila.

No occupational disease cases were recorded within SNTGN TRANSGAZ S.A. Mediaș in 2013.

As for the contraventions applied to SNTGN TRANSGAZ S.A, please note that the company received contravention sanctions for failure to observe occupational health and safety provisions amounting to:

- **9,500 lei** – Sanction given by Vaslui Territorial Labour Inspectorate for the event occurred on 30.01.2013, i.e. the fire from SRM Negrești, Vaslui County. The fine was appealed against in court.
- **1,500 lei** - Sanction given by Vaslui Territorial Labour Inspectorate for failure to report, in due time, the measures established after a specialized control. The fine was imputed on the employee Tănase Mirela – occupational safety inspector at the Territorial Exploitation of Brăila.

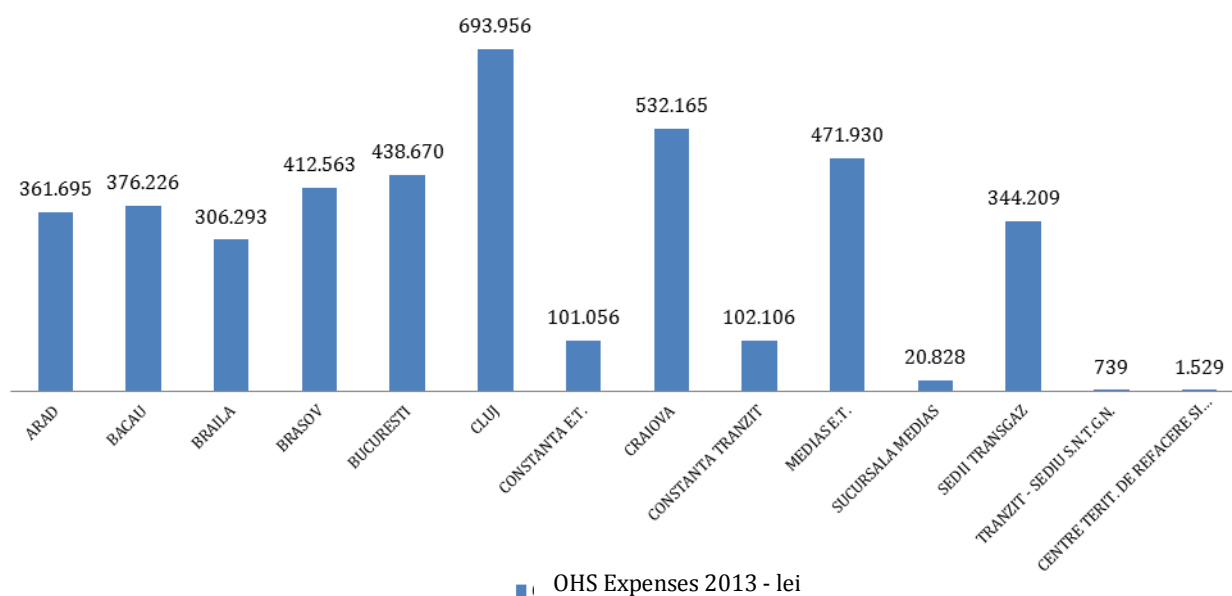
Events occurred and investigated in SNTGN Transgaz SA Mediaş in 2013:

1. Event that occurred on 20.04.2013 in the Territorial Exploitation of Braşov – SRM Braşov I – which involved operator Bordeianu Ioan who got sick at work. After he received the first aid in the ambulance of Braşov, the employee did not require medical absence, and the event was therefore not classified as an occupational accident;
2. Event that occurred on 27.11.2013 at SCV Coroi, which resulted in the slight injury of three employees from Târnăveni Sector – Territorial Exploitation site of Mediaş, namely – Popa Florin Celestin – electrician, Szasz Adrian Daniel – locksmith, and Deneş Florin – operator at SCV Coroi, which was also registered as a slight accident.

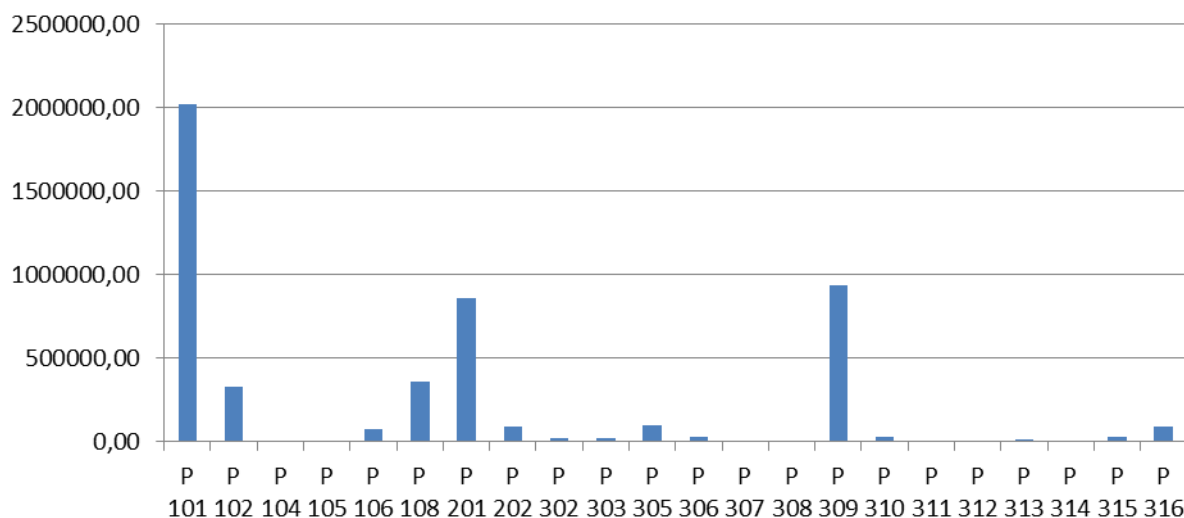
With regard to the expenses outlined in the expense budget for occupational safety for 2013, please note that the total amount is of 5,000,991.83 lei, an amount that does not include the expenses incurred as investment funds for updated technological equipment, and for production and office areas.

We shall hereby present the structure of the occupational safety expenses by Territorial exploitation site and by codes, according to the company’s records and accounting books:

### OHS EXPENSES IN 2013



## OHS CODES EXPENSES IN 2013



- P101- Personal protective equipment
- P305- Indoors and outdoors lighting materials
- P102- Medical Control
- P306- Heating plants and convectors
- P104- O.H.S. training office equipment
- P307- Fixed and portable gas detectors
- P105- OHS publications
- P308- Devices for measurement of the ethyl-mercaptan concentration
- P106- Employee certification
- P309- Modernization of odorization systems
- P108- Equipment certification
- P310- Drinkable water supply
- P201- Hygienic-sanitary materials
- P311- Ergonomic furniture
- P202- Disinsection and disinfection
- P312- Grounding circuit measurement devices
- P301- Performance regulators or noise attenuation devices
- P313- Grounding circuit repairs
- P302- Anti Ex. equipments
- P314- Electro-insulating platforms and carpets
- P303- Air conditioners
- P315- Rearrangements of toilets, bathrooms, showers
- P316- Signalling and warning materials

| <b>No.</b> | <b>MAIS CODE</b> | <b>EXPENSE CATEGORY</b>                                      | <b>VALOARE LEI</b>  |
|------------|------------------|--|---------------------|
| 1.         | P101             | Personal protective equipment                                | 2,020,575.68        |
| 2.         | P102             | Medical Control  | 329,307.04          |
| 3.         | P104             | O.H.S. training office equipment                             | 241.50              |
| 4.         | P105             | OHS publications   | 724.73              |
| 5.         | P106             | Employee certification                                       | 74,596.31           |
| 6.         | P108             | Equipment certification                                      | 359,247.72          |
| 7.         | P201             | Hygienic-sanitary materials                                  | 861,624.50          |
| 8.         | P202             | Disinsection and disinfection                                | 87,586.85           |
| 9.         | P302             | Anti Ex. equipments  | 18,987.71           |
| 10.        | P303             | Air conditioners   | 23,836.18           |
| 11.        | P305             | Indoors and outdoors lighting materials                      | 96,386.06           |
| 12.        | P306             | Heating plants and convectors                                | 30,252.58           |
| 13.        | P307             | Fixed and portable gas detectors                             | 1,524.12            |
| 14.        | P308             | Devices for measurement of the ethyl-mercaptan concentration | 14.82               |
| 15.        | P309             | Modernization of odorization systems                         | 934,242.86          |
| 16.        | P310             | Drinkable water supply                                       | 29,828.73           |
| 17.        | P311             | Ergonomic furniture  | 483.00              |
| 18.        | P312             | Grounding circuit measurement devices                        | 26.81               |
| 19.        | P313             | Grounding circuit repairs                                    | 13,738.77           |
| 20.        | P314             | Electro-insulating platforms and carpets                     | 768.49              |
| 21.        | P315             | Rearrangements of toilets, bathrooms, showers                | 25,274.04           |
| 22.        | P316             | Signalling and warning materials                             | 91,710.12           |
|            |                  | <b>TOTAL</b>   | <b>5,000,991.83</b> |