

No. DORU 4737/10.12.2015

Under analysis and approval in the General Shareholders' Ordinary Meeting on2016

Report

On the proposal to approve the Rules of procedure and organization of TRANSGAZ' Board of Administration

SUMMARY

The new corporate governance code adopted by the Bucharest Stock Exchange on 11 September 2015, applicable as of 04 January 2016, brings about a series of amendments to the current corporate governance code of which we would like to point out the following:

- The adoption by the Board of administration of a formal rigorous and transparent procedure for the appointment of the new members of the Board of administration;
- The inclusion in the Rules of procedure and organization of the Board of administration of some provisions related to the conflict of interests;
- Drawing up a policy/guide for the evaluation of the Board of administration (BA);
- Extension of the responsibilities of the Audit Committee and the appointment of a President;
- Elaboration of a policy for the remuneration of the administrators;
- Adoption by the Board of administration of a policy for the distribution of dividends, etc.

Within this context the updating of the provisions of the Rules of procedure and organization of the Board of administration was necessary. These rules of procedure proposed for approval include the provisions related to the organization, operation, structure, operating procedure (convening, preparation of the meetings, their organization) members' liabilities and responsibilities.

The Board of Administration by the HCA no 4/28.01.2016, art 7 endorsed the report no DORU 4737/10.12.2015 on the proposal to approve the Rules of procedure and organization of the Board of administration of the National Gas Transmission Company TRANSGAZ SA Mediaș.

PROPOSAL

The approval of the Rules of procedure and organization of the Board of Administration by TRANSGAZ' General Shareholders' Ordinary Meeting, based on the provisions of Chapter IV, art. 15, point 3, letter j of TRANSGAZ' Incorporation Document, updated, as proposed.

The Board of Administration of the National Gas Transmission Company TRANSGAZ SA operates based on GEO no. 109/2011 on the corporate governance of public enterprises, as amended, the companies' Law no. 31/1990, republished as amended from time to time, TRANSGAZ' Incorporation Act as approved, the corporate governance code of the Bucharest stock exchange and these Rules of procedure and organization.

According to art 142 of companies' Law no. 31/1990, republished as amended from time to time, the Board of Administration has to execute every necessary act for the performance of the company's activities, except for the ones under the competence of the General Shareholders' meeting, according to the law.

TRANSGAZ is managed by a Board of Administration comprising 5 members, most of the members of the Board of Administration are independent and non-executive administrators being chaired by a Chairman.

The Board of Administration delegated the management of the company to a Director General who is also an administrator, thus becoming an executive administrator.

Each of the administrators signed a mandate contract with TRANSGAZ for four years, which comprises, among other provisions, their remuneration and the rights and obligations of the administrator (authorized person).

According to the applicable legal provisions five advisory committees were constituted within the Board of Administration as follows:

1. The Nomination and Remuneration Committee;
2. The Audit and Rating Committee;
3. The NTS Safety and Security Committee;
4. Development and Strategy Committee;
5. The Regulation and Public Authorities Relations Committee.

These advisory committees operate according to an Internal Regulation.

According to the provisions of TRANSGAZ' Incorporation Document, the Board of Administration operates based on the Rules of procedure and organization and on the applicable legal regulations.

By the adoption on 11 September 2015, by the Bucharest Stock Exchange, of the new Corporate Governance Code, applicable as of 4 January 2016, several amendments were made with respect to the responsibilities of the Board of Administration and of the Advisory Committees, which lead to the amendment of the Rules of procedure and organization of the Board of administration.

Annexes: The Rules of procedure and organization submitted for approval.

STERIAN ION

CHAIRMAN OF THE BOARD OF ADMINISTRATION