

No. 21479/17.03.2022

Submitted for analysis in the OGMS meeting dated 28-29.04.2022

## REMUNERATION REPORT

### for the year 2021

Measuring the performance of the public enterprise is a process of improving the activities carried out and the use of the resources employed in order to efficiently meet the strategic objectives undertaken by the administrators and the management through the company's Management Plan, which includes the administration component, the management component and the key financial and non-financial performance indicators for the calculation of the variable component of the remuneration. The indicators are defined in line with the criteria provided for in Chapter II Section I -*The methodology for setting the key financial and non-financial performance indicators and the variable component of the remuneration* - from GD no. 722/ 28.09.2016 for the approval of the Methodological Rules for the application of some provisions of GEO no. 109/2011 regarding the corporate governance of public enterprises and approved by the General Meeting of the Shareholders.

Pursuing the goal of increasing the company's performance, the strategic redefinition of the company in accordance with the requirements of modern performance and competitiveness standards and the transformation of TRANSGAZ into an internationally recognized company, a leader in the energy market in the region, the company's directors, the Director General and the Chief Financial Officer of the company, ensured in 2021, in accordance with the provisions of the mandate contracts and the applicable legal framework, the effective administration and general management of the company, performing responsibly all the necessary acts for the general administration and management of the company, in its interest and for the achievement of its subject of activity, achieving technical and economic performance and meeting 100% of the key performance indicators.

**The annual report of the Nomination and Remuneration Advisory Committee regarding the evaluation of the performances of the administrative and executive management of TRANSGAZ for the activity carried out in 2021 is prepared in accordance with the provisions of art.55 par.3 of GEO 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented and the provisions of Article 107(1) and (2) of Law 24/2017 on issuers of financial instruments and market operations and it comprises:**

**I. Legal framework concerning the remuneration policy and criteria for TRANSGAZ' administrators, director general and chief financial officer:**

- Art.15. point 3 let (d) of the Articles of Incorporation of SNTGN Transgaz SA, updated on 24.08.2020, 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.153<sup>18</sup>, 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, as subsequently amended and supplemented 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"**
- 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"**.
- Art. 37, line (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, amended by GEO no. 51/May 29<sup>th</sup> 2013, providing that **"The remuneration of the members of the Board of Administration is established by the general meeting of the shareholders"**.
- 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 maximum 12 monthly fixed allowances"**;
- Art. 37, line (3) of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as amended and supplemented, providing that **"The fixed monthly allowance of the executive members may not exceed 6 times the average of the past 12 months of the average gross monthly earning for the activity carried out in line with the main activity performed by the company, at the class level according to the classification of the activities in the national economy communicated by the National Institute of Statistics previous to the appointment and from a variable component"**;

- Art. 37 line (5) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, introduced by GEO no. 51/May 29<sup>th</sup> 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. 38 line (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/ May 29<sup>th</sup> 2013, providing that **"The remuneration of directors is established by the Board of Administration and may not exceed the level of the remuneration established for the executive members of the Board of Administration. This is the only form of remuneration of the directors who are also administrators"**.
- Art. 38 line (2) of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, providing that **"the remuneration (of directors) consists in a fixed monthly compensation and a variable component consisting in a share of company's net profit, a pensions scheme or another form of remuneration based on performance indicators"**;
- Art. 39 line (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, 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, as subsequently amended and supplemented, **according to which the policy and criteria for remunerating administrators and managers in case of a unitary system are made public on the Internet page of the public enterprise by the care of the Board of Administration;**
- Art.20. point 1 let (d) of the Articles of Incorporation of the company updated on 24.08.2020, 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 cannot be delegated to managers, **the competence to appoint and revoke the managers and to establish their remuneration;**
- Art.143, line (1) corroborated with Art.143 line (4) of Companies Law no. 31/1990 with the further amendments and supplementing and corroborated with Art. 19. point 7 of the updated Articles of Incorporation of the company, providing that the **Board of Administration will delegate the company's management to the Director General of SNTGN Transgaz SA who is not the Chairman of the Board of Administration;**
- Art.143, line (5) of Companies Law no. 31/1990 with the further amendments and supplementing, **the manager of a joint stock company may only be the person to whom the company's management duties have been delegated to according to art. 143, line (1) of the Law no. 31/1990;**

- Art.153^18, 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;**
- **Remuneration policy and criteria of the Administrators, Director General and Chief Financial Officer of SNTGN "TRANSGAZ" S.A. approved according to art. 13 of the Resolution of the General Meeting of Shareholders no. 3 of 27.04.2021.**

## **II. Compared statement of the remuneration, company performance and average annual remuneration of employees for the period 2017-2021**

Measuring the performance of the public enterprise is a process of improving the activities carried out and the use of resources employed in order to effectively achieve the strategic objectives undertaken by the administrators and management through the company's Management Plan.

The strategic objectives set at the company level are aimed at increasing the company's performance, making the company's activity more efficient, redefining its strategy in accordance with the requirements of modern performance and competitiveness standards and transforming TRANSGAZ into a company with international recognition, a leader on the energy market in the region, making the most of all existing and future opportunities, in order for Romania to become an important energy corridor in the field of natural gas to Europe.

And because performance matters on the road to excellence, TRANSGAZ' Board of Administration took into account, when setting performance criteria and objectives, SMART performance indicators that measure the activity, profitability and productivity, the effectiveness of the proposed quantitative and qualitative objectives and express the strategic direction of the company's development.

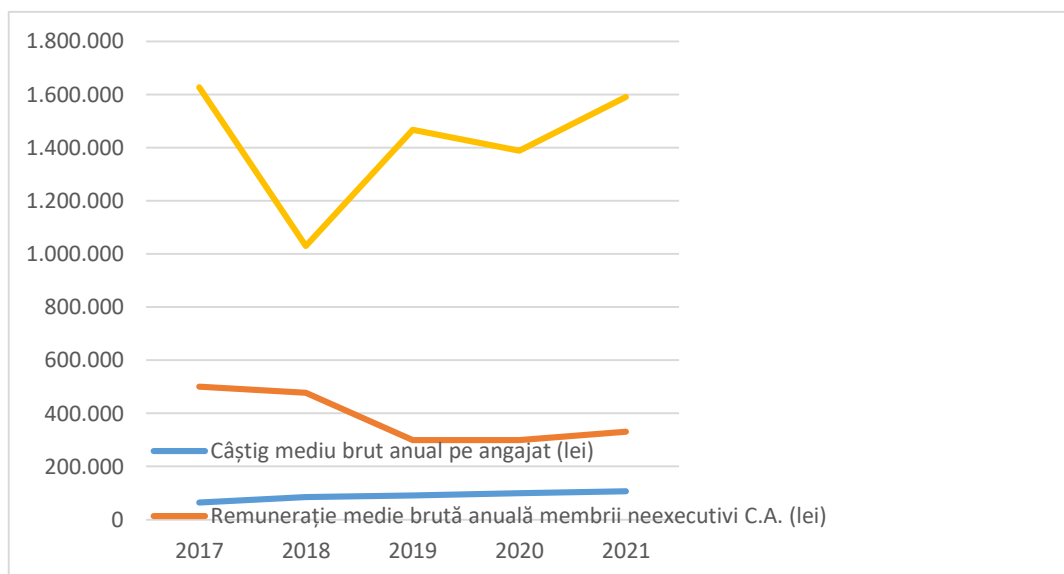
In accordance with Article 107(1). 2, letter b, of Law 24/2017 on issuers of financial instruments and market operations, republished, the Remuneration Report presents the evolution of the remuneration of managers in relation to the evolution of the company's performance and the evolution of the average salary of employees (non-managers).

Situation of the company's main performance indicators over the last 5 financial years:

<b>Indicator</b>	<b>DEGREE OF ACHIEVEMENT</b>				
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Maintaining the level of Operating Expenses excluding depreciation, balancing, construction activity and provisions at the level undertaken in the Management Plan</b>	115%	121%	120%	129%	143%
<b>Achievement of the EBITDA target undertaken in the Management Plan</b>	155%	163%	164%	119%	122%

The comparative situation at TRANSGAZ' level of the annual evolution of the remuneration of the non-executive and executive members of the Board of Administration, of the Director General, of the Chief Financial Officer, as well as the average annual gross earnings per employee during the last 5 financial years, is presented in the table and graph below:

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Average gross annual earnings per employee (lei)</b>	64.381	84.639	91.179	99.886	106.668
<b>Average gross annual remuneration of non-executive members of the BA (lei)</b>	500.028	477.078	299.520	299.520	330.863
<b>Average gross annual remuneration of executive directors with a mandate contract (lei)</b>	1.626.694	1.030.328	1.467.129	1.387.924	1.590.172



Average gross annual earnings per employee (lei)  
Average gross annual remuneration of non-executive members of the BA (lei)  
Average gross annual remuneration of executive directors with a mandate contract (lei)

### **III. The structure of the remuneration of TRANSGAZ' administrators, Director General and Chief Financial Officer**

Based on the legal documents listed above and on the mandate contracts concluded the following amounts of the remuneration have been established:

#### **1. Fixed remuneration**

##### **1.1. Non-executive administrators**

The monthly gross fixed remuneration for each non-executive member of the Board of Administration is twice the average of the average monthly earnings for the last 12 months of the activity carried out according to the main activity performed by the company at the class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment, recalculated to be reconciled with the

new mandatory social contributions due under Law no. 227/2015 and was approved by the Resolution no 2 of the Ordinary General Meeting of Shareholders of 6 March 2018.

Article 2 of the Resolution of the Ordinary General Meeting of Shareholders no. 2 of 22.04.2021 approved the renewal of the mandate of the following administrators for the period 30.04.2021-29.04.2025:

- Mr. Sterian Ion
- Mr. Văduva Petru Ion
- Mr. Minea Nicolae.

Pursuant to Article 5 of the Resolution of the Ordinary General Meeting of Shareholders no. 2 of 22.04.2021, Mrs. Dragotă Laura Raluca Alina and Mr. Abrudean Mircea were appointed as provisional administrators of the Board of Administration for a period of 4 months, with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure, starting from 29.04.2021.

By letter no. 20/11558 THG dated 13.05.2021, the General Secretariat of the Government requested that TRANGAZ take note of the termination of the mandates of Mrs Dragotă Laura Raluca Alina and Mr Abrudean Mircea as of 13.05.2021.

In accordance with Article 1 of the Resolution of the Ordinary General Meeting of Shareholders no. 4 of 17.06.2021, Mrs. Toader Mihaela Virginia and Mr. Orosz Csaba were appointed as provisional administrators of the Board of Administration for a period of 4 months, with the possibility of extending the term of office for another 2 months, until the selection procedure is completed, starting from 17.06.2021.

In accordance with art. 1.1 and 1.2 of the Resolution of the Ordinary General Meeting of Shareholders no. 9 of 14.12.2021, Mrs. Toader Mihaela Virginia and Mr. Orosz Csaba were appointed as provisional administrators of the Board of Administration for a period of 4 months, with the possibility of extending the term of office for another 2 months, until the selection procedure is completed, starting from 17.12.2021.

For the period **01.01.2021- 29.04.2021** the fixed gross monthly remuneration for each non-executive member of the Board of Administration has been established in accordance with the legislative framework in force and is in the amount of lei 12,480 gross per month.

For the period **30.04.2021- 31.12.2021** the gross fixed monthly remuneration for each non-executive member of the Board of Administration has been established in accordance with the legislative framework in force and amounts to lei 17,674 gross per month.

### **1.2 Director General**

For the period **01.01.2021 - 29.04.2021**, the fixed monthly remuneration for the Director General (Executive Administrator) is lei 35,740 gross monthly and was approved by the Resolution no 2 of the Ordinary General Meeting of Shareholders of 6 March 2018, art. 3.

For the period **10.05.2021 - 26.07.2021**, the fixed monthly remuneration for the provisional Director General (Executive Administrator) is lei 53,022 gross per month and was approved by Article 3 of the Resolution of the Board of Administration No 16 of 10.05.2021.

For the period **27.07.2021 – 31.12.2021** the fixed monthly remuneration for the Director General is of lei 54.276 gross monthly and was approved by art 1 of the Resolution no 22 of the Board of Administration of 27.07.2021.

### **1.3 Chief Financial Officer**

For the period **01.01.2021 – 29.04.2021** the fixed monthly remuneration for the Chief Financial Officer is lei 29,783 gross per month and was approved by the Resolution of the Ordinary General Meeting of Shareholders No 2 of 6 March 2018, art. 3.

For the period **10.05.2021 – 26.07.2021** the fixed monthly remuneration for the provisional Chief Financial Officer is lei 44,185 gross per month and was approved by art. 3 of the Resolution of the Board of Administration no. 16 of 10.05.2021.

For the period **27.07.2021 – 31.12.2021** the fixed monthly remuneration for the Chief Financial Officer is lei 45,230 gross per month and was approved by art. 1 of the Resolution of the Board of Administration no. 22 of 27.07.2021.

For the year 2021, the Director General and the Chief Financial Officer were entitled to cash compensation for the days of rest leave for the year 2020 not taken for duly justified reasons and for the days of rest leave for the year 2021, rights approved by the Board of Administration Resolution no. 34 of 31.07.2019 and by Article 1 of the Resolution of the Board of Administration No 22/27.07.2021.

The fixed remuneration of the Director General and the Chief Financial Officer shall be paid on the last working day of the month for which it is due, and the fixed remuneration of the non-executive members of the Board of Administration shall be paid on the date of payment of salary entitlements to employees.

For the year 2021, based on the mandate contracts, the remunerations for the non-executive and executive members of TRANSGAZ' Board of Administration and for the Chief Financial Officer are as follows:

#### ***Fixed remuneration (net amounts including travel expenses related to the mandate contract):***

➤ **01.01.2021 -31.12.2021**

Non-executive members: Remus Lăpușan (until 29.04.2021) – lei 29,577  
Nicolae Minea – lei 118,834  
Bogdan Iliescu (until 29.04.2021) – lei 29,204  
Petru Văduva – lei 111,916  
Abrudean Mircea (30.04.2021- 13.05.2021) – lei 3,265  
Dragotă Laura Raluca (30.04.2021- 13.05.2021) – lei 3,265  
Orosz Csaba (17.06.2021 -31.12.2021) – lei 67,546  
Toader Mihaela 17.06.2021 -31.12.2021) – lei 66,687

➤ **01.01.2021 - 31.12.2021**

Executive Member (Director General): Ion Sterian – lei 364,478  
Chief Financial Officer: Marius Lupean – lei 317,781.

#### ***Rest leave days taken (net values):***

➤ **01.01.2021 - 31.12.2021**

Director General: Sterian Ion – lei 45,500.  
Chief Financial Officer: Marius Lupean – lei 48,658

## **2. Variable remuneration**

### **2.1 Non-executive administrators**

For the period: **01.01.2021-29.04.2021** for the non-executive administrators, the maximum amount of the variable component is of 12 fixed monthly allowances as approved by the Resolution of the General Ordinary Meeting of Shareholders no. 2 of 6 March 2018.

For the period **30.04.2021- 31.12.2021** the maximum amount of the variable component for each non-executive member of the Board of Administration is 12 fixed monthly allowances, as approved by OGMS Resolution No. 1 of 20 January 2022.

## **2.2 Director General and Chief Financial Officer**

For the period **01.01.2021-29.04.2021** according to OGMS resolution no 3 of 27 April 2018, art 13 the general limits of the variable component of the remuneration of Transgaz' directors were approved as follows:

- Director General – Variable component up to the amount of euro 377.5 thousand gross/year;
- Chief Financial Officer - Variable component up to the amount of euro 36 thousand gross/year;

By **Resolution no 22/2018, for the above-mentioned period, Transgaz' Board of Administration** approved, in the meeting of 03.05.2018, art 26.2 based on the Report no 1880/02.05.2018 the following:

1. The value of the variable component of the remuneration of Transgaz' directors as follows:
  - Director General - euro 377.5 thousand gross/year;
  - Chief Financial Officer - euro 36 thousand gross/year

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 after GSM acknowledges the Annual Report of the Nomination and Remuneration Advisory Committee endorsed by the Board of Administration.

For the period **01.01.2021-29.04.2021**, 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 fulfilment of the Key Performance Indicators (KPI).

The total fulfilment of the key performance indicators (TFKPI) is the weighted average of the weighting coefficient of each KPI of the fulfilment degree of each KPI (FDEKPI).

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

The fulfilment degree of each KPI (FDEKPI) may be higher than 100% and lower than 0% but in the calculation of the total fulfilment 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  $\geq 80\%$ , the variable component of the remuneration is paid according to the presented calculation method.

- TFKPI  $\geq 50\%$  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.

For the period **10.05.2021- 31.12.2021** according to OGMS resolution no. 1 of 20 January 2022, art. 3, the general limits of the variable component of the remuneration of the directors of SNTGN TRANSGAZ S.A. were approved, as follows:

- Director-General - Variable component up to a maximum of 495,000 euro/gross/year;
- Chief Financial Officer - Variable component up to 80.000 euro/gross/year.

**Annual variable remuneration due = Amount of variable remuneration set by the addendum to the mandate contract x total degree of fulfilment of key performance indicators (KPIs)**

The total degree of fulfilment of key performance indicators (TF<sub>KPI</sub>) is the weighted average of the degree of fulfilment of each KPI (FD<sub>KPI</sub>).

$$TF_{KPI} = \sum(FD_{KPI} * \text{weighting factor})$$

The degree of fulfilment of each KPI (FDKPI) can be more than 100% and less than 0% but in the calculation of the total degree of fulfilment of the KPI (FDKPI)) will be taken into account as follows:

- FD<sub>KPI</sub> > 100% means FDKPI=100%
- FD<sub>KPI</sub> < 0% means FDKPI=0%

The variable component of the remuneration due to members of the Board of Administration will be directly proportional to FDKPI for the corresponding financial year.

Also in the event that:

- TF<sub>KPI</sub> ≥ 80%, the variable component of the remuneration is paid according to the presented calculation method.
- TF<sub>KPI</sub> ≥ 50% and TFKPI < 80%, the variable component of the remuneration is not paid;
- TF<sub>KPI</sub> < 50%, the administrators may be revoked.

The KPI are evaluated annually based on the annual audited financial statements and on the other verification instruments.

#### **IV. The calculation of the variable component of the remuneration of Transgaz' Administrators, Director General and Chief Financial Officer for 2021**

The calculation of the variable component for the period **01.01.2021 – 29.04.2021** of the remuneration of the non-executive members of Transgaz' Board of Administration, Director General and Chief Financial Officer is:

- **Non-executive members of the Board of Administration**

Considering the provisions of 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 amount of variable component of non-executive members may not exceed maximum 12 monthly fixed allowances"**,

(149.760 lei x 1 x 119days/365 days) = lei 48.826 gross – contributions = lei 28,563 net

- **Director General**

Considering the provisions of the Mandate Contract and of Addendum no 5 the value of the variable component of the remuneration of the Director General is the result of the following calculation:

(377.500Eur x1x4,9481eur x119 days/365 days) =608,989 lei gross – contributions = 356,259 lei net

- **Chief Financial Officer**

Considering the provisions of the Mandate Contract and of Addendum no 2 the value of the variable component of the remuneration of the Chief financial officer is the result of the following calculation:

(36.000Eur x1x4.9481eur x119 days/365 days) = 58,076 lei gross–contributions = 33,974 lei net

\*) **exchange rate** of the Romanian National Bank lei/EUR communicated on 31 December 2021 is lei **4,9481**.

The key financial performance indicators underlying the granting of the variable component of the allowance, were achieved 100% according to the table below:

Indicator	PA 2021	Achieved 2021	Fulfillment degree	
	01.01-29.04.2021		value	%
Outstanding payments - thousand lei	0	0	0	100%
Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) - thousand lei	1.136.843	794.931	-341.912	143,01%
Quick liquidity ratio	0,91	0,92	0,01	101,33%
Net debt ratio	4,00	3,80	-0,20	105,31%
EBITDA - thousand lei	399.780	485.447	85.667	121,43%

**Fulfilment of the key financial performance indicators:**

**1. Outstanding payment Indicator** was undertaken in the Management Plan at 0 (zero) value and it was achieved 100%.

**2. The performance indicators "Operating expenses (without depreciation, balancing, construction activity and the provisions for the impairment of current assets and for risks and expenses)"**

The indicator "Operating Expenses (less depreciation, balancing, construction activity and provisions for depreciation of current assets and for risks and expenses)", in the Management Plan was undertaken at the level of lei 1,136,843 thousand for the year 2021.

According to the audited financial statements related to 2021, the total Operating Expenses (less depreciation, balancing, construction activity and provisions for depreciation of current assets and for risks and expenses) was lei 794,931 thousand, representing a level of achievement of the undertaken level of 143.01%.

In 2021, these savings are significant and clearly suggest to the managers the sustained effort to maintain a high degree of profitability.

**3. Quick liquidity ratio** was undertaken in the Management Plan for 2021 in the amount of 0.91 and was achieved 0.92. This indicator indicates the capacity of the company to pay the short-term debts using the high liquidity degree assets from the balance.

**4. Net leverage rate indicator** was undertaken in the Management Plan for 2021 in the amount of 4 and was achieved 3.80.

In the context of the implementation of one of the largest and most important programs for the development of the gas transmission infrastructure the company's leverage capacity is maintained within the limits so as not to affect the financial balance of the company.

5. The "EBITDA" performance Indicator was fulfilled 121.43%, an amount of 485,447 thousand lei was actually achieved compared to 399,780 thousand lei undertaken in the Management Plan for 2021.

The fulfilment of this indicator signifies the assurance of an internal financing source for the strategic investment projects.

**Achievement degree of the key non-financial performance indicators:**

The non-financial key performance indicators achieved for 01.01.2021-29.04.2021:

D. Key performance indicators for the calculation of the variable component of the remuneration	Chairman and non-executive			Executive and financial		
	Share	Achievement degree	Level of achievement of the indicator	Share	Achievement degree	Level of achievement of the indicator
D1 – KYP financial	<b>20%</b>			<b>50%</b>		
D1.1 outstanding payments	4%	100%	0,040	10%	100%	0,100
D1.2 Operating costs	4%	100%	0,040	10%	100%	0,100
D.1.3 Current liquidity rate (acid test)	4%	100%	0,040	10%	100%	0,100
D.1.4 Net leverage rate	4%	100%	0,040	10%	100%	0,100
D.1.5 EBITDA	4%	100%	0,040	10%	100%	0,100
<b>D2 – Non-financial KPI</b>	<b>80%</b>			<b>50%</b>		
D.2.1 Operational						
D2.1.1 Investment	15%	100%	0,150	10%	100%	0,100
D.2.1.2 Increasing energy efficiency	5%	100%	0,050	5%	100%	0,050
D.2.2 Oriented toward public services						
D.2.2.1 Gas transmission Standard	10%	100%	0,100	15%	100%	0,150
D2.3 Corporate governance						
D.2.3.1 SCIM	10%	100%	0,100	4%	100%	0,040
D.2.3.2 Clients satisfaction	10%	100%	0,100	4%	100%	0,040
D.2.3.3 Risk Management	5%	100%	0,050	4%	100%	0,040
D.2.3.4 Reporting indicators in time	10%	100%	0,100	4%	100%	0,040
D.2.3.6 Increasing integrity	15%	100%	0,150	4%	100%	0,040
<b>TOTAL</b>	<b>100%</b>		<b>1,000</b>	<b>100%</b>		<b>1,000</b>
			<b>100,0%</b>			<b>100,0%</b>

Considering that the non-financial key performance indicators have been 100% achieved for the period **01.01.2021 - 29.04.2021**, the variable component for each member of the Board of Administration, Director General and Chief Financial Officer will have the maximum approved amount.

The calculation of the variable component for the period **30.04.2021 - 31.12.2021** of the remuneration of the non-executive members of TRANSGAZ' Board of Administration, the Director General and the Chief Financial Officer is as follows:

- **Non-executive members of the Board of Administration**

Considering the provisions of 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 amount of variable component of non-executive members may not exceed maximum 12 monthly fixed allowances"**,

(lei 212,088 x 1 x 246 days/365 days) = lei 142,942 gross – contributions = lei 83.621 net

- **Provisional Non-executive members of the Board of Administration**

(lei 212,088 x 1 x 183 days/365 days) = lei 106,335 gross – contributions = lei 62,206 net  
Mr Abrudean Mircea and Ms Dragotă Laura Raluca Alina did not benefit from the variable component of the remuneration during their mandate.

Mr Orosz Csaba and Ms Toader Mihaela Virginia benefited from the variable component of the remuneration only for the mandate contracts during the period 17.06.2021 – 16.12.2021.

- **Executive administrator (Director General) - received the variable allowance as a member of the BA for a period of 10 days**

(lei 212,088 x 1 x 10 days/365 days) = lei 5,811 gross – contributions = lei 3,399 net

- **Director General**

Considering the provisions of the Mandate Contract and of Addendum no 1 the value of the variable component of the remuneration of the Director General is the result of the following calculation:

(Eur 495,000 x 1 x 4,9481eur x 236 days/365 days) = lei 1,583.663 gross – contributions = lei 926,443 net

- **Chief Financial Officer**

Considering the provisions of the Mandate Contract and of Addendum no 1 the value of the variable component of the remuneration of the Chief financial officer is the result of the following calculation:

(Eur 80,000 x 1 x 4.9481eur x 236 days/365 days) = lei 255,946 gross – contributions = lei 149,729 net)

The key financial performance indicators achieved in 2021:

Indicator	PA 2021	Achieved 2021	Fulfillment degree	
	01.01-29.04.2021		value	%
Outstanding payments - thousand lei	0	0	0	100%
Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) - thousand lei	1.136.843	794.931	-341.912	143,01%
Quick liquidity ratio	0,91	0,92	0,01	101,33%
Net debt ratio	4,00	3,80	-0,20	105,31%
EBITDA - thousand lei	399.780	485.447	85.667	121,43%

**Degree of fulfilment of non-financial key performance indicators:**

Non-financial key performance indicators achieved for 30.04.2021 - 31.12.2021:

Key performance indicators for the calculation of the variable component of remuneration	NON-EXECUTIVE BA Members	EXECUTIVE BA Member	Chief Financial Officer
		Director General	
<b>D1 – Financial KPI</b>	<b>20%</b>	<b>50%</b>	<b>50%</b>
D1.1 Outstanding payments	0%	10%	10%
D1.2 Operating expenses	6%	10%	10%
D.1.3 Overall liquidity ratio	7%	10%	10%
D.1.4 Net debt ratio	7%	10%	10%
D.1.5 EBITDA	0%	10%	10%
<b>D2 – Non-financial KPI</b>	<b>80%</b>	<b>50%</b>	<b>50%</b>
D.2.1 Operational	20%	25%	25%
D.2.1.1 Investments	10%	10%	10%
D.2.1.2 Increasing energy efficiency	2%	5%	5%
D.2.1.3 Customer satisfaction	5%	5%	5%
D.2.1.4 International Cooperation	3%	5%	5%
D.2.2 Oriented towards public services	10%	15%	15%
D.2.2.1 Gas transmission standard	10%	15%	15%
D2.3 Corporate governance	50%	10%	10%
D.2.3.1 SCIM	20%	2%	2%
D.2.3.2 Risk management	10%	1%	1%
D.2.3.3 Timely reporting of indicators	10%	5%	5%
D.2.3.4 Implementation of the National anticorruption strategy	10%	2%	2%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Considering that the key non-financial performance indicators were achieved 100% during the period **30.04.2021 – 31.12.2021**, the variable component for each member of the Board of Administration, Director General and Chief Financial Officer will have the maximum approved value.

## CONCLUSIONS:

Following the assurance of an effective management and of an efficient coordination of the activity performed in 2021 the financial and non-financial key performance indicators were fulfilled 100% and the variable component for each member of the Board of Administration, the Director General and the Chief Financial Officer will have the maximum approved amount.

In line with the complete fulfilment of the key performance indicators the variable component for 2021 due to the non-executive members of the Board of Administration to the Director General and to the Chief Financial Officer according to the mandate contract is in the total net amount of lei **1,875,707** distributed as follows:

- Executive member (Director General) Mr. **Ion Sterian** – lei 1,286,101;
- Chief financial officer Mr. **Marius Lupean**: lei 183,702;
- Non-executive members:
  - Mr. **Iliescu Bogdan** lei 28,563,
  - Mr. **Petru Văduva** – lei 112,183 ;
  - Mr. **Nicolae Minea** – lei 112,183 ;
  - Mr. **Remus Lăpușan** – lei 28,563 ;
- Provisional non-executive members:
  - Mr. **Orosz Csaba** – 62,206 lei,
  - Mrs. **Toader Mihaela** – 62,206 lei

We would like to mention that the remunerations included in this report are the only forms of remuneration of the non-executive/executive members of the Board of Administration and of the Chief Financial Officer 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 date, namely from the date of the Resolution of the Ordinary General Meeting of the Shareholders by which the administrators were elected.

The mandate contract concluded with the Director General and the Chief Financial Officer shall be valid for a period of 4 years from the date of renewal/appointment, i.e. the date of the Resolution of the Board of Administration by which they were elected.

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

**VĂDUVA PETRU ION**

**OROSZ CSABA**

**MINEA NICOLAE**