



**THE NATIONAL GAS TRANSMISSION COMPANY**

# **INTERNAL RULES OF PROCEDURE**

**On the structure and operation of the Company's  
Board of Administration Advisory Committees**

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## CHAPTER 1

### LEGAL FRAMEWORK FOR THE ESTABLISHMENT, STRUCTURE AND OPERATION OF THE BOARD OF ADMINISTRATION ADVISORY COMMITTEES

- **Companies' Law no. 31/1990, republished, as amended, art. 1381 para. 2, art. 1382 para. 2, art. 140<sup>2</sup> para. (1) and para. (2);**
- **GEO no. 109/2011 on the corporate governance of public enterprises, art. 34 and art. 55 para. (2) and para. (3), as amended;**
- **Law no. 162/2017 on the statutory audit of the annual financial statements and of the consolidated annual financial statements and for the amendment of normative acts;**
- **Corporate Governance Code of the Bucharest Stock Exchange;**
- **The Articles of Incorporation of SNTGN Transgaz SA updated, Chapter V, art. 19 point 11;**
- **Resolutions of the Board of Administration (BoA):**
  - **BoA Resolution No. 10/28.02.2018**
  - **BoA Resolution No. 22/11.07.2017**
  - **BoA Resolution No. 15/16.05.2017**
  - **BoA Resolution No. 39/17.12.2015**
  - **BoA Resolution No. 43/19.11.2014;**
  - **BoA Resolution No. 21/ 16.06.2014;**
  - **BoA Resolution No. 2/ 10.02.2014;**
  - **BoA Resolution No. 13/ 29.07.2013;**
  - **BoA Resolution No. 7/ 27.05.2013;**
  - **BoA Resolution No. 16/ 30.10.2009;**
  - **BoA Resolution No. 13/ 24.09.2009;**

## CHAPTER 2

### ADVISORY COMMITTEES

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

## CHAPTER 3

### TASKS OF THE ADVISORY COMMITTEES

#### 1. THE NOMINATION AND REMUNERATION COMMITTEE

- coordinates the process of appointing the members of the Board of Administration;
- elaborates and proposes to the Board of Administration the Procedure for the election of the members of the Board of Administration;
- addresses recommendations on both the position of administrator and the filling of vacant positions within the Board of Administration;
- assesses the cumulative professional skills, knowledge and experience at the level of the Board of Administration, directors and other management functions;
- establishes the requirements for occupying a certain position in the management of the company;
- elaborates and proposes to the Board of Administration the procedure for the selection of candidates for the positions of director and other management positions;
- recommends to the Board of Administration candidates for the listed positions;
- apply best practices of corporate governance by improving knowledge of the company's business and constantly updating the professional competencies of Board members;
- develops the remuneration policy for administrators;
- submits such remuneration policy for approval to the General Meeting of Shareholders;
- formulates proposals on the remuneration of directors and other management position;

- informs about the remuneration policy in the Corporate Governance Statute / Regulations of the Company;
- presents in the Annual Report the total amount of the direct and indirect remuneration of administrators and directors, separately, according to the fixed and variable components of such remuneration;
- in determining the remuneration of non-executive directors, it will observe the principle of proportionality of this remuneration with the responsibility and time devoted to the exercise of their functions by the latter;
- draws up an annual report on the remuneration and other benefits granted to the administrators and directors during the financial year, which shall be presented to the general meeting of the shareholders and includes the information provided in art. 55 paragraph (3) of GEO no. 109/2011 on Corporate Governance of Public Enterprises;
- may, where appropriate, call on external experts to assist with the tasks they are required to perform.

**Note:**

- ***the committee shall be composed of at least two members of the Board of Administration in accordance with art. 140<sup>2</sup> paragraph (1) of the Companies Law, republished and updated;***
- ***the committee shall be composed of non-executive administrators, at least one of the members of the committee shall be an independent non-executive administrator, in accordance with art. 140<sup>2</sup> paragraph (2) of the Companies Law, republished and updated and art. 34 paragraph (4) of GEO 109/2011 on corporate governance of public enterprises.***

## 2. THE AUDIT AND RATING COMMITTEE

- Assists and issues recommendations to the Board of Administration regarding the setting of the accounting and financial control system and the financial planning;
- monitors the effectiveness of the entity's internal quality control systems and risk management systems and, where appropriate, of the internal audit regarding the audited entity's financial reporting, without violating its independence;
- monitors the statutory audit of the annual financial statements and of the consolidated annual financial statements, especially its performance, taking into account the findings and conclusions of the competent authority, in accordance with art. 26 para. (6) of EU Regulation no. 537/2014;
- performs an annual evaluation of the internal control system and presents relevant reports to the Board of Administration;
- assesses conflicts of interest in connection with the transactions of the company and its subsidiaries with related parties;
- monitors the application of legal standards and generally accepted internal audit standards;
- receives and evaluates the reports of the internal audit team;
- presents regular reports to the Board of Administration;
- prepares and submits to the Board of Administration for approval an opinion on the policy to make sure that any transaction of the company with any of the companies it has close relations with, whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board;
- meets whenever necessary, but at least twice a year when preparing the half-yearly and annual results, when ensuring their dissemination to shareholders and the general public;
- Verifies the compliance of the audit reports with the audit plan approved by the company;

- Assists the Board of Administration in monitoring the reliability and integrity of the financial information supplied by the company, in particular by revising the relevance and consistency of the accounting standards applied by it;
- Cooperates with the company's external financial auditor, who presents to the Committee a report of the relationship existing between the external auditor and the company and its group;
- is responsible for the selection procedure of the financial auditor or audit firm and recommends to the general meeting of shareholders the financial auditor or audit firm (s) to be designated in accordance with Article 16 of EU Regulation no.537/2014, unless Article 16 paragraph (8) of EU Regulation no. 537/2014 applies;
- evaluates and monitors the independence of the financial auditors or audit firms in accordance with art.21-25, 28 and 29 of Law no.162/2017 on the statutory audit of the annual financial statements and consolidated annual financial statements and amending certain acts and Article 6 of EU Regulation no. 537/2014 and, in particular, the opportunity to provide non-audit services to the audited entity in accordance with Article 5 of such Regulation;
- informs the members of the Board of Administration of the audited entity about the results of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and what was the role of the committee in this process;
- monitors the financial reporting process and submits recommendations or proposals to ensure its integrity;
- fulfils the responsibilities provided in art. 47 of GEO no. 90/2008, approved as amended by Law no. 278/2008, in accordance with art. 34 paragraph (3) of GEO 109/2011.

**Note:**

- ***the committee shall be composed of at least three members of the Board of Administration and the majority of the members shall be independent, in accordance with art.B.1. of the BSE Corporate Governance Code;***

- *the committee shall be composed of non-executive administrators, at least one of the members of the committee shall be an independent non-executive administrator, in accordance with art. 140<sup>2</sup> paragraph (2) of the Companies Law, republished and updated and art. 34 paragraph (4) of GEO 109/2011 on corporate governance of public enterprises;*
- *at least one member of the committee shall have competences in the field of accounting and statutory audit, proven by qualification documents for the respective fields, in accordance with art.65 paragraph (3) of Law no.162/2017 on statutory audit of the annual financial statements and consolidated annual financial statements and amending regulatory acts;*
- *the chairman of the committee shall be an independent non-executive member, in accordance with art.B.2. of the Corporate Governance Code of BSE;*
- *the chairman of the committee is appointed by its members or by the Board of Administration of the audited entity and is independent of the audited entity, in accordance with art.65 paragraph (5) of Law no.162/2017 on the statutory audit of the annual financial statements and of the consolidated annual financial statements and amending some regulatory acts.*

### **3. THE NTS SAFETY AND SECURITY COMMITTEE**

- periodically reviews the critical infrastructure criteria list of Transgaz and the established security measures;
- provides the necessary conditions for the implementation of measures to protect all critical infrastructure objectives of the company or under the authority/coordination of the company;
- monitors / updates its own programs for preventing and combating terrorism through optimal physical and organizational protection measures, with recommendations to the Board of Administration;
- monitors the fulfilment of programs for maintenance and modernization of NTS development as well as the observance of the technical norms for operation and maintenance of production capacities.

**Note:**

- *the committee shall be composed of at least two members of the Board of Administration in accordance with art. 140<sup>2</sup> para. (1) of Companies' law, republished and updated;*

- *at least one of the members of the committee shall be an independent non-executive administrator, in accordance with art. 140<sup>2</sup> paragraph (2) of the Companies Law, republished and updated.*

#### **4. THE STRATEGY AND DEVELOPMENT COMMITTEE**

- assists the Board of Administration in fulfilling its responsibilities in the field of elaboration and updating of the general strategy of the development of company;
- analyses the opportunities identified for business development and issues recommendations to the Board of Administration on these;
- analyses and assists the Board of Administration on the direction of international development and cooperation of the company;
- monitors and analyses the implementation of strategic and action plans / programs regarding the obligations of Transgaz as an NTS technical operator and stock exchange issuer;
- develops proposals for improving and streamlining strategic activity, development and collaboration;
- addresses recommendations to the Board of Administration on the effective operation of strategic and action plans / programs;
- monitors and analyses the performance indicators of the transport system and the economic and financial performance of the company's activity.

**Note:**

- *the committee shall be composed of at least two members of the Board of Administration in accordance with art. 140<sup>2</sup> para. (1) of Companies' law, republished and updated;*
- *at least one of the members of the committee shall be an independent non-executive administrator, in accordance with art. 140<sup>2</sup> paragraph (2) of the Companies Law, republished and updated.*

## 5. REGULATORY AND PUBLIC AUTHORITY RELATIONS COMMITTEE

- assists the Board of Administration in analysing the regulatory activity and legal obligations of the company in this field;
- monitors the fulfilment by the company of the obligations stipulated by the regulations that are incident to the performed activity;
- analyses and submits proposals to the Board of Administration on the regulatory framework;
- monitors collaborative relationships with public authorities and assists the Board of Administration in establishing and managing the collaboration policy.

**Note:**

- *the committee shall be composed of at least two members of the Board of Administration according to Art. 140<sup>2</sup> (1) of the Companies` Law, as republished and updated;*
- *at least one member of the committee shall be an independent non-executive administrator according to Art. 140<sup>2</sup> (2) of the Companies` Law, as republished and updated.*

## CHAPTER 4

### COMPOSITION OF ADVISORY COMMITTEES SET UP AT THE LEVEL OF THE COMPANY'S BOARD OF ADMINISTRATION

<b>1. NOMINATION AND REMUNERATION COMMITTEE</b>	
<b>VĂDUVA PETRU ION</b>	<b>non-executive administrator</b>
<b>MINEA NICOLAE</b>	<b>non-executive, independent administrator</b>
<b>ABRUDEAN MIRCEA</b>	<b>non-executive, independent administrator</b>
<b>2. AUDIT AND RATING COMMITTEE</b>	
<b>MINEA NICOLAE</b>	<b>non-executive, independent administrator, chairman of the committee</b>
<b>ABRUDEAN MIRCEA</b>	<b>non-executive, independent administrator</b>
<b>DRAGOTĂ LAURA RALUCA ALINA</b>	<b>non-executive, independent administrator</b>
<b>VĂDUVA PETRU ION</b>	<b>non-executive administrator</b>
<b>3. NTS SECURITY AND SAFETY COMMITTEE</b>	
<b>STERIAN ION</b>	<b>executive administrator</b>
<b>VĂDUVA PETRU ION</b>	<b>non-executive administrator</b>
<b>ABRUDEAN MIRCEA</b>	<b>non-executive, independent administrator</b>
<b>4. STRATEGY AND DEVELOPMENT COMMITTEE</b>	
<b>STERIAN ION</b>	<b>executive administrator</b>
<b>MINEA NICOLAE</b>	<b>non-executive, independent administrator</b>
<b>DRAGOTĂ LAURA RALUCA ALINA</b>	<b>non-executive, independent administrator</b>
<b>5. REGULATORY AND PUBLIC AUTHORITY RELATIONS COMMITTEE</b>	
<b>STERIAN ION</b>	<b>executive administrator</b>
<b>DRAGOTĂ LAURA RALUCA ALINA</b>	<b>non-executive, independent administrator</b>
<b>ABRUDEAN MIRCEA</b>	<b>non-executive, independent administrator</b>

## CHAPTER 5

TEMPLATE

### Activity Report of the Advisory Committees set up at the level of the company's Board of Administration

MONTH.....YEAR.....

1. ADVISORY COMMITTEE .....

2. COMPONENTS OF THE ADVISORY COMMITTEE:

1. MS/MR .....

2. MS/MR .....

3. MS/MR .....

3. SPECIFICATIONS REGARDING THE PERFORMED ACTIVITIES:

▪ CONSULTATIONS.....

.....

▪ PERFORMED ANALYSIS.....

.....

▪ WORKS CARRIED OUT (REPORTS/NOTES/LETTERS) .....

.....

▪ PROPOSALS/MEASURES/RECOMMENDATIONS.....

.....

.....

.....

No...../Date.....

Ms.....

Mr.....

**NOTE TO THE ADVISORY COMMITTEES ACTIVITY  
MONITORING AND ASSESSMENT REPORT:**

**Point 3:**

- At `*Consultations*` – the discussions and meetings with the executive management of the company will be taken into account, it will be mentioned `were necessary` or `were not necessary` and, if they were, the Division/Unit/Department with which discussions were held will be indicated;
- at `*Performed analysis*` - the analysed issues and the support materials used in the analysis will be indicated (e.g. investment programmes, budget, research programmes...);
- at `*Works carried out*` - the types and titles of the works carried out will be indicated, as the case may be.

**Point 4:**

- the measures/proposals/recommendations considered necessary following the performed analyses and the works carried out, the responsibilities and the deadlines for implementation will be indicated.