

BOARD OF ADMINISTRATION

Nomination and Remuneration Committee

**POLICY AND CRITERIA FOR THE
REMUNERATION
of Administrators, Director General and
Economic Director
of SNTGN „TRANSGAZ” S.A.**

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Chapter 1. Preamble

The Remuneration Policy ("Policy") of SNTGN "TRANSGAZ" S.A., a company established based on Government Decision no. 334/28 April 2000, a Romanian legal entity having the legal form of a joint stock company, is based on the good practices used at international and national level, as well as the legislative amendments recently introduced by Law no. 158 of 27.07.2020 amending Law no. 24/2017 on issuers of financial instruments and market operations.

SNTGN "TRANSGAZ" S.A. is the technical operator of the national natural gas transmission system and is responsible for its operation in conditions of quality, safety, economic efficiency and protection of the environment.

In 2016, the documentation comprising the remuneration policy approved by the Board of Administration by Decision of the Board of Administration no. 4/28.01.2016 was submitted for approval to the General Meeting of Shareholders of SNTGN „TRANSGAZ” S.A.

As the remuneration policy included only the remuneration method applicable at the level of 2016, as established by the mandate contracts concluded with the company's administrators, without meeting the elements of a generally applicable long-term policy, the company's shareholders, by Decision no. 4 of 23.06.2016, did not approve the remuneration policy in the form approved by the Board of Administration.

Chapter 2. Definitions and terms

OGMS	Ordinary General Meeting of Shareholders of SNTGN "TRANSGAZ" S.A.
BoA	The Board of Administration of SNTGN „TRANSGAZ” S.A. / Management and control body of the company managed in a unitary system.
Advisory Committees	Committees organized within the BoA in accordance with the provisions of art. 140 ² of Law no. 31/1990 on companies
NRC	The Nomination and Remuneration Committee set up at the level of the BoA that assists the BoA in taking informed decisions in the field of remuneration by making recommendations.
Non-executive Administrators	The members of the Board of Administration of SNTGN „TRANSGAZ” S.A. who were not appointed directors in accordance with the provisions of art. 143 of Law 31/1990 on companies and who carry out their activity on the basis of mandate contracts for the administration of the company.
Directors	Natural persons to whom the management of the company has been delegated by the Board of Administration, in

	accordance with the provisions of art. 143 of Law no. 31/1990 on companies, and who carry out their activity under a mandate contract. In the case of SNTGN „TRANSGAZ“ S.A., the Director General and the Economic Director are the only directors within the meaning of Law no. 31/1990 on companies.
SNTGN „TRANSGAZ“ S.A.	SNTGN "TRANSGAZ" S.A. is the technical operator of the National Transport System (SNT) which is responsible for its operation in conditions of quality, safety, economic efficiency and protection of the environment, a company listed on the Bucharest Stock Exchange, that carries out natural gas transmission activity in accordance with the provisions of the legislation and European and national regulations in force on the transmission of natural gas through pipelines, and also with those of specific legislation on the capital market and corporate governance.
Articles of Incorporation	The Articles of Incorporation of SNTGN „TRANSGAZ“ S.A, updated.
Remuneration	Payment received by the members of the Board of Administration and directors for the activity carried out during the mandate contract.
Fixed allowance	Part of total remuneration that is not directly related to the company's performance and is found in the mandate contracts of the directors.
Variable component of remuneration	Part of the remuneration that depends on the fulfillment of the key performance indicators approved by the Ordinary General Meeting of Shareholders and included in the annex to the mandate contracts.
Remuneration report	Document that reflects the implementation of the remuneration policy for the year ended and shows the current remuneration received by the members of the Board of Administration and directors.
Law 24/2017	Law no. 24/2017 on issuers of financial instruments and market operations.
Law 31/1990	Law no. 31/1990 on companies, with subsequent amendments and completions.

Chapter 3. The legal framework regarding the remuneration policy and criteria for the Administrators, Director General and Economic Director of SNTGN „TRANSGAZ” S.A.

<p>Article 15, point 3 para. (d) of the Articles of Incorporation of SNTGN „TRANSGAZ” SA, updated on 24.08.2020,</p>	<p>stipulates as the main attribution of the GMS, “establishing the level of the monthly remuneration of the members of the Board of Administration”;</p>
<p>Art. 111, paragraph (2), letter c) of Law no. 31/1990 on companies, with the subsequent amendments and completions,</p>	<p>in addition to debating other issues on the agenda, the GMS is obliged “to set the remuneration due for the current year to the members of the Board of Administration if it has not been set by the Articles of Incorporation”;</p>
<p>Art. 153 ^ 18, paragraph (1) of Law 31/1990 on companies, with the subsequent amendments and completions,</p>	<p>which stipulates that “the remuneration of the members of the Board of Administration is set by the Articles of Incorporation or by decision of the General Meeting of Shareholders”;</p>
<p>Art. 34, paragraph (2) of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, with subsequent amendments and completions,</p>	<p>stipulates that, “the Nomination and Remuneration Committee shall make proposals for the remuneration of directors and other management positions”;</p>
<p>Art. 37, paragraph (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, amended by GEO no. 51/29.05.2013,</p>	<p>stipulates that “the remuneration of the members of the Board of Administration shall be determined by the General Meeting of Shareholders”;</p>
<p>Art. 37, paragraph (2) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, amended by GEO no. 51/29.05.2013 in conjunction with Art. 38, paragraph (2)</p>	<p>stipulates that, “the remuneration of non-executive members of the Board of Administration consists of a fixed monthly allowance and a variable component, consisting of a share of the company's net profit, a pension scheme or other form of remuneration based on performance indicators ”;</p>
<p>Art. 37, paragraph (3) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/29.05.2013,</p>	<p>stipulates that “the remuneration of the executive members of the Board of Administration or of the Supervisory Board consists of a fixed monthly allowance that cannot exceed 6 times the average of the last 12 months of the monthly salary income for the activity carried out according to the main object of activity registered by the company, at class level according to the classification of activities in the national economy, communicated by the National Institute</p>

	<i>of Statistics prior to appointment, and from a variable component ”;</i>
Art. 37, paragraph (5) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, introduced by GEO no. 51/29.05.2013,	which stipulates that <i>“the GMS will ensure, when establishing the fixed monthly allowance of each member of the Board of Administration, that this is justified in relation to the specific duties, attributions within advisory committees, number of meetings, objectives and performance criteria established in the mandate contract ”;</i>
Art. 38, paragraph (1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, amended by GEO no. 51/29.05.2013,	which stipulates that <i>“the remuneration of the directors is set by the Board of Administration and may not exceed the level of remuneration established for the executive members of the Board of Administration. It is the only form of remuneration for directors who also fulfill the quality of administrators”;</i>
Art. 39, paragraph (1) of the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented,	which stipulates that <i>“the remuneration and benefits offered according to the law or the mandate contract to the administrators and directors within the unitary system, respectively to the members of the supervisory board and to the members of the management, in the case of the dualist system, will be recorded in the annual financial statements and the annual report of the Nomination and Remuneration Committee, the Board of Administration or the Supervisory Board and will include the remuneration and other benefits granted by the company and its subsidiaries ”;</i>
Art. 39, paragraph (3) of the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented,	<i>“by which the policy and the criteria for the remuneration of the administrators and directors in the case of the unitary system are made public on the website of the public enterprise by the Board of Administration”;</i>
Article 20, point 1 para. (d) of the Articles of Incorporation of the company updated on 24.08.2020,	which stipulates that <i>“a main attribution of the Board of Administration is also the attribution to appoint, suspend or revoke the Director General of Transgaz and to establish his remuneration”;</i>

<p>Art. 142, paragraph (2), letter c) of Law no. 31/1990 on companies, as subsequently amended and supplemented,</p>	<p>provides that the Board of Administration has among its core competencies, which cannot be delegated to directors, "the appointment and revocation of directors and the determination of their remuneration";</p>
<p>Art. 143, paragraph (1) in conjunction with Art. 143 paragraph (4) of Law no. 31/1990 on companies, with the subsequent modifications and completions and corroborated with Art. 19 Point 7 of the updated Articles of Incorporation of the company,</p>	<p>which stipulates that, "the Board of Administration may delegate the management of the company to one or more directors, appointing one of them as Director General, who does not also hold the position of Chairman of the Board of Administration";</p>
<p>Art. 143, paragraph (5) of Law no. 31/1990 on companies, as subsequently amended and supplemented,</p>	<p>"the director of the joint stock company is only the person to whom the management attributions of the company have been delegated, in accordance with art. 143, paragraph (1) of Law no. 31/1990 ";</p>
<p>Art. 153 ^ 18, paragraph (2) of Law no. 31/1990 on companies, as subsequently amended and supplemented,</p>	<p>which stipulates that "the remuneration of the directors, in the unitary system, is established by the Board of Administration", the Articles of Incorporation or the General Meeting of Shareholders set the general limits of all the remunerations granted in this way;</p>
<p>Law 24/2017 on issuers of financial instruments and market operations, as subsequently amended and supplemented.</p>	
<p>Guide for the implementation of the remuneration policy drafted by the Romanian Investor Relations Association.</p>	

Chapter 4. Purpose, field, scope and decision-making process

The remuneration policy establishes the general framework for the remuneration of the administrators, Director General and Economic Director of the company, this being completed in implementation by the legal provisions applicable to the field of activity, by the provisions of the Collective Labor Contract of SNTGN "TRANSGAZ" SA, mandate contracts and by the decisions of the Board of Administration and of the General Meeting of Shareholders.

The remuneration policy is in line with the company's business strategy, objectives, values and long-term interests and includes measures to avoid conflicts of interest and ensure an efficient corporate governance of the company.

The remuneration policy of SNTGN „TRANSGAZ“ S.A. aims to stimulate the increase of financial and operational efficiency and the sustainable development of the company, respecting the principles of good corporate governance.

The purpose of this policy is to establish the principles and remuneration framework of the administrators, Director General and Financial Director to be applied during their term of office.

The Remuneration Policy prepared by the Nomination and Remuneration Committee is subject to the approval/revision of the Board of Administration. The policy is subject to the shareholders' vote in the GMS, on the occasion of each significant change and at least once every 4 years. The review of the Remuneration Policy will take into account the point of view of the shareholders.

The revised remuneration policy and the result of the vote are published on the company's website.

Chapter 5. Nomination and Remuneration Committee and Remuneration Policy Objectives

The Nomination and Remuneration Committee is a 3-member advisory committee whose role is to assist the Board of Administration in establishing/supervising remuneration policies and practices. The members of the Nomination and Remuneration Committee are members of the BoA who do not hold executive positions.

The Nomination and Remuneration Committee is responsible for establishing the remuneration policy, for supervising its implementation and will ensure the avoidance of conflicts of interest..

The Nomination and Remuneration Committee (NRC) is constituted at the level of the Board of Administration and has the following responsibilities regarding the remuneration of the administrators, the Director General and the Economic Director:

- develops the remuneration policy for administrators, Director General and Economic Director;
- submits the remuneration policy for the approval of the General Meeting of Shareholders;
- formulates proposals regarding the remuneration of the directors of the company;
- informs about the remuneration policy in the Articles of Incorporation/Corporate Governance Regulation of the company;
- presents in the Annual Report the total amount of the remuneration of the administrators, Director General and Economic Director broken down into their fixed and variable component. In establishing the remuneration of non-executive directors, the principle of proportionality of this remuneration with the responsibility and time dedicated by them to the exercise these functions shall be observed;
- prepares an annual report on the remuneration and other benefits granted to the administrators, Director General manager and Economic Director during the financial year, a report that is presented to the General Meeting of Shareholders and includes information provided in art. 55 para. (3) of GEO no. 109/2011 on the corporate governance of public enterprises.

The objectives of the Remuneration Policy are the following:

- establishing the principles regarding remuneration;
- establishing structure of the remuneration of the administrators, Director General and Economic Director.

The remuneration policy aims to motivate, attract, increase the confidence and commitment of the administrators, Director General and Economic Director in achieving the objectives set and approved by the company's development strategy, measured in order to optimize the company's performance.

Chapter 6. General principles underlying the remuneration policy

The general principles for establishing the policy for the remuneration of the administrators, Director General and Economic Director are the following:

- attracting, retaining and motivating the best candidates for the positions of administrators, Director General and Economic Director;
- ensuring the long-term sustainability of the company's profits and its activity and generating long-term value;
- rewarding the achievement of objectives;
- maintaining competitiveness;
- aligning remuneration with recommendations on good governance;
- promoting transparency on remuneration and the criteria for setting it;
- maintaining a fair balance between the fixed allowance and the variable component of the remuneration.

Chapter 7. Structure of the remuneration of the administrators, Director General and Economic Director of SNTGN „TRANSGAZ“ S.A.

Based on the normative acts listed above, the remuneration of the members of the Board of Administration is established by the General Meeting of Shareholders, and the remuneration of the Director General and the Economic Director in the unitary system is established by the Board of Administration. **The remuneration consists of a fixed monthly allowance and a variable component.**

Depending on the legal framework in force, they may have other benefits such as: life insurance, health insurance, participation in pension schemes.

The Director General and the Economic Director benefit from all the rights provided in the Collective Labor Contract concluded at the level of the company.

On the recommendation of the Nomination and Remuneration Committee, SNTGN „TRANSGAZ“ S.A. may contract a specialized company to carry out a comparative study on the remuneration conditions of the members of the Board of Administration, the Director General and the Economic Director, a study necessary to establish the remuneration of the Directors, according to art. 38 of GEO no. 109/2011 on the corporate governance of public enterprises, with subsequent amendments and completions.

Fixed allowance

According to the legal provisions in force, mentioned in chapter 3, the fixed monthly allowance for each non-executive member of the Board of Administration cannot exceed two times the average of the last 12 months of the gross monthly salary income for the activity carried out

according to the main object of activity registered by the company, at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to appointment.

The fixed monthly allowance for the Director General and the executive members of the Board of Administration and the directors cannot exceed 6 times the average of the last 12 months of the gross monthly salary income for the activity carried out according to the main object of activity registered by the company, at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to appointment.

Variable component of remuneration

The variable component of the remuneration is approved by the Decision of the Ordinary General Meeting of Shareholders.

The variable component is paid according to the degree of achievement of the performance indicators identified at the company level and included in the company's Management Plan, approved by the Decision of the Ordinary General Meeting of Shareholders. Performance targets are linked to financial and non-financial criteria.

The variable annual remuneration component will be based on financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders. The variable component of the remuneration of the members of the Board of Administration is reviewed annually, depending on the level of achievement of the objectives included in the Management Plan and the degree of fulfillment of the financial and non-financial performance indicators approved by the General Meeting of Shareholders, annex to the Mandate Contract..

According to the legislation in force, the amount of the variable component of non-executive members may not exceed a maximum of 12 fixed monthly allowances.

Remuneration and benefits provided under the law or the mandate contract of the administrators, Director General and Economic Director within the unitary system will be recorded in the annual financial statements, in the annual report of the Nomination and Remuneration Committee and the report of the Board of Administration.

The calculation method of the value of the variable component of remuneration:

Due variable annual remuneration = Amount of variable remuneration established by the mandate contract/amendment to the mandate contract * total degree of fulfillment of key performance indicators (GTICP).

The total degree of achievement of the key performance indicators (GTICP) is the weighted average with the weightage coefficient corresponding to each ICP of the degree of achievement of each ICP (GIICP).

$$GTICP = \sum(GIICP * \text{weightage coefficient})$$

The degree of fulfillment of each ICP (GIICP) may be greater than 100% and less than 0% but in the calculation of the total degree of fulfillment of the ICP (GTICP) it will be taken into account as follows:

- GIICP > 100% means GIICP = 100%;
- GIICP < 0% means GIICP = 0%.

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

Also, if: $GTICP \geq 80\%$, proceed as follows:

- $GTICP \geq 50\%$ and $GTICP < 80\%$, the variable component of remuneration is not paid;
- $GTICP < 50\%$, the administrators can be revoked.

ICP is evaluated annually, based on the audited annual financial statements and other audit tools.

Remuneration of non-executive members of the Board of Administration

The fixed monthly allowance for each non-executive member of the Board of Administration may not exceed twice the average of the last 12 months of the gross monthly salary income for the activity carried out according to the main object of activity registered by the company, at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to appointment.

According to the legislation in force, the amount of the variable component for the non-executive members of the Board of Administration may not exceed a maximum of 12 fixed monthly allowances.

Remuneration of the Director General and of the Economic Director

The fixed monthly allowance for the Director-General and the Economic Director may not exceed 6 times the average of the last 12 months of the gross monthly salary income for the activity carried out according to the main object of activity registered by the company, at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to appointment.

The variable component is paid according to the degree of achievement of the key performance indicators identified at the company's level and included in the company's Management Plan, approved by the Decision of the Ordinary General Meeting of Shareholders. Performance targets are linked to financial and non-financial criteria.

The level of the variable component is established according to the duly motivated recommendations, formulated on the basis of a comparative study on the remuneration conditions for similar positions in companies, from the same field of activity, with majority or full state capital from other European countries.

Chapter 8. Other types of benefits

The company's administrators, Director General and Economic Director have other types of benefits, as per their mandate contracts, such as: professional liability insurance policy, settlement of expenses related to the execution of the mandate based on supporting documents, without being limited to: accommodation, daily allowance, transport, participation fees for courses, seminars, etc.

The payment of the professional liability insurance will be paid by the company, it is not part of the remuneration and will be mentioned in the mandate contract.

Chapter 9. Duration of mandate contracts, applicable notice periods, conditions for cancellation/termination of contracts

The mandate contracts signed with the members of the Board of Administration, the Director General and the Economic Director are concluded for a period of 4 years.

Mandate contracts terminate by:

- a) the waiver of the Administrators/Mandatar's term of office for reasons not attributable to him, by a notification sent by the Mandatar at least 45 days prior to the date on which the termination will take effect;
- b) revocation of the Administrator/Mandatar by the General Meeting of Shareholders, without giving prior notice;
- c) expiration of the term of office;
- d) by law, in other cases provided for in the applicable legal framework;
- e) the intervention of a case of incompatibility or of a prohibition provided by law, established according to the law;
- f) the occurrence of a situation of Force Majeure or fortuitous situations that make it impossible to continue the execution of the mandate contract;
- g) withdrawal/non-granting of the ORNISS authorization;
- h) the agreement of the parties.

The Director General and the Economic Director benefit from additional days of rest leave and the leave allowance calculated according to the provisions of the Collective Labor Contract. They also have the right to benefit from monetary compensation for outstanding leave days for duly justified reasons.

If the Administrator/Mandatar is permanently unable to exercise the Mandate/Legal Impediment, the termination will take effect from the date of expiration of the term of 90 consecutive days of incapacity for work. To this end, the Mandatar is obliged to notify the company of the state of physical incapacity/impossibility and to attach the related evidence on the day immediately following the expiration of this term.

In case of unjustified revocation of the Administrator/Mandatar he is entitled to receive compensation equivalent to 12 net monthly fixed allowances if the revocation takes place in the first 3 years of the mandate and maximum 6 net monthly fixed allowances if the revocation takes place in the last year of mandate. Payment of this amount as compensation shall be made within 60 working days from the date the revocation is found to be without just cause.

In case of revocation with just cause of the Administrator/ Mandatar he is not entitled to receive compensation from the Mandator. For the avoidance of any misunderstanding, any of the following reasons shall constitute a "just cause" within the meaning of this article, the enumeration being non-limitative:

- a) failure to meet performance objectives and indicators;
- b) failure to fulfill any legal or contractual obligation stipulated in the contract;

c) refusal to conclude amendments to the contract establishing performance indicators.

In case of revocation of the Administrator/Mandatary for grounded/ justified reasons, the company does not owe him any compensation for the period not performed during the mandate.

Chapter 10. Making payments

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

The payment of the variable remuneration component is made annually, after the approval by the General Meeting of Shareholders of the annual financial statements prepared in accordance with IFRS and after the GMS takes note of the annual report of the Nomination and Remuneration Committee, approved by the Board of Administration.

Chapter 11. Conflict of interest

When applying the remuneration practices in SNTGN „TRANSGAZ“ S.A. staff with competences regarding remuneration decisions will monitor compliance with this policy, the Code of Ethics and other internal regulations, acting independently, without being affected by influences, pressures or conflicts of interest.

The persons responsible for the application of the Remuneration Policy must maintain the confidentiality of the information regarding the company's employees and the decisions regarding the remuneration they obtain from the exercise of their duties and its use in personal interest or of third parties is prohibited. It is forbidden to receive gifts or other benefits for performing/not performing an action during the activity.

The members of the Board of Administration have an obligation of loyalty to the Company and will avoid conflicts of interest, defined as situations in which their personal or professional interests make it difficult to take objective measures in the interest of the Company and its shareholders and fulfill their role as Administrator.

The members of the Board of Administration will report annually to the Audit Committee their main professional functions and activities, including duties within non-profit organizations, as well as any relevant legal entities in which the Administrators themselves or those they represent are significant shareholders. The Audit Committee will ensure that there are no conflicts of interest. In the event that, during the year, changes occur in the situation reported to the Audit Committee, they will be declared no later than five days after the change.

Administrators shall be required to declare any current or potential conflicts of interest at the beginning of all meetings of the Board and not to take part in any deliberations of the Board on the transactions in respect of which such conflict of interests exists, except the case in which their absence would prevent the formation of a quorum.

In the event of a conflict of interest and abstention from debating and voting on those matters, the justified absence of the administrator concerned shall be mentioned in the minutes of that meeting.

If a transaction in respect of which an Administrator has a current or potential conflict of interest cannot be avoided, the transaction or business relationship with the Company will be handled with due caution and in a fully transparent manner.

Chapter 12. Derogations from Policy

On the recommendation of the Nomination and Remuneration Committee, in exceptional circumstances, a temporary derogation from any section of the Policy may be granted, at its sole discretion, in the following exceptional circumstances:

- a) in case of change of a member of the Board of Administration, in accordance with the new mandate contract;
- b) in the event of significant changes in its overall financial and/or operational performance which may result in the adjustment of the elements used to calculate the remuneration;
- c) in any other case where the derogation may be necessary to serve the long-term interests and sustainability of the company or to ensure its viability, but without increasing the remuneration of the members of the Board of Administration, the Director General and the Economic Director.

Changes in the relevant legislation may lead to derogations from the Remuneration Policy.

Nomination and Remuneration Advisory Committee

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