



## NOMINATION AND REMUNERATION COMMITTEE

### 2018 ANNUAL REPORT

#### on the Remuneration and other Benefits granted to the Members of the Board and Managers of S.N.G.N. Romgaz S.A.

#### I. Preamble

This report is drafted in accordance with the provisions of Article 55, paragraph (2) and (3) of the Government Emergency Ordinance No. 109/2011 on public companies corporate governance, as supplemented and amended (Law no. 111/2016) according to which:

- "(2) *The Nomination and Remuneration Committee of the Board of Directors, [...] elaborates an annual report on the remunerations and other benefits granted to members of the Board and managers during the financial year.*
- "(3) *The report specified in paragraph (2) is submitted to the General Meeting of Shareholders for approval of the annual financial statements. The report is available to the shareholders in accordance with Article 39, paragraph (1) and includes at least the following information:*
  - a) *Remuneration structure, explaining the weight of variable component and fixed component;*
  - b) *Performance criteria which substantiate the remuneration variable component, the ratio between the achieved performance and remuneration;*
  - c) *Reasons that justify any annual bonus schemes or non-cash benefits;*
  - d) *Possible supplementary or early pension schemes;*
  - e) *Information regarding the duration of the contract, the negotiated period of notice, the quantum of damages for unjust dismissal.*

#### II. Legal and internal regulations on remuneration and other benefits granted to members of the Board and managers

The legal and internal regulation taken into account for determining the rules on remuneration of members of the Board and managers of the Company are the following:

- ↳ **Articles of Incorporation of the Company**
  - Article 12, paragraph (4), item d) provides as main power of the General Meeting of Shareholders „*the election and dismissal of the Board of Directors' members, and establishing their remuneration*";
- ↳ **Company Law 31/1990, as supplemented and amended**
  - Article 111, paragraph (2), item c) provides that GMS has to „*establish the remuneration of the Board of Directors' members for the current period [...], if not established by the Articles of Incorporation*";

- Article 142, paragraph (2), item c) includes among the key powers of the Board of Directors that cannot be delegated to managers *“the appointment and dismissal of managers and establishment of managers remuneration;*
- Article 153<sup>18</sup>, paragraph (1), provides that :*“The remuneration of the Board of Directors’ members is established either by Articles of Incorporation or by resolution of the General Meeting of Shareholders”;*
- Article 153<sup>18</sup>, paragraph (4) provides that: *“(4) The General Meeting of Shareholders, the Board of Directors, respectively [...]and, if the case may be, the Remuneration Committee, shall ensure, when establishing the remuneration and other benefits, that these are in accordance with the specific duties of the respective persons and with the economic status of the company”.*

↙ **Government Emergency Ordinance No. 109/2011 on public companies corporate governance, as supplemented and amended, approved by Law 111/2016**

- Article 37, paragraph (1) provides that: *“The remuneration of Board of Directors’ members [...] is established by the General Meeting of Shareholders in terms of structure and within limits specified in paragraph (2) and (4.)”;*
- Article 37, paragraph (2) provides that: *“The remuneration of non-executive members of the Board of Directors [...] consists of a monthly fixed remuneration and a variable component. The fixed monthly remuneration shall not exceed twice the average of the monthly gross average salary over the last 12 month for work carried out in accordance with the company’s main business, at the level of class of activity, in accordance with the classification of activities of the national economy, as communicated by the National Institute of Statistics, prior to nomination.*

*The variable component is established based on financial and non- financial performance indicators negotiated and approved by the General Meeting of Shareholders, which are not similar to the performance indicators approved for executive members, determined in compliance with the methodology provided in Article 3<sup>1</sup>, paragraph (5), and which are also aiming for a long term sustainability of the company, and compliance with the principle of good governance.*

*The variable component for non-executive members cannot exceed a maximum of 12-monthly fixed remuneration”;*

- Article 37, paragraph (3) provides as follows: *“The remuneration of the executive members of the Board of Directors [...] consists of a monthly fixed remuneration that shall not exceed six times the average of the monthly gross average salary over the last 12 month for the work carried out in accordance with the company’s main business, at the level of class of activity, in accordance with the classification of activities of the national economy, as communicated by the National Institute of Statistics, prior to nomination.*

*The variable component is established based on financial and non-financial performance indicators negotiated and approved by the General*

*Meeting of Shareholders, which are not similar to the performance indicators approved for non-executive members, determined in compliance with the methodology provided in Article 3<sup>1</sup>, paragraph (5).*

- Article 37, paragraph (4) –provides that *“the variable component only of the remuneration of the Board of Directors’ members [...] is annually revised in accordance with the level of achievement of the objectives provided in the governance plan and the level of fulfilment of the financial and non-financial performance indicators approved by the General Meeting of Shareholders, attached to the Contract of Mandate”.*
- Article 37 paragraph (5) provides as follows: *“The General Meeting of Shareholders shall ensure, when establishing the fixed monthly remuneration for each member of the Board [...] as established pursuant to paragraph (2) and (4), that these are in accordance with the specific duties, the responsibilities within the advisory committees, the number of meetings, objectives and performance criteria provided in the contract of mandate.*
- Article 38, paragraph (1) – provides as follows *“the remuneration of the members of the Board is set by the Board of Directors and cannot exceed the level of remuneration set for the executive members of the Board of Directors. It represents the sole remuneration form for the managers serving also as members of the Board. “*
- Article 38, paragraph (2)- provides as follows *“the remuneration consists of a monthly fixed remuneration set within the limits provided in Article 37, paragraph (3) and a variable component representing a participation share to the company’s net profit, granting of shares, stock -options or an equivalent scheme, a pension scheme or another form of remuneration based on performance indicators”;*
- Article 38, paragraph (2)- provides as follows *“The approved financial and non-financial performance indicators represent elements for determining the variable component of remuneration for the company’s directors”;*
- Article 39, paragraph (1) provides as follows: *“Remuneration and other benefits granted in accordance with the law and the contract of mandate to directors and managers in one tier system [...] shall be recorded in the annual financial statements and in the annual report of the nomination and remuneration committee, and Board of Directors [...] and will include the remuneration and other benefits granted by the company and its subsidiaries”;*
- Article 39, paragraph (3) provides as follows: *“The remuneration policy and criteria for the members of the Board and managers, in a one tier system [...]as well as the level of remuneration and other benefits granted to each member of the Board and managers, are made available to the public on the company’s web page, by the chairman of the Board of Directors [...]”.*

#### ↪ **GMS and Board of Directors’ Resolutions**

- GMS Resolutions appointing the members of the Board of Directors holding that position during 2018, and approving the form of the director’ agreement (during 2018):
  - Resolution no. 6 of April 26, 2018 approving the extension of the interim member of the Board mandate with a period of 2 months from the date of its expiry for: Mr. Nistoran Dorin Liviu, Mrs. Baciu Sorana Rodica, Mr.

Ciobanu Romeo Cristian, Mr. Grigorescu Remus, Mr. Cermonea Ioan Daniel, Mr. Volintiru Constantin Adrian, Mr. Anghel Daniel Florin and;

- Resolution no. 8 of July 6, 2018, following the cumulative vote, appointing the following persons as member of the Board for a four years mandate: Mr. Nistoran Dorin Liviu; Mr. Volintiru Constantin Adrian; Mrs. Ungur Ramona; Mr. Grigorescu Remus; Mr. Ciobanu Romeo Cristian; Mr. Jude Aristotel Marius; Mr. Petrus Antonius Maria Jansen and approving the form and content of the Director Agreement;
- GMS Resolution no. 14 of August 26, 2013 setting the general limits for the remuneration of the Chief Executive Officer;
- Board of Directors Resolutions concerning the company's managers- the Chief Executive Officer and the Chief Financial Officer:
  - Resolution no. 37 of December 14, 2017 approving the appointment of Mr. Cindrea Corin Emil for the position of interim Chief Executive Officer for a 4 months period, with the possibility of extending his mandate by maximum 6 months in accordance with legal provisions and delegating some internal management duties and representation duties;
  - Resolution no. 19 of April 12, 2018 approving the extension of the contract of mandate for the Chief Executive Officer of the company- Mr. Cindrea Corin Emil by 2 months, until June 14, 2018;
  - Resolution no. 29 of June 14, 2018 approving the appointment of Mr. Volintiru Constantin Adrian for the position of Chief Executive Officer for a four months period and approving the contract of mandate;
  - Resolution no. 35 of July 16, 2018 approving the initiation of selection procedure for the position of Chief Executive Officer of the company;
  - Resolution no. 45 of October 01, 2018 appointing Mr. Volintiru Constantin Adrian as Chief Executive Officer for a 4 years mandate;
  - Resolution no. 48 of October 09, 2018 approving the contract of mandate for the Chief Executive Officer;
  - Resolution no. 30 of November 2, 2017 appointing Mr. Bobar Andrei for the position of Chief Financial Officer ;
  - Resolution no. 39 of August 28, 2018 appointing Mr. Andrei Bobar for the position of Chief Financial Officer for a limited period, starting on August 28, 2018 until November 02, 2021 and approving the contract of mandate to be concluded with the Chief Financial Officer.

### **III. Composition of the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee assists the Board of Directors to fulfil its responsibilities as regards the composition and structure of the Board, the selection and remuneration of the members of the Board and managers.

↳ *The current composition of the Nomination and Remuneration Committee as of December 31, 2018 is as follows:*

<b>Item</b>	<b>Surname and name</b>	<b>Position</b>
1	Grigorescu Remus	chairman
2	Nistoran Dorin-Liviu	member
3	Ungur Ramona	member

↪ *Composition of the Committee as of December 31, 2017 was as follows:*

Item	Surname and name	Position
1	Cermonea Ioan Daniel	chairman
2	Nistoran Dorin-Liviu	member
3	Baciu Sorana-Rodica	member
4	Grigorescu Remus	Member

During 2018, the composition of the Nomination and Remuneration Committee underwent changes mainly due to changes within the Board of Directors, namely:

- *January 25, 2018:* By Resolution no. 3, the Board of Directors approved the composition of the Nomination and Remuneration Committee as follows: Mr. Grigorescu Remus- chairman, Mr. Nistoran Dorin Liviu- member, Mr. Cermonea Daniel Ioan- member, Mrs. Baciu Sorana Rodica- member, Mr. Volintiru Adrian Constantin- member;
- *May 14, 2018:* By Resolution no. 25, the Board of Directors approved the composition of Nomination and Remuneration Committee as follows: Mr. Grigorescu Remus- chairman, Mr. Nistoran Dorin Liviu- member, Mr. Cermonea Daniel Ioan- member, Mrs. Baciu Sorana Rodica- member, Mr. Volintiru Adrian Constantin- member;
- *July 16, 2018:* By Resolution no. 35, the Board of Directors approved the composition of the Nomination and Remuneration Committee: Mr. Grigorescu Remus- chairman, Mr. Nistoran Dorin Liviu- member, Mrs. Ungur Ramona- member, Mr. Ciobanu Romeo Cristian- member.

#### ***IV. Remuneration structure and its quantum, the share of each component of remuneration related to members of the Board and managers***

During 2018:

- the GSM approved the modification of the quantum of the gross monthly fixed remuneration of the Board members, following the application of the provisions of GEO 79/2017 for the modification and completion of Law 227/2015 on the Fiscal Code and under Article 18 of the GEO 90/2019 on certain fiscal and budget measures, the modification and completion or certain legislative acts and prorogation of certain terms, so that the quantum of the current monthly net remuneration of the Board members is not modified;
- the Board members received, for the activity developed by them, a monthly fixed remuneration in accordance with the director's agreements in force for each member;
- the CEO received a monthly fixed remuneration for his activity;
- the CFO received a monthly fixed remuneration for his activity;
- the Interim CEO received a monthly fixed remuneration for his activity;
- the fixed and variable remuneration for the members of the Board of Directors as well as the general limits for the CEO's remuneration were approved by the GSM;

- the remuneration for managers was approved by the Board of Directors;
- the variable remuneration was not granted to the Board members, but it will be established by Addenda after the approval of financial and non-financial performance indicators by the GSM;
- the Board members benefited from the professional liability insurance in the amount approved by the General Meeting of Shareholders;
- the managers benefited from a Directors & Officer Liability type of professional liability insurance, at the expense of the company, in compliance with the provisions of the Company Law No. 31/1990 republished, as amended and supplemented.

#### 4.1. The structure of remuneration granted to non-executive members of the Board of the Directors

The total net remuneration related to all non-executive Board members of the company for 2018 was in amount of **RON 784,137**.

Also, further to the approval of the 2017 financial year, some of the non-executive Board members were remunerated with the net amount of **RON 143,631** representing the variable component for the previous year (2017).

**4.1.1. The monthly fixed remuneration** was established in accordance with the above-mentioned legal provisions and as provided in the director's agreements approved by the appropriate GSM Resolutions.

The fixed net remuneration granted to all non-executive Board members of the Company for 2018 and related exclusively to 2018 was in amount of **RON 784,137**.

**4.1.2. The variable remuneration.** By the date of this Report no variable remuneration was granted for 2018.

**4.1.3 The net fixed remuneration related to each member of the Board is detailed in the table below:**

Item	Name and Surname	Fixed Remuneration	Variable Remuneration			Other benefits under the agreement
			Related to 2017 paid in 2018	Related to 2018 paid in 2018	Related to 2018 paid 2019	
1	Negruț Aurora	-	17,537	-	-	-
2	Chisăliță Dumitru	-	19,669	-	-	-
3	Tcaciuc Gabriel Sebastian	-	41,384	-	-	-
4	Jansen Petrus Antonius Maria	61,928	42,085	-	-	-
5	Jude Marius Aristotel	61,928	22,956	-	-	-
6	Baciu Sorana Rodica	60,395	-	-	-	-
7	Grigorescu Remus	122,323	-	-	-	-
8	Cermonea Daniel	60,395	-	-	-	-
9	Ciobanu Romeo Cristian	122,323	-	-	-	-
10	Nistoran Dorin Liviu	122,323	-	-	-	-
11	Volintiru Constantin Adrian	51,420	-	-	-	-
12	Anghel Daniel Florin	59,174	-	-	-	-

**4.1.4. The general performance objectives** completed by the specific criteria and based on which the variable remuneration was granted to the Board members will be submitted for the GMS approval.

#### **4.2. The structure of the remuneration granted to the executive directors**

When serving as a member of the Board of Directors, the CEO concluded both a director's agreement for the position of Board member and a contract of mandate for the position of CEO. The CEO was entitled to receive the remuneration pursuant to the contract of mandate.

#### **4.3. The structure of the remuneration granted to the managers of the Company**

The remuneration of the Company's managers was established by the Board of Directors in the contracts of mandate concluded with each person.

**The total fixed net remuneration** for the Company's managers for 2018 was in amount of **RON 714,609**.

No **variable remuneration** was granted for 2018.

Also, following the approval of the 2017 financial year, Mr. Metea Virgil Marius, the company's CEO, was remunerated with the net amount of **RON 206,831** representing the variable component for the previous year (2017).

##### **4.3.1. Remuneration granted to the CEO**

**The monthly fixed remuneration** was granted in accordance with the above-mentioned legal provisions and the Contract of mandate.

The net fixed remuneration was in amount of **RON 212,097**.

No **variable remuneration** was granted for 2018.

**Other benefits** entitled to for 2018 under the contract: holiday allowance (gross RON 9,216); optional health insurance (gross RON 632).

##### **4.3.2. Interim CEO Remuneration**

**The monthly fixed remuneration** was granted in accordance with the above-mentioned legal provisions and the Contract of mandate.

The net fixed remuneration was in amount of **RON 162,273**.

No **variable remuneration** was granted for 2018.

**Other benefits** entitled to for 2018 under the contract: holiday allowance (gross RON 35,978); optional health insurance (gross RON 452).

##### **4.3.3. The CFO Remuneration**

**The monthly fixed remuneration** was granted in accordance with the above-mentioned legal provisions and the Contract of mandate.

The net fixed remuneration was in amount of **RON 340,239**.

No **variable remuneration** was granted for 2018.

**Other benefits** entitled to for 2018 under the contract: rent (gross RON 18,152), utilities (gross RON 10,006.06), optional health insurance (gross RON 1,084), holiday allowance (gross RON 22,606).

## ***V. Information regarding the directors' agreements and the contracts of mandate***

### **5.1. Director's Agreement**

The Directors' Agreements were concluded for a four (4) years' period and the Contracts of mandate for interim directors were concluded for periods shorter than 4 years.

The status of the directors' agreements for the Board members who served on the Board during 2018 is described below:

<b>Item</b>	<b>Name and Surname</b>	<b>Effective Date of Agreement</b>	<b>Termination date of agreement</b>	<b>Appointment/reconfirmation document</b>	<b>Agreement termination before expiry</b>
1	Baciu Sorana-Rodica	08.09.2017	08.07.2018	OGMS 5/2017, 9/2017 and 6/2018	-
2	Cermonea Daniel-Ioan	08.09.2017	08.07.2018	OGMS 5/2017, 9/2017 and 6/2018	-
3	Anghel Daniel Florin	08.01.2018	08.07.2018	OGMS 9/2017 and 6/2018	-
4	Volintiru Constantin Adrian	08.01.2018	07.07.2022	OGMS 9/2017, 6/2018 and 8/2018	-
5	Nistoran Dorin-Liviu	08.09.2017	07.07.2022	OGMS 5/2017, 9/2017, 6/2018 and 8/2018	-
6	Grigorescu Remus	08.09.2017	07.07.2022	OGMS 5/2017, 9/2017, 6/2018 and 8/2018	-
7	Ciobanu Romeo-Cristian	08.09.2017	07.07.2022	OGMS 5/2017, 9/2017, 6/2018 and 8/2018	-
8	Jansen Petrus Antonius Maria	07.07.2018	07.07.2022	OGMS 8/2018	-
9	Jude Aristotel Marius	07.07.2018	07.07.2022	OGMS 8/2018	-
10	Ungur Ramona	07.07.2018	07.07.2022	OGMS 8/2018	-

The Director's agreements include clauses on:

- Compensation for unjust dismissal;
- A 30 days' notice in case a Board member resigns.

During 2018:

- No Board member was revoked due to non-fulfilment of obligations under the agreement;



- Compensations in amount of RON 72,360 were granted representing claims/damages.

## **5.2. Contracts of Mandate**

The Contracts of Mandate for the Company's Managers are concluded for a 4 (four) years' period. In accordance with the law, the duration of the interim managers' mandate is of 4 months, and may be extended, on reasonable grounds, up to 6 months.

By Resolution no. 37 of December 14, 2017, the Board of Directors appointed Mr. Cindrea Corin Emil as interim CEO for a 4 months' period with the possibility of extension up to 6 months.

By Resolution No. 7 of November 22, 2018, the Contract of Mandate of Mr Cindrea Corin Emil as interim CEO is approved.

By Resolution No. 19 of April 12, 2018, the Board of Directors decides upon the extension of the CEO's mandate, Mr. Cindrea Corin Emil, for a period of 2 months, namely until June 14, 2018.

By Resolution No. 29 of June 14, 2018, the Board of Directors appointed Mr. Volintiru Constantin Adrian as CEO of S.N.G.N. Romgaz S.A. for a period of 4 months.

By Resolution No. 45 of October 1, 2018, the Board of Directors appointed Mr. Volintiru Constantin Adrian as CEO for a period of 4 years.

The Contract of mandate concluded by the CEO with the Board of Directors does not include the performance indicators and criteria. These will be established subsequently by the Board of Directors through an Addendum pursuant to the legislation.

By Resolution No. 30 of November 2, 2017, the Board of Directors appointed Mr. Bobar Andrei as CFO for a period of four months. The mandate is extended automatically for a period of four months until the appointment of a Board of Directors selected under GEO 109/2011 establishing the remaining period of the mandate.

By Resolution No. 39 of August 28, 2018, the Board of Directors decided to appoint Mr. Bobar Andrei as CFO under GEO 109/2011, for a determined period, as of August 28, 2018, until October 2, 2021.

The Contract of Mandate of the CFO does not include the performance indicators and criteria. These will be established subsequently by the Board of Directors, by an Addendum in accordance with the legislation, under the approved Management Component and Management Plan.

The Contracts of Mandate include clauses on:

- Compensation for unjust dismissal;
- A 30 days' notice in case a director resigns.

### **CHAIRMAN**

of the Nomination and Remuneration Committee,

**Grigorescu Remus**

