



## POLICY ON RELATED PARTY TRANSACTIONS

S.N.G.N. ROMGAZ S.A.



March 2019

**ROMGAZ**

Chapter 1. Preamble.....	3
Chapter 2. Definition of Terms and Expressions.....	3
Chapter 3. Definition of “Related Parties” and “Closed Relations/Relationships”.....	4
Chapter 4. Procedures regarding SNGN Romgaz Transactions with Related Parties .....	4
4.1. Notification of Related Party Transactions .....	4
4.2. Approval of Related Party Transactions.....	5
4.3. Avoidance of Conflict of Interests.....	6
Chapter 5. Publication of Related Party Transaction Information .....	6
Chapter 6. Company Share Transactions .....	7
Chapter 7. Final Provisions .....	7

## Chapter 1. Preamble

Due their position, authority, shareholdings or the relationship with the Company, the related parties may influence, directly or indirectly, the decision making process. Related party transactions are objectively judged by Romgaz, in compliance with legislative restrictions and by ensuring the independence and protection of the Company's interests<sup>1</sup>.

Romgaz has adopted this Policy to establish a formal framework related to such transactions having as its main scope to establish the necessary measures to ensure the followings:

- Objective judgement of related party transactions, ensuring independence and protection of the Company's interests in compliance with legislative restrictions;
- Conflict of interests evaluation by the Audit Committee as regards the transactions of the company and its subsidiaries with the related parties;
- Submission to the Board/ GMS for approval of each transaction of the Company, taking account of the types of transactions and the specific thresholds in accordance with this Policy;
- Disclosing in a correct manner to shareholders and investors such transactions with the related parties or other companies the Company has close relationships with.

## Chapter 2. Definition of Terms and Expressions

For the purposes of this Policy, the terms and expression below shall mean the following:

- a) **"Articles of Incorporation"** – Articles of Incorporation of Romgaz<sup>2</sup>;
- b) **"Director"** – member of SNGN Romgaz Board of Directors;
- c) **"GMS"** – General Meeting of Shareholders
- d) **"BSE"** – Bucharest Stock Exchange
- e) **"Manager"** – the person to whom the Board of Directors<sup>3</sup> delegated the management of the Company and who signed a Contract of Mandate with the Company. The term of "Manager" also includes the CEO, but does not include the Executive Manager(s);
- f) **"Executive Manager"** – the person to whom the Company's Manager(s) delegated the management of one or more organizational entities (branch, division, department, direction, office, etc.), and who has concluded an employment contract with the Company;
- g) **"Investor"** – any person, acting in its own name, that buys and sells securities on the capital market;
- h) **"Corporate Management Body"** - GMS, Board of Directors, the Company's Manager(s);
- i) **"GEO 109/2011"** – The Government Emergency Ordinance 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented;
- j) **"Company's webpage"** – [www.romgaz.ro](http://www.romgaz.ro);
- k) **"related party"** – person or entity as defined in IAS 24<sup>4</sup>;
- l) **"key management personnel of the Company"** – may include the persons defined at items e), f), h);
- m) **"legal provisions/ regulations"** – any set of legal rules applicable in the field as provided in a regulatory act published in the Official Gazette of Romania – Part I – a;
- n) **"Romgaz"** or **"the Company"** - Societatea Națională de Gaze Naturale ROMGAZ SA;

<sup>1</sup> According to the BSE Corporate Governance Code – "the Company shall ensure that all related party transactions are judged objectively, on its own merits, in such a manner as to ensure independence and protection of the Company's interests in compliance with legislative restrictions, and disclosed in a correct manner to the shareholders and potential investors. The related party's definition is harmonized with the definition provided in IAS 24."

<sup>2</sup> Published on the company's webpage at Investors Relations/Corporate Governance/Reference Documents

<sup>3</sup> In accordance with the provisions of Article 143 of Law 31/1009 on companies, republished, as subsequently amended and supplemented

<sup>4</sup> International Accounting Standard IAS 24 – Related Party Disclosures

### Chapter 3. Definition of “Related Parties” and “Closed Relations/Relationships”

The definition of the term “Related Parties” is harmonized with the one provided in the International Accounting Standard 24 and makes references to the following situations:

- a) A person (including close members of that person’s family) is related to a reporting entity if that person:
  - i) has control or joint control over the reporting entity;
  - ii) has significant influence over the reporting entity; or
  - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  
- b) An entity is related to a reporting entity if:
  - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others);
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii) Both entities are joint ventures of the same third parties;
  - iv) One entity is a joint venture of a third entity, and the other entity is an associate entity of the third entity;
  - v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi) the entity is controlled or jointly controlled by a person identified in (a);
  - vii) a person identified in (a)(i) has significant<sup>5</sup> influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity);
  - viii) The entity, or any member of a group of which it is part, provides key management personnel services to the reporting entity or the parent of the reporting entity.

The definition “close relationships” is provided in the law applicable to capital market<sup>6</sup> and makes reference to the situation in which two or more natural or legal persons are linked by:

- a) Holding, directly or indirectly, 20% or more of the voting rights or of the share capital of a company;
- b) Controlling (e.g. the relationship between a parent company and a subsidiary or a similar relationship between any natural or legal person and a company). Included is also the situation in which two or more natural or legal persons are permanently linked to the same person by a control relationship.

### Chapter 4. Procedures regarding SNGN Romgaz Transactions with Related Parties

#### 4.1. Notification of Related Party Transactions

Directors, Managers and Executive Managers have to promptly notify the Audit Committee when they or their family members have a significant interest in a transaction with the Company.

<sup>5</sup> The provisions of IAS 28 “Investments in associated entities and joint ventures” shall be taken into account, where the definition of the term “significant influence” is provided in

<sup>6</sup> Law No 297/2004 on capital market, as subsequently amended and supplemented

## 4.2. Approval of Related Party Transactions

The excess over the value thresholds of the respective transactions with the related parties, as detailed below, requires a prior consultation with or the approval of the Audit Committee, the Board of Directors and the shareholders. Approval is required, irrespective of the procurement procedure.

As each Romgaz shareholder has the right to be treated equally with the other shareholders, by extension, no shareholder shall be treated preferentially compared to the other shareholders as regards transactions and agreements concluded by the Company with their shareholders and related parties.

### ➤ *Transaction Approval by Directors*

The CEO has the obligation<sup>7</sup> to submit to the Board of Directors for approval any transaction with: (i) the Directors, (ii) Managers, (iii) employees, (iv) spouse, family relatives or relatives up to 4<sup>th</sup> degree of affinity, inclusively for the persons identified in (i) –(iii), (v), shareholders controlling the company or with a company controlled by such, if the transaction value, individually or in a series of transactions, amounts to at least the equivalent of EUR 50,000.

In order to meet such obligation, account shall be taken of the affidavits submitted by the bidders.

Furthermore, any transaction of the Company, with any other related party, having a value equal or higher than 5%<sup>8</sup> of the net assets of the Company (according to the latest financial report) requires the approval of the Board. The value threshold refers to individual transactions as well as to a series of transactions.

The 5% value shall be determined annually taking into account the audited yearly financial statements approved in the GMS. Until approval of the financial statements of the current year, the threshold of the previous year shall be used.

In order to approve such transactions, the Audit Committee shall issue an opinion on the transaction, prior to its submission for approval, taking into account all relevant factors.

When reviewing the transaction, which is required for approval, the Board shall take into account factors such as: (i) nature of transaction, (ii) terms of transaction and price determination, as well as (iii) business reasons/ need for transaction. Following the review, the Directors may approve the transaction or, where deemed necessary, they may request changes to the transaction terms.

For approval of transactions with related parties which are repetitive by their nature and contractual conditions, the Audit Committee may give a general opinion, with limited validity, as considered necessary, in compliance with this Policy and the Company's interests.

For transactions with related parties, submitted for approval, the consent of at least three quarters of the members of the Audit Committee, independent members of the Board, is required.

<sup>7</sup> Pursuant to Article 52 of GEO 109/2011

<sup>8</sup> According to the BSE Corporate Governance Code, "B.10. The Board has to adopt such a policy as to ensure that any transaction of the Company with any of the companies having close relationships with the Company, having a value equal or higher than 5% of the net assets of the company (according to the latest financial report) is submitted to the Board for approval, following an obligatory opinion of the audit committee of the Board and disclosed in a correct manner to the shareholders and potential investors, to the extent that such transactions are included in the category of events covered by the reporting requirements".

The members of the Audit Committee and Board of Directors may request an external independent opinion on, e.g. assessment of the interest of the related party or on determining the market value of the transactions, to facilitate the review of related party transactions.

➤ **Transaction Approval by the Shareholders**

The Board of Directors has, in turn, the obligation<sup>9</sup> to convene the GMS to approve any transaction with: (i) Directors, (ii) Managers, (iii) employees, (iv) spouse, family relatives or relatives up to 4<sup>th</sup> degree of affinity, inclusively for the persons identified in (i) –(iii), (v), shareholders controlling the company or with a company controlled by such, if the transactions value, individually or in a series of transactions, exceeds 10% of the net assets or exceeds 10% of the revenue according to the latest audited financial statements.

The 10% value shall be determined annually taking into account the audited yearly financial statements approved in the GMS. Until approval of the financial statements of the current year, the threshold of the previous year shall be used.

In case of transactions concluded with persons mentioned above in (i) – (v) with a value below the previously mentioned thresholds, the Board of Directors informs the shareholders on such legal acts, within the first GMS following the conclusion of such. The obligation is also incumbent in the case of individual transactions or in a series of transactions amounting to at least the equivalent of EUR 100,000 with another public enterprise or with the public supervisory body.

#### **4.3. Avoidance of Conflict of Interests<sup>10</sup>**

The Audit Committee has to assess the conflicts of interests regarding the transactions of the Company and its subsidiaries with the related parties.

The related parties having an interest in the transaction submitted to the Audit Committee or the Board of Directors for review or approval, shall not participate in discussions, debates or the decision making process regarding such transaction, other than to provide the information necessary, directly requested, to facilitate the decision making process.

Therefore, the Directors and the shareholders having any interest in the transactions submitted for approval, have to refrain from debates and the vote on approving such transaction with related parties.

### **Chapter 5. Publication of Related Party Transaction Information**

Information on the value of related party transactions shall be published in the yearly Financial Statement, in the Notes to the Financial Statements and in the reports the Company is required to publish pursuant to the Capital Market requirements.

<sup>9</sup> In accordance with Article 52 of GEO 109/2011

<sup>10</sup> According to the BSE Corporate Governance Code – “B.5. The Audit Committee has to assess the conflicts of interests regarding the transactions of the company and its subsidiaries with related parties”

Excepted from the requirement to provide detailed explanations in the Notes to the Financial Statements are the transactions with the companies controlled by the Romanian State or where the Romanian State continues to have a significant influence subsequently to their privatization, bearing in mind the strategic importance of the sector where the Company as well as its customers are active in. The transactions with such companies are carried out based on standard contractual relationships.

Information on other transactions included in the category of events to be made public pursuant to legal regulations applicable to the capital market shall be presented to shareholders and investors in an equitable manner.

### **Chapter 6. Company Share Transactions**

Transactions with the Company shares are not considered transactions concluded with the Company.

Such transactions shall be notified pursuant to the requirements of the Regulation EU No. 596/2014 (Artifce19), in case such are carried out by management personnel/ personnel closely related to such, or pursuant to the requirements of the Regulation No 5/2018 of the National Commission of Securities, in case such transactions are carried out by insiders.

Further details on such notification obligations can be found in the Code of Ethics and Integrity as well as on the Company's webpage<sup>11</sup>.

### **Chapter 7. Final Provisions**

This Policy has been issued by the Board of Directors of SNGN ROMGAZ on March 20, 2019.

In case of any conflict between this Policy and any laws or legal regulations, the latter shall prevail.

---

<sup>11</sup> Investor Relations/ Transaction Notifications