

Translation from the Romanian language, April 8, 2019

**The Ministry of Energy**  
**No. 110382/22.03.2019**

**romania2019.eu**

**SNGN Romgaz SA**  
**No. 10318/25.03.2019**

## **Minutes of meeting referring to negotiation of the financial and non- financial performance indicators resulted from the Governance Plan 2018-2022 of SNGN Romgaz SA**

### **Preamble**

Board of Directors of **Societatea Națională de Gaze Naturale "ROMGAZ" S.A.** ("*the Company*" or "SNGN ROMGAZ"), convened during the meeting on February 05, 2019, approved the financial and non-financial key performance indicators of Board members, reviewed further the GEO no. 114/2018 that establishes some measures in the sector of public investments and some fiscal – budgetary measures, amends and completes of some normative acts and extends deadlines.

By **letter no. 4110/February 6, 2019**, registered at DGPAPSE under no. 260265/February 06, 2019, SNGN ROMGAZ submitted the proposal regarding the financial and non- financial performance indicators and the addendum to Directors Agreement concluded with nonexecutive members of SNGN ROMGAZ S.A. Board of Directors.

By **Order no. 011/February 12, 2019 of the Energy Minister** a Committee was established to negotiate the performance indicators included as annex to the Contracts of Mandate of SNGN ROMGAZ SA Board of Directors members for which Ministry of Energy acts as *public supervising authority*.

### **Participants**

On March 21, 2019, starting with 11:00 am, at the Ministry of Energy headquarters, Splaiul Independenței, no 202 E, district 6, Bucharest, there was a meeting between the Company's representatives and few members of negotiating committee.

The following persons attended:

- **On behalf of SNGN ROMGAZ SA Board of Directors:**
  - Mr. Nistoran Dorin-Liviu, Chairman of the Board of Directors
  - Mrs. Ungur Ramona, member of the Board of Directors
  - Mr. Grigorescu Remus, member of the Board of Directors
  - Mr. Jude Aristotel Marius, member of the Board of Directors
  - Mr. Jansen Petrus Antonius Maria, member of the Board of Directors
- **SNGN ROMGAZ Directors with a Contract of Mandate:**
  - Mr. Andrei Bobar, CFO
- **On behalf of Ministry of Energy**, as public supervising authority, on behalf of negotiating Committee appointed by Order no. 011/February 12, 2019 of the Energy Minister.
  - Mihai MORARU, Advisor, Corporate Governance Compartment, member of Negotiating Committee

- Cristian Florin GHEORGHE- Director General of the General Directorate of Oil and Natural Gas (Direcția Generală de Țiței și Gaze Naturale), member of Negotiating Committee
- Daniela AMBRUS – Head of General Legal Directorate, Institutional Relations and International Cooperation, member of Negotiating Committee

And with the support of **Technical Secretariat of Negotiating Committee** represented by:

- Victorița DEMUȘCA, expert, General Directorate for Privatization and Administration of Energy State Participations (Direcția Generală Privatizare și Administrare a Participanților Statului în Energie).

The Committee members representing SNGN ROMGAZ at the meeting that took place presented the performance indicators for monitoring the performance of public enterprises as follows:

<b>Key performance indicators (KPI)</b>	<b>Objective</b>	<b>Weight KPI</b>
<b>Financial KPI</b>	<b>25%</b>	
Revenue	Achieving the target committed in the Governance Plan (Annex 1)	4%
EBITDA margin	Achieving the target committed in the Governance Plan (Annex 1)	7%
Operating expenses related to RON 1000 operating income	Maintaining at the level committed in the Governance Plan (Annex 1)	5%
Labour productivity (in value units per total average number of employees in current prices)	Achieving the target committed in the Governance Plan (Annex 1)	4%
Total assets ratio	Achieving the target committed in the Governance Plan (Annex 1)	5%
<b>Operational KPI</b>	<b>30%</b>	
Achievement of the investment program	≥ 75%	10%
Reserves replacement ratio	≥ 45%	8%
Labour productivity (in physical units per total average number of employees)	Achieving the target committed in the Governance Plan (Annex 1)	5%
Natural gas production decline	Maintaining an annual decline of 1.5%	7%
<b>KPI related to public services</b>	<b>5%</b>	
Natural gas quality	Minimum 95% of the gas quantity delivered in the NTS complies with quality requirements	2%
Fulfilling the gas supply obligations from the sales contracts	100% of the firm contracted quantity	3%

KPI related to corporate governance	40%	
Timely report the company's performance indicators	Comply with the legal reporting terms	10%
Yearly review of the Code of Ethics	Elaboration, approval and publication on the company's website of the Code of Ethics revised, by June 30	10%
Setting the risk management policy and risk monitoring policy	Implement the provisions of Standard 8 of GSG Order no.600/2018	9%
Implementing the internal management control system	Annually implement minimum 14 internal control standards provided by GSG Order no. 600/2018	7%
Request to review the company's performance indicators	Request to review the performance indicators within maximum 60 days from the revision requirement	4%

S.N.G.N. ROMGAZ S.A. representatives offered additional explanations regarding the differences between the indicator “*Labour productivity (in value units per total average number of employees) [thousand RON/employee]*” and “*Labour productivity (in physical units per total average number of employees) [thousand m<sup>3</sup>/employee]*”. Also, they substantiated the modification of the indicator “*Outstanding payments*” with the indicator “*Total assets ratio*”.

In relation to these indicators proposed by S.N.G.N. ROMGAZ Board of Directors, the members of the Negotiating Committee propose the modification of the target value proposed for the key performance indicator “*Achievement of the investment program*” from 70% to 75% and the modification of the weights of the financial and non-financial key performance indicators under the from presented in Annex 1 to this Minutes of meeting.

The proposal is accepted by the members of S.N.G.N. ROMGAZ Board of Directors.

The members of the Committee representing S.N.G.N. ROMGAZ S.A. to the negotiation of the financial and non-financial performance indicators **agreed** to the proposal of the Minister of Energy, for which this Minutes of meeting was concluded today, March 21, 2019, in two copies, one for each party.

#### **The representatives of S.N.G.N. ROMGAZ S.A.:**

- **S.N.G.N. ROMGAZ S.A. Board of Directors:**
  - Mr Nistoran Dorin –Liviu *indcipherable signature*
  - Mrs Ungur Ramona *indcipherable signature*
  - Mr Grigorescu Remus *indcipherable signature*
  - Mr Jude Aristotel Marius *indcipherable signature*
  - Mr Jansen Petrus Antonius Maria *indcipherable signature*
  
- **S.N.G.N. ROMGAZ S.A. Directors with a Contract of Mandate:**
  - Mr Bobar Andrei *indcipherable signature*

➤ **The Negotiating Committee established at the Ministry of Energy level:**

- Mr Mihai MORARU *indecipherable signature*
- Mr Cristian Florin GHOERGHE *indecipherable signature*
- Mrs Daniela AMBRUȘ *indecipherable signature*

TARGET VALUES  
of financial and non-financial key performance indicators

Item no.	Key performance indicators (KPI)	Objective	2018	2019	2020	2021	2022	Weight KPI
<b>Financial KPI</b>								<b>25%</b>
1.	Revenue [thousand RON]	Achieving the target committed in the Governance Plan	4,965	4,438	4,491	4,556	4,997	4%
2.	EBITDA margin [%]	Achieving the target committed in the Governance Plan	46	31	32	33	34	7%
3.	Operating expenses related to RON 1000 operating income [RON]	Maintaining at the level committed in the Governance Plan	691	762	784	784	784	5%
4.	Labour productivity (in value units per total average number of employees) [thousand RON/employee]	Achieving the target committed in the Governance Plan	886	762	772	783	858	4%
5.	Total assets ratio [%]	Achieving the target committed in the Governance Plan	14	9	8	8	8	5%
<b>Operation KPI</b>								<b>30%</b>
6.	Achievement of the investment program [%]	≥ 75%	75	75	75	75	75	12%
7.	Achievement of the investment program [%]	≥ 45%	45	45	45	45	45	5%
8.	Labour productivity (in physical units per total average number of	Achieving the target committed in the Governance Plan	885	858	855	842	829	6%

Item no.	Key performance indicators (KPI)	Objective	2018	2019	2020	2021	2022	Weight KPI
	employees) [ <i>thousand m<sup>3</sup>/employee</i> ]							
9.	Natural gas production decline [%]	Maintaining an annual decline of 1.5%	1.5	1.5	1.5	1.5	1.5	7%
	<b>KPI related to public services</b>							<b>5%</b>
10.	Natural gas quality [%]	Minimum 95% of the gas quantity delivered in the NTS complies with quality requirements	95	95	95	95	95	2%
11.	Fulfilling the gas supply obligations from the sales contracts [%]	100% of the firm contracted quantity	100	100	100	100	100	3%
	<b>KPI related to corporate governance</b>							<b>40%</b>
12.	Timely report the company's performance indicators [%]	Comply with the legal reporting terms	100	100	100	100	100	9%
13.	Yearly review of the Code of Ethics [%]	Elaboration, approval and publication on the company's website of the Code of Ethics revised, by June 30	100	100	100	100	100	7%
14.	Setting the risk management policy and risk monitoring policy [%]	Implement the provisions of Standard 8 of GSG Order no.600/2018	100	100	100	100	100	10%
15.	Implementing the internal management control system [%]	Annually implement minimum 14 internal control standards provided by GSG Order no. 600/2018	100	100	100	100	100	10%
16.	Request to review the company's performance indicators [%]	Review the performance indicators within maximum 60 days from the revision requirement	100	100	100	100	100	4%

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