

No. 12213/4 April 2019

**R E P O R T**

**on the proposal to approve the addendum to the directors agreement concluded with the members of SNGN ROMGAZ SA Board of Directors**

The members of the Board of Directors have been appointed further to a selection procedure, regulated by *GEO no. 109/2011 on public companies corporate governance*, as subsequently amended and supplemented.

By Resolution no. 8 of July 6, 2018 of the Ordinary General Meeting of Shareholders, the company's shareholders appointed the following persons as members of the Board with a four-year mandate: Nistoran Dorin Liviu, Volintiru Adrian Constantin, Ungur Ramona, Grigorescu Remus, Ciobanu Romeo Cristian, Jude Aristotel Marius, Jansen Petrus Antonius Maria.

In accordance with the provisions of Article 153 ^18 of Law 31/1990 - Companies Law, republished as subsequently amended and supplemented, together with the provisions of Article 37 of GEO no. 109/2011, **remuneration of the Board's members** is established by resolution of the General Meeting of Shareholders.

In accordance with the provisions of Article 37 of GEO no. 109/201, the remuneration of Board members includes a monthly fixed allowance and a variable component.

Fixed allowance for non-executive members of the Board of Directors was set by Resolution no. 8 of July 6, 2018 of the Board of Directors.

The variable component of the directors' remuneration is set based on financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders (Article 37 of GEO no. 109/2011).

The variable component is determined and is applied based on the fulfilment of objectives included in the governance plan and financial and non-financial performance indicators approved by the General Meeting of Shareholders.

The variable component as well as the terms for revision of objectives and performance indicators will be regulated by an addendum to the Director's Agreement concluded by SNGN ROMGAZ SA with the company's Directors, as shown in the annex to this document.

The variable component will be applied from the date of approval of the annexed addendum by the General Meeting of Shareholders until the termination of the director's agreement. The variable component will be applied pro-rata with the work period in one year on the basis of director's agreement.

The table below shows the target values of key performance indicators estimated for the period 2018-2022 following the implementation and achievement of measures provided in the company's Governance Plan (Annex 1 to the Governance Plan):



No.	Key performance indicators (KPI)	2018	2019	2020	2021	2022
<b>Financial KPI</b>						
1.	Revenue [thousand RON]	4,965	4,438	4,491	4,556	4,997
2.	EBITDA margin [%]	46	31	32	33	34
3.	Operating expenses related to RON 1000 operating income [RON]	691	762	784	784	784
4.	Labour productivity (in value units per total average number of employees) [thousand RON/employee]	886	762	772	783	858
5.	Total assets ratio[%]	14	9	8	8	8
<b>Operation KPI</b>						
6.	Achievement of the investment program [%]	75	75	75	75	75
7.	Reserves replacement ratio [%]	45	45	45	45	45
8.	Labour productivity (in physical units per total average number of employees) [thousand m <sup>3</sup> /employee]	885	858	855	842	829
9.	Natural gas production decline [%]	1,5	1,5	1,5	1,5	1,5
<b>KPI related to public services</b>						
10.	Natural gas quality [%]	95	95	95	95	95
11.	Fulfilling the gas supply obligations from the sales contracts [%]	100	100	100	100	100
<b>KPI related to corporate governance</b>						
12.	Timely report the company's performance indicators [%]	100	100	100	100	100
13.	Yearly review of the Code of Ethics [%]	100	100	100	100	100
14.	Setting the risk management policy and risk monitoring policy [%]	100	100	100	100	100
15.	Implementing the internal management control system [%]	100	100	100	100	100
16.	Request to review the company's performance indicators [%]	100	100	100	100	100

*Note:*

- The table above provides the target performance indicators for 2018 as well, because the Governance Plan for 2018-2022 was elaborated before publishing the preliminary and final financial statements for 2018, and such targets were subject to the negotiation report concluded with the public supervisory body;
- The target values of the performance indicators provided in the table above have been set in compliance with GEO No. 114 of December 28, 2018 for setting some measures related to public investments and some fiscal-budgetary measures, amending and supplementing some pieces of legislation and extension of some deadlines;
- Following the approval of GEO No. 19 of March 29, 2019 on supplementing and amending some pieces of legislation which modifies GEO No. 114 of December 28, 2018, the target values of the performance indicators will be subject to modification of a review procedure and, subsequently will be subject to Romgaz General Meeting of Shareholders.

Given the above mentioned and in accordance with the provisions of Article 12, paragraph (4), item d) of the company's Articles of Incorporation, we submit the Addendum to the directors agreements for approval, as attached, including:

1. The financial and non-financial performance indicators of the directors;
2. The targets of Directors' financial and non-financial performance indicators;

3. **The value of the variable component of directors' remuneration determined based on financial and non-financial performance indicators, the calculation method and the method for applying it.**
4. **The period for which the variable component is applied.**

**Chairman of the Board of Directors,  
Nistoran Dorin - Liviu**

