

No. 28623/10.08.2015
THE BOARD OF ADMINISTRATION
The Nomination and Remuneration Committee

**REPORT DATED 06.08.2015
of the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee set up pursuant to the Board of Administration Decision no. 16/2013 in compliance with the provisions of Law no. 31/1990, republished, further amendments and completions, the Articles of Incorporation of the company CONPET S.A., updated, of Law no. 297/2004 regarding the capital market, further amendments and additions, having the following composition:

- Dan Weiler - Chairman of the BoA
- Dragos Dinu - BoA member
- Chiriac Cristiana - BoA member

reunited on **06.08.2015** for the preparation of the substantiation note of the proposal regarding:

- settlement of subcomponent 2 of the variable component of the remuneration of the non-executive administrators of the company, applicable for 2015;
- settlement of subcomponent 2 of the variable component of the remuneration of the General Director of the company, applicable for 2015;
- Grant subcomponent 2 of the variable component of the remuneration of the non-executive administrators, on pro-rata basis for the period of the year employed under the administration contract, in case the contract of a non-executive administrator ceases prior to the end of the calendar year due to one of the situations stipulated in Article 36, item 3, or Article 36, item 6, or Article 36 item 7, or Article 36 item 8 of the contract;

In compliance with the provisions of Art. 37, paragraph (1) and (2) and respectively Art. 38 paragraph (2) of the Emergency Government Ordinance no. 109/2011 regarding the corporate governance of the public enterprises, further amendments and additions, the Board of Administration members and the directors receive, for the activity performed, a monthly fixed allowance and variable allowance, set by the General Meeting of Shareholders.

- I. The legal basis for the remuneration of the executive and non-executive administrators of the company CONPET S.A. is the following:
 - Provisions of the Emergency Government Ordinance no. 109/2011, further amendments and additions;
 - Decision no. 2/25.03.2014 of CONPET Ordinary General Meeting of Shareholders regarding the approval of the remuneration of the Board of Administration members (monthly fixed gross allowance and subcomponent 1 of the variable allowance as well as the approval of the remuneration general limits for the General Director)
 - Decision no. 8/18.12.2014 of CONPET Ordinary General Meeting of Shareholders regarding the approval of the remuneration of the Board of Administration members (subcomponent 2 of the variable component)
 - The Board of Administration Decision no. 11/2013 whereupon was appointed the General Director of the company CONPET S.A., being delegated to him attribution regarding



the company management, in compliance with the provisions of Art. 143 of the Companies Act no. 31/1990, republished, further amendments and additions;

- The administration contracts of the non-executive administrators and the Contract of Mandate no. 1/2013 of the General Director;

- The Administration Plan of the Board of Administration including the performance indicators and criteria, approved pursuant to the Decision of the Ordinary General Meeting of Shareholders no. 3/27.03.2014;

- The Management Plan of the General Director, approved by Decision of the Board of Administration no. 10/27.05.2014, plan that expands and complements the Administration Plan and includes the performance indicators and criteria for the General Director;

II. Pursuant to OGMS no. 2/2014, the non-executive members of the Board of Administration benefit from a remuneration made of the followings:

(i) Monthly fixed gross allowance

(ii) Variable component made of two subcomponents.

III. Based on the Board of Administration Decision no. 11/2013, the General Director of the company CONPET S.A. benefits from a remuneration made of:

(i) Monthly fixed gross allowance

(ii) Variable component made of two subcomponents

The first subcomponent of the variable component is paid according to the fulfillment of the performance indicators and criteria set in the administration contracts/contracts of mandate, as taken over from the administration/management plan.

IV. Article 37, paragraph (5) of the EGO no. 109/2011 provides that " the level of the variable component is set as per the duly substantiated recommendations, formulated based on one comparative study on the remuneration conditions corresponding to similar positions in the regies autonomes, companies where State holds majority or integral stake herein, from Romania or other European countries, from the same business area, by the human resources recruitment specialists or, as the case may be, by independent experts in human resources recruitment."

In May 2014, KPMG performed a comparative study based on which identified companies with similar business area, from other European countries and exposed the main elements in relation to the means to calculate the variable allowances resulted following the analysis of the obtained information.

Considering the above, the Remuneration and Nomination Committee advances the following proposals:

1. The value of subcomponent 2 of the variable component of the administrators' remuneration will be at an annual maximum gross amount of 5% applied to the difference between the actual profit earned and the net profit estimated for the financial year, calculated for all Board of Administration members, but will not exceed the value of the fixed allowance related to the entire financial year, determined as per the administration contract/contract of mandate.

At 2015 level, the value of the maximum fixed allowance for all BoA members amounts to 604,224 RON, value resulting from 300,960 RON for the six non-executive members (50,160x6) and 303,264 RON for the General Director acting as executive member.

Given that the two above amounts are almost identical, it is proposed that the value of subcomponent 2 be equally divided between the six non-executive members, respectively the General Director acting as executive member of the BoA. In their turn, the six non - executive members equally divide the allotted amount among them.



Subcomponent two of the variable component is granted according to the fulfillment of the performance indicators.

The amounts related to the payment of subcomponent 2 of the variable component of the members of the Board of Administration and General Director fall within the company's Revenues and Expenditure Budget, as approved.

Consequently, for 2015, subcomponent 2 of the variable component granted to the non-executive administrator, is being determined according to the achievement of the objectives and fulfillment of the performance indicators and is being set at a level of 0.415% of the amount representing the difference between the actual net profit earned and the net profit estimated for 2015 financial year, but no more than the value of the fixed allowance related to the entire financial year, determined as per the provisions of Art. 16 to the administration contract. The payment shall be made following the approval of the annual financial statements.

2. Subcomponent 2 of the variable component of the remuneration for the non-executive administrators shall be granted on pro-rata basis, for the period of the year employed under the administration contract, where the contract of a non-executive administrator ceases prior to the end of the calendar year due to one of the situations stipulated in Article 36, item 3, or Article 36, item 6, or Article 36 item 7, or Article 36 item 8 of the contract;

The Nomination and Remuneration Committee prepared this report regarding the 2015 value of **subcomponent 2 of the variable component of the administrators' remuneration and the granting, on pro-rata basis, for the period of the year employed under the contract for the non-executive administrators.** The report is advanced to the Board of Administration for endorsement and submission to the OGMS for approval, together with the draft Addendum on the amendment of the concluded administration contracts.

- Dan Weiler - Chairman of the BoA, S.s. Illegible
- Dragos Dinu - BoA member, S.s. Illegible
- Chiriac Cristiana - BoA member, S.s. Illegible



EXCERPT

FROM THE ADMINISTRATION CONTRACT

VII. Rights of the Administrator

Article 16. The administrator benefits from a monthly fixed gross allowance for the execution of the mandate given; nevertheless, the value thereof will not exceed the last 12 months average of the average monthly gross earnings in the business area/branch the company is performing its activity, communicated by the National Institute of Statistics (Rom. INS). The fixed allowance shall be updated on an annual basis, according to the data supplied by INS.

The scheme for granting the monthly fixed allowance is the following:

- the Chairman of the Board of Administration and the members within at least 2 consultative committees constituted at the Board level will benefit from a monthly fixed allowance at the maximum value thereof;
- the members of the Board of Administration who carry out duties within a consultative committee constituted at the Board level will benefit from a monthly fixed allowance representing 90% of the maximum value of the monthly fixed allowance;
- the members of the Board of Administration who are not members of the consultative committees set up at the Board level will benefit from a monthly fixed allowance representing 85% of the maximum value of the monthly fixed allowance.

VIII. Termination of the Administration Contract

Article. 36. This Administration Contract terminates by:

- 36.3 revocation of the Administrator, by the company General Meeting of Shareholders;
- 36.6. agreement of the Signatories;
- 36.7. withdrawal of the Administrator from the mandate, due to cause not chargeable to him;
- 36.8. interference of certain legal impediments, as defined under Art. 2 letter (d) of this Administration Contract, which exclude the Administrator from occupying this position;

