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## **INTERNAL RULES AND REGULATIONS ON THE ORGANISATION AND FUNCTIONING OF THE CONSULTATIVE COMMITTEES ESTABLISHED AT THE LEVEL OF THE BOARD OF ADMINISTRATION**

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**CHAPTER 1**  
**LEGAL FRAMEWORK RELATED TO THE ESTABLISHMENT, ORGANISATION**  
**AND FUNCTIONING**  
**OF THE CONSULTATIVE COMMITTEES**

- **Law no. 31/1990** on trading companies, republished, as subsequently amended and supplemented;
- **Law no. 297/2004** on the capital market, as amended;
- **Code of the Bucharest Stock Exchange;**
- **Corporate Governance Code** of the Bucharest Stock Exchange;
- **Regulation no. 1/2006** on issuers and securities operations, issued by the Romanian National Securities Commission (CNVM), amended by CNVM Regulation no. 31/2006;
- **Articles of Incorporation of S.C. CONPET S.A.** updated on 16.01.2014;
- **Regulation regarding the Organisation and Functioning of the Board of Administration**

**CHAPTER 2**  
**TITLE OF THE CONSULTATIVE COMMITTEES**

- 1. Nomination and Remuneration Committee;**
- 2. Audit Committee;**
- 3. Finance and Investor Relations Committee;**
- 4. Committee for Relations with Regulatory and Energy Authorities;**
- 5. Development Committee.**

**CHAPTER 3**  
**ORGANISATION, FUNCTIONING AND POWERS OF THE CONSULTATIVE COMMITTEES**

**A. Organisation and functioning of the Consultative Committees**

Consultative Committees shall be established within the Board of Administration, as per Art. 34 of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as well as per Art. 19 paragraph (5) of the Company's Articles of Incorporation, the members of said committees being appointed based on the Board of Administration resolution.

The Audit Committee and the Nomination and Remuneration Committee are mandatory, according to the legal provisions in force. According to the Articles of Incorporation, the Board of Administration may establish by resolution other Consultative Committees for various area of expertise, depending on the Company's management needs and strategy.

In order to develop and keep certain best practices of activity management, the Board of Administration has established five committees aimed at supporting it in fulfilling its responsibilities. The said committees' role is that of advisory bodies with organisation and functioning rules defined by the internal regulations.

The Consultative Committees shall include minimum 3 members. Each Consultative Committee shall be led by a President appointed from among its members. At least one member of each Consultative Committee must be an independent non-executive administrator. The Audit Committee and the Nomination and Remuneration Committee shall include solely non-executive administrators.

These committees shall convene at least once every half year or whenever required, upon the request of the relevant Committee's President or upon the request of any member, usually at the Company's seat or in any other location jointly selected, in order to fulfil its responsibilities.

The meetings of Consultative Committees shall be deemed as statutory convened when minimum 3 (three) members are in attendance (directly or by proxy), while the proposals/recommendations submitted to the Board of Administration (required to substantiate its decisions) shall be adopted by the majority of votes expressed (including the votes expressed by proxy).

The Company's management staff and/or other experts may be invited to attend the said meetings, so they may contribute to solving the issues submitted for review.

After each meeting of the Consultative Committees, a note/report shall be drawn up to be submitted timely to the Board of Administration, namely prior its meeting.

The mandate of the Consultative Committees' members shall be valid for the period during which such members are acting as administrators of the Board of Administration and the term of this mandate shall be equal to the administrator mandate, which is usually of 4 years. The mandate of the Consultative Committees' members who have fulfilled their responsibility accordingly may be renewed when and if the administrator' mandate is also renewed.

In case of vacancy within the Consultative Committees, a new member shall be appointed from among the administrators by complying with the legal provisions, thus any change in the nominal structure of non-executive administrators included in the Board of Administration shall be followed by the Board of Administration' Resolution on the appointment of the members of the relevant Consultative Committee.

The Company's executive management shall ensure the Consultative Committees' members access to any data or records required to fulfil their responsibilities.

The Consultative Committees' members shall exercise their mandate as a prudent, diligent and loyal administrator, in the interest of the Company. All members of committees, as well as all guests to their meetings shall keep the confidentiality of all information obtained in relation to the documents reviewed.

The members of said committees shall avoid any position which could lead to a conflict of interests and when such circumstances cannot be avoided, they shall notify the relevant committee President and shall refrain from performing the activity in question.

The powers and responsibilities of the Consultative Committees shall be established by the Board of Administration.

The following Consultative Committees shall be established at the level of the Board of Administration:

- Audit Committee;
- Nomination and Remuneration Committee;
- Finance and Investor Relations Committee;
- Committee for Relations with Regulatory and Energy Authorities;
- Development Committee.

At the end of each month or whenever required, the Consultative Committees shall draw up a Monitoring and Evaluation Report on the activity carried out during the relevant month, according to Annex no. 1 to the Internal Regulation on the Organisation and Functioning of the Consultative Committees.

## **B. Powers of the Consultative Committees**

### **1. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee shall include 3 (three) non-executive administrators, of which minimum one member of the Committee must be an independent non-executive administrators, as per Law no. 31/1990 on trading companies.

The Nomination and Remuneration Committee shall be a permanent committee with advisory role, directly subordinated to the Company's Board of Administration. This Committee shall be responsible for evaluation, advising and preparation of proposals for the nomination of Board of Administration members and General Director, as well as monitoring and implementing the remuneration policy at Company's level.

The Nomination and Remuneration Committee shall take into account all proposals related to the appointment of administrators, submitted by the shareholders, Board of Administration or executive management. At the same time, the committee shall be entitled to submit its appointment proposals for the Board of Administration. All appointment proposals submitted by the Board of Administration to the General Meeting of Shareholders must be accompanied by a recommendation of the Nomination and Remuneration Committee or of the Board of Administration. This proposal must specify: the mandate term, relevant data on the professional skills of the candidate, the list of current/previous positions held by the candidate, as well as the specification of independence criterion compliance.

Remuneration policies and strategies shall be consistent with the business strategy, objectives, values and long term interests of the Company. The remuneration policy shall take into account the following aspects:

- motivating the Board of Administration members and the General Director to continue/target

the long term development and success of the Company;

- establishing a well-defined relation between performance and remuneration;
- fixed remuneration must be reasonable and determined based on the labour market conditions and size of the business carried out by the Company;
- Variable remuneration must be based on performance and must be linked to achieving certain performance indicators.

The main responsibilities of the Nomination and Remuneration Committee shall be:

- to coordinate the process of selecting/choosing the Board of Administration' members;
- to recommend to the Board of Administration, proposals of candidates for the position of administrators and/or for the Board of Administration vacancies;
- to propose to the Board of Administration, the procedure for selecting the General Director candidates and to recommend the General Director's appointment;
- to evaluate overall professional skills, knowledge and experience at the Board of Administration level;
- to establish the requirements for occupying certain positions in the Company's executive management;
  - to constantly update the professional skills of Board of Administration members, coordinating the improvement of their knowledge in order to apply the best corporate governance practices;
  - to draw up proposals concerning the remuneration policy applicable to the administrators and General Director, in terms of the amount and the conditions for granting fixed and variable remunerations for the members of the Board of Administration, as well as the general limits of the General Director remuneration for the current year, so these may be approved by the Board of Administration and forwarded for approval to the General Meeting of Shareholders;
- when establishing the administrators' remuneration, the Nomination and Remuneration Committee shall comply with the principle of proportionality between the remuneration and the responsibility and time frame allotted to the administrators for fulfilling their tasks within the Consultative Committees established at the Board of Administration level;
- to identify performance based criteria and objectives of any remuneration schemes (other financial benefits), being authorised by the Board of Administration to request any other information deemed necessary for the fulfilment of its obligations;
- to review, assess and propose to the Board of Administration, any payment commitment or indemnity to be specified in the Management Contract signed with the administrators or in the General Director's Contract of Mandate;
- to monitor the implementation of principles included in the General Director and administrators remuneration policy, ensuring that the monthly remuneration is justifiably granted against the level of fulfilment of the specified responsibilities;
- to submit to the Board of Administration, a Yearly Report on the overall amount of remuneration for administrators and the General Director, broken-down on the fixed and variable components of these remunerations;
- to submit to the General Ordinary Meeting of Shareholders approving the yearly financial statements, an yearly report on the remunerations and other benefits granted to the administrators and the General Director for the previous year, such report being structured according to the provisions of Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises;
- where needed, it may call upon the support of external experts in order to fulfil its responsibilities.

## **2. Audit Committee**

It is an independent and permanent committee, directly subordinated to the Board of Administration, supporting the latter in fulfilling its internal audit responsibilities and financial reporting responsibilities. At the same time, it holds an advisory role with regard to the Company's policy and strategy for internal audit and external financial audit, and it controls the management method applicable to major risks.

The committee shall include 3 members of the Board of Administration. The Audit Committee members must comply with the following requirements: they must be non-executive members of the Board of Administration and at least one member must have experience in applying accounting principles or in financial audit. The Chairman of the Board of Administration shall not be the same person as the Audit Committee President. This committee shall be presided by an independent administrator.

The Audit Committee members must have adequate experience in fulfilling their responsibilities, as well as a clear understanding of this committee's role in conducting the internal audits.

The Audit Committee meetings shall be notified with 10 days prior to the meeting date and shall include information on the agenda, date, time and place of the meeting. The file of the Audit Committee meeting shall include its agenda and the documents to be reviewed and submitted to the committee for approval/authorization. When the meeting includes a control of biannual or yearly results to be disseminated to the shareholders and the public, the Audit Committee shall convene prior to these results approval/authorization by the Board of Administration. The Audit Committee President shall notify the Board of Administration with regard to the aspects discussed in the Audit Committee meetings.

The main responsibilities of the Audit Committee shall be:

- to make recommendations to the Board of Administration with regard to the Company's strategy and policy in the area of internal control, internal audit and financial audit;
  - to monitor the financial reporting process, being notified by the external auditor with regard to any major deficiencies of the internal control for this area;
  - to submit for endorsement to the Board of Administration, its proposals on the selection, appointment, reappointment and rescission of the external financial auditor, as well as the terms and conditions for his remuneration, while the nominations validated by the Board of Administration will be subjected for approval to the General Ordinary Meeting of Shareholders;
  - to monitor the efficiency of the internal control, internal audit, and, as the case may be, of the risk management systems of the trading company;
  - to discuss and endorse the annual and multi-annual plan of public internal audit;
  - to endorse the Charter of Public Internal Audit;
  - to monitor the activity of internal auditors and financial auditors;
  - to review and issue an opinion on the recommendations made by internal auditors;
  - to verify and monitor the independence of the external auditor;
  - to review, together with the financial auditors, the draft of financial statements, as well as the requirements for drawing-up these statements by the Company (suitability of accounting principles, methods and standards applied and of the internal data collection procedures);
  - to ensure the assessment of internal control and audit quality and to ensure the application of all measures required to solve the deficiencies identified in the control and compliance activity, as well as those required to solve any other issues identified by the auditors;
  - to receive the audit reports, to review and approve, regularly, the internal audit findings and recommendations, as well as their implementation plans;
  - to review and endorse the normative acts issued by the Internal Audit Service, prior to forwarding them for approval;
  - to inspect the complaints concerning any non-compliance with the Code of Ethic Conduct of the internal auditor and to propose to the Company's General Director/Board of Administration any required measures;
  - to verify the compliance of audit reports issued with the audit plan approved at the Company's level;
  - to review and endorse the Annual Report of Public Internal Audit;
  - to endorse the agreements of cooperation with other public institutions with regard to the application of public internal audit;
  - to verify the statements included in the declaration of compliance/non-compliance with Corporate Governance Regulation provisions concerning the internal management control and risk management system;
  - to meet with internal and external auditors at least once per year in order to discuss any aspects related to the audit processes and, especially, any deficiencies of the internal control procedures;
  - to support the Board of Administration in classifying the Company's specific risks and in implementing a risk management system, so the risks encountered by the Company, as well as any potential risks will be estimated, correctly identified, managed and disseminated to the Board of Administration;
  - to review regularly the efficiency of the financial reporting, internal control and risk management system adopted by the Company;
  - to assess the efficiency level of the risk management system, in terms of ensuring a correct identification, management and reporting of main risks (including those related to fraud and legislation compliance and connected regulations), consistently with the audit plan.

### **3. Finance and Investor Relations Committee**

The Development Committee shall include 3 members selected from among the Board of Administration' members.

The Finance and Investor Relations Committee shall be mainly responsible for supporting the Board of Administration in relation to:

The main responsibilities of the Finance and Investor Relations Committee shall be:

- to monitor the economic and financial situation of the Company;
- to increase the transparency and predictability of financial reporting;
- to recommend the financial structure and mobilisation of resources in an efficient manner and consistent with the management plan;
- to promote and increase the Company's visibility on the capital market;
- to submit regularly economic and financial reports, respectively findings and sanctions applied by the authorities with competences in the Company's financial and fiscal control;
- to review, at least once per year, the status of capital movements and Company's cash-flow evolution;
- to decide, organise and attend the events aiming at promoting and increasing the Company's visibility on the capital market;
- to advise the Board of Administration' members and the Director General with regard to aspects connected to the management and preparation of revenue and expenditure budget, annual financial statements and biannual accounting reporting, as well as with regard to the aspects connected to the multi-annual financial planning;
- to support and issue recommendations for the Board of Administration with regard to the financial reporting and its significance for various companies also involved in the capital market;
- to notify the Board of Administration with regard to the financial facets concerning the Company's leadership and management;
- to review the materials intended for the Company's external presentation;
- to submit proposals with regard to the strategy and oaths for approaching the relation with investors;
- to monitor the meetings organised by the Company with analysts and investors.

For fulfilling its responsibilities, the Finance and Investor Relations Committee shall be entitled to:

- ask the external advisors, external or internal auditors, experts or other persons to provide advice or support for achieving its objectives;
- ask from the employees or third parties involved any information required;
- organise meetings with the Company's managers, internal and external auditors or their external advisors, as applicable.

### **4. Committee for Relations with Regulatory and Energy Authorities**

The Committee for Relations with Regulatory and Energy Authorities shall be mainly responsible for monitoring the collaboration relations with public authorities and for granting support to the Board of Administration.

The Committee for Relations with Regulatory and Energy Authorities shall include 4 members selected from among the Company's administrators.

The Committee for Relations with Regulatory Authorities shall:

- monitor the Company's intercessions with the regulatory and energy authorities, related to technical, legislative, etc. aspects of its activity;
- monitor the fulfilment of the obligations established by the regulations applicable to the Company's activity;
- review all proposals related to the regulatory framework and submits these to the Board of Administration;
- monitor the collaboration relations with public authorities and supports the Board of Administration in the management of the collaboration policy;
- review regularly the list of S.C. CONPET S.A. critical infrastructure objectives and the security measures established;
- ensure the conditions required to implement protection measures for all critical infrastructure objectives owned by the Company or from the operative field;

-monitor its own programmes of prevention and fight against terrorism by optimum physical protection and organisational measures, issuing relevant recommendations to the Board of Administration;

- may represent the Company before the regulatory and energy authorities.

## **5. Development Committee**

The Development Committee is a Consultative Committee mainly responsible for promoting the Company's projects designed to strengthen and increase its performance. The programme of this committee shall be linked to the strategy and objectives established in the Management Plan.

The Development Committee shall include 5 members selected from among the Company's administrators.

The Development Committee shall be responsible for reviewing, assessing and issuing recommendations to the Board of Administration in order for the Board of Administration to adopt well substantiated decisions concerning the development, modernization and economic and financial strategies, as well as concerning the determination of the Company's strategic objectives and methods to achieve these objectives.

The Development Committee shall act based on the following documents:

- Administration Plan;
- Management Plan;
- Annual and multi-annual programmes dedicated to the various areas of the Company;
- Feasibility studies or equivalent documentations relevant for the major investment projects.

The committee's responsibilities shall be to:

- support the Board of Administration in achieving its responsibilities in the area of drafting and updating the Company's development strategy;
- draft proposals concerning the Company's development strategies and paths on medium and long term;
- identify the major development lines of business at national and international level and issues recommendations concerning the major subjects to be taken into account and with strategic impact on the Company's development;
- draft proposals to increase the efficiency of Company's development activities;
- review the opportunities identified for the Company's development;
- review the achievement of the Company's strategic programmes;
- notify the Board of Administration with regard to the strategic programmes' efficiency;
- review regularly the achievement level of the investment, current and capital repair programmes implemented by the Company and suggests measures of activity improvement in order to comply with the completion deadlines of proposed objectives and works;
- monitor the execution of the national transport system maintenance and upgrade, as well as the compliance with technical standards for production capacity operation and maintenance;
- review regularly the compliance with the annual procurement programme implemented by the Company.

*Note: The Rules and Regulation on the Organisation and Functioning of the Consultative Committees shall be updated depending on the diversity and complexity of the issues monitored.*

## **CHAPTER 4**

### **STRUCTURE OF THE CONSULTATIVE COMMITTEES ESTABLISHED AT THE LEVEL OF THE BOARD OF ADMINISTRATION**

#### **1. NOMINATION AND REMUNERATION COMMITTEE (established based on the Board of Administration Resolution no. 16/28.11.2013)**

2. **AUDIT COMMITTEE**  
(established based on the Board of Administration Resolution no. 16/ 28.11.2013)
3. **FINANCE AND INVESTOR RELATIONS COMMITTEE (established based on the Board of Administration Resolution no. 17/06.12.2013)**
4. **COMMITTEE FOR RELATIONS WITH REGULATORY AND ENERGY AUTHORITIES**  
(established based on the Board of Administration Resolution no. 17/06.12.2013)
5. **DEVELOPMENT COMMITTEE (established based on the Board of Administration Resolution no. 17/06.12.2013)**

## **CHAPTER V** **FINAL PROVISIONS**

The provisions of this Regulation on the Organisation and Functioning of the Consultative Committees shall be legally binding for all the members of the Board of Administration. No member of the Board of Administration of S.C. CONPET S.A. shall claim to the Company, its shareholders or third parties, any case of ignorance regarding his/her responsibilities and obligations, directly or indirectly incurred by this Regulation, in order to justify or be exempted from liability, of any kind, in relation to any acts non-compliant with this Regulation.

**This Internal Regulation on the Organisation and Functioning of the Consultative Committees established at the level of the Board of Administration shall be supplemented** by all the regulations and provisions regarding the activity of internal audit and industry standards, as well as by all the other legal provisions in force and applicable to S.C. CONPET S.A..

**CHAIRMAN OF THE BOARD OF ADMINISTRATION of S.C. CONPET S.A. Ploiești**

**Note:**

*This Internal Regulation on the Organisation and Functioning of the Consultative Committees established at the level of the Board of Administration is approved pursuant to Resolution no. 7 of 27.03.2014.*

**Annex no. 1**

**TEMPLATE**

### **MONITORING AND EVALUATION REPORT ON THE ACTIVITY OF THE CONSULTATIVE COMMITTEES**

MONTH ..... YEAR .....

**1. CONSULTATIVE COMMITTEE .....**

**2. COMPOSITION OF THE CONSULTATIVE COMMITTEE:**

**Mrs/Mr. .....**

**Mrs./Mr. .....**

**Mrs./Mr. .....**

Mrs./Mr. .....

Mrs./Mr. .....

**3. REMARKS CONCERNING THE ACTIVITIES CARRIED OUT:  
CONSULTATIONS**

.....

**ANALYSES PERFORMED**

.....

**WORKS EXECUTED (REPORTS/NOTICES/NOTES/ETC.)**

.....

**PROPOSALS/ACTIONS/RECOMMENDATIONS/ENDORSEMENTS**

No. ..... Date ..... Mr.....

Mr. .....