

**INTERNAL REGULATION ON THE ORGANISATION AND  
FUNCTIONING OF THE ADVISORY COMMITTEES ESTABLISHED AT  
THE LEVEL OF THE BOARD OF DIRECTORS**

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## **CHAPTER 1**

### **LEGAL FRAMEWORK RELATED TO THE ESTABLISHMENT, ORGANISATION AND FUNCTIONING OF THE ADVISORY 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 operations with securities, issued by the Romanian National Securities Commission (CNVM) and amended by Regulation no. 31/2006 of CNVM;
- **Articles of Incorporation of SC Conpet SA** updated on 16.01.2014;
- **Regulation regarding the Organisation and Functioning of the Board of Directors**

## **CHAPTER 2**

### **TITLE OF THE ADVISORY COMMITTEES**

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

## **CHAPTER 3**

### **ORGANISATION, FUNCTIONING AND POWERS OF THE ADVISORY COMMITTEES**

#### **A. Organisation and functioning of the Advisory Committees**

Advisory Committees shall be established within the Board of Directors, 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 Directors 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 Directors may establish by resolution other advisory 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 Directors 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.

These advisory committees shall include minimum 3 members. Each Advisory Committee shall be led by a President appointed from among its members. At least one member of each advisory committee must be an independent non-executive director. The Audit Committee and the Nomination and Remuneration Committee shall include solely non-executive directors.

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 Advisory 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 Directors (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 Advisory Committees, a note/report shall be drawn up to be submitted timely to the Board of Directors, namely prior its meeting.

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

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

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

The Advisory Committees' members shall exercise their mandate as a prudent, diligent and loyal director, 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 Advisory Committees shall be established by the Board of Directors.

The following Advisory Committees shall be established at the level of the Board of Directors:

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

At the end of each month or whenever required, the Advisory 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 Advisory Committees.

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

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

The Nomination and Remuneration Committee shall include 3 (three) non-executive directors, of which minimum one member of the Committee must be an independent non-executive director, 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 Directors. This Committee shall be responsible for evaluation, advising and preparation of proposals for the nomination of Board of Directors members and General Manager, 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 directors, submitted by the shareholders, Board of Directors or executive management. At the same time, the committee shall be entitled to submit its appointment proposals for the Board of Directors. All appointment proposals submitted by the Board of Directors to the General Assembly of Shareholders must be accompanied by a recommendation of the Nomination and Remuneration Committee or of the Board of Directors. 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 Directors' members and the General Manager to continue/target the long term development and success of the Company;

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- 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 Directors' members;
- to recommend to the Board of Directors, proposals of candidates for the position of director and/or for the Board of Directors vacancies;
- to propose to the Board of Directors, the procedure for selecting the General Manager candidates and to recommend the General Manager appointment;
- to evaluate overall professional skills, knowledge and experience at the Board of Directors level;
- to establish the requirements for occupying certain positions in the Company's executive management;
- to constantly update the professional skills of Board of Directors 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 directors and General Manager, in terms of the amount and the conditions for granting fixed and variable remunerations for the members of the Board of Directors, as well as the general limits of the General Manager remuneration for the current year, so these may be approved by the Board of Directors and forwarded for approval to the General Assembly of Shareholders;
- when establishing the directors' 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 directors for fulfilling their tasks within the Advisory Committees established at the Board of Directors level;
- to identify performance based criteria and objectives of any remuneration schemes (other financial benefits), being authorised by the Board of Directors to request any other information deemed necessary for the fulfilment of its obligations;
- to review, assess and propose to the Board of Directors, any payment commitment or indemnity to be specified in the Management Contract signed with the directors or in the General Manager Mandate Contract;
- to monitor the implementation of principles included in the general manager and director 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 Directors, a Yearly Report on the overall amount of remuneration for directors and the General Manager, broken-down on the fixed and variable components of these remunerations;
- to submit to the General Ordinary Assembly of Shareholders approving the yearly financial statements, an yearly report on the remunerations and other benefits granted to the directors and general manager 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 Directors, 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 Directors. The Audit Committee members must comply with the following requirements: they must be non-executive members of the Board of Directors and at least one member must have experience in applying accounting principles or in financial audit. The Board of Directors President shall not be the same person as the Audit Committee President. This committee shall be presided by an independent director.

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 Directors. The Audit Committee President shall notify the Board of Directors 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 Directors 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 approval to the Board of Directors, 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 Directors will be subjected for approval to the General Ordinary Assembly 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 approve the annual and multi-annual plan of public internal audit;
  - to approve 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 the their implementation plans;
  - to review and authorise 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 Manager/Board of Directors any required measures;
  - to verify the compliance of audit reports issued with the audit plan approved at the Company's level;
    - to review and authorise 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 Directors 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 Directors;
    - 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 Investment Committee**

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

The Finance and Investment Committee shall be mainly responsible for supporting the Board of Directors in relation to:

The main responsibilities of the Finance and Investment Committee shall be:

- to monitor the economic and financial situation of the Company;
- to increase the transparency and predictability of financial reportings;
- 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 Directors' members and the General Manager 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 Directors with regard to the financial reporting and its significance for various companies also involved in the capital market;
- to notify the Board of Directors 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 Investment 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 Directors.

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

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 Directors;
- monitor the collaboration relations with public authorities and supports the Board of Directors in the management of the collaboration policy;
- review regularly the list of S.C. COMPET 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;

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- monitor its own programmes of prevention and fight against terrorism by optimum physical protection and organisational measures, issuing relevant recommendations to the Board of Directors;
- can represent the Company before the regulatory and energy authorities.

## **5. Development Committee**

The Development Committee is an advisory 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 directors.

The Development Committee shall be responsible for reviewing, assessing and issuing recommendations to the Board of Directors in order for the Board of Directors 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 Directors in achieving its responsibilities in the area of drafting and updating the Company's development strategy;
- issue recommendations concerning the Company's development strategies and paths on medium and long term;
  - identify the major development paths on 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 Directors with regard to the strategic programmes' efficiency;
  - review regularly the achievement level of the investment programmes, RK and RC 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 national transmission 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 Regulation on the Organisation and Functioning of the Advisory Committees shall be updated depending on the diversity and complexity of the issues monitored.*

## **CHAPTER 4**

### **STRUCTURE OF THE ADVISORY COMMITTEES ESTABLISHED AT THE LEVEL OF THE BOARD OF DIRECTORS**

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

> Dan Weiler, President - independent non-executive director

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- > Cristiana Chiriac, Member - non-executive director
- > Dragos Lucian Dinu, Member - independent non-executive director

## **2. AUDIT COMMITTEE**

**(established based on the Board of Directors Resolution no. 16/ 28.11.2013)**

- > Roxana Elena Gheorghe, President - independent non-executive director
- > Darius - Dumitru Mesca, Member - non-executive director
- > Radu Bugica, Member - non-executive director

## **3. FINANCE AND INVESTMENT COMMITTEE (established based on the Board of Directors Resolution no. 17/06.12.2013)**

- > Radu Bugica, President - independent non-executive director
- > Liviu Ilasi, Member - executive director
- > Roxana Elena Gheorghe, Member - independent non-executive director

## **4. COMMITTEE FOR RELATIONS WITH REGULATORY AND ENERGY AUTHORITIES**

**(established based on the Board of Directors Resolution no. 17/06.12.2013)**

- > Cristiana Chiriac, President - non-executive director
- > Dan Weiler, Member - independent non-executive director
- > Liviu Ilasi, Member - executive director
- > Darius - Dumitru Mesca, Member - non-executive director

## **5. DEVELOPMENT COMMITTEE (established based on the Board of Directors Resolution no. 17/06.12.2013)**

- > Liviu Ilasi, President - executive director
- > Dan Weiler, Member - independent non-executive director
- > Roxana - Elena Gheorghe, Member - independent non-executive director
- > Darius - Dumitru Mesca, Member - non-executive director
- > Dragos - Lucian Dinu, Member - independent non-executive director

## **CHAPTER V FINAL PROVISIONS**

The provisions of this Regulation on the Organisation and Functioning of the Advisory Committees shall be legally binding for all the members of the Board of Directors. No member of the Board of Directors 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 established 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 Advisory Committees established at the level of the Board of Directors 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.**

**PRESIDENT OF THE BOARD OF DIRECTORS of S.C.CONPET S.A. Ploiesti  
DAN WEILER**

*Illegible signature*

*Round seal affixed: „CONPET S.A. PLOIESTI”*

**Note:**

***This Internal Regulation on the Organisation and Functioning of the Advisory Committees established at the level of the Board of Directors is approved by Resolution no. 7 of 27.03.2014.***

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**Annex no. 1**

**TEMPALTE**

**MONITORING AND EVALUATION REPORT  
ON THE ACTIVITY OF THE ADVISORY COMMITTEES**  
MONTH .....YEAR.....

**1. ADVISORY COMMITTEE .....**

**2. ADVISORY COMMITTE STRUCTURE:**

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/OPINIONS .....**

No. .....Date .....

Mrs. .....

Mr. .....

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