The Policy of CONPET S.A.

on the Remuneration of the members of the Board of Directors and the Directors with Mandate Contracts

1. General Considerations

According to the requirements of EGO no. 109/ 2011 and in compliance with the provisions of Law no. 24/ 2017, CONPET S.A. has prepared the policy regarding to the remuneration of the administrators and directors with mandate contract within CONPET S.A, which is submitted for approval of OGMS, as per the legal provisions in force and shall replace the remuneration Policy on the company's site approved by BoD Decision no.13/18.06.2020.

The remuneration policy represents the set of guiding lines established by OGMS, which the Company applies and concerns the remuneration manner of the administrators and Directors with mandate contract corresponding to the business strategy, objective and long-term interests of the Company.

The company is willing to ensure a competitive level of remuneration in order to attract, retain and motivate people with high professional training and significant managerial experience to be part of the company's administrative and executive management.

The remuneration policy of the administrators and directors with contract of mandate shall consider the following aspects:

- motivating the BoA members and directors with mandate contract to continue/target the long-term development and success of the Company;
- establishing a well-defined relation between performance and remuneration;
- establishing a fixed remuneration considering the labor market conditions and the size of the business carried out by the company;

- the determination of the variable component on the basis of financial and non-financial performance indicators negotiated and approved by the general meeting of shareholders in the case of administrators and by the Board of Directors in the case of directors with contract of mandate.

This Policy is supplemented by the provisions of the Articles of Incorporation, as well as the provisions of Law no. 31/1990 on companies, of Law no.24/2017 on the financial instruments and market operations issuers, with subsequent amendments and completions, as amended and supplemented by the EGO no. 109/2011 on corporate governance of public companies, further amended and supplemented.

2. Definitions and Terms

Within the meaning of this Remuneration Policy, the terms and expressions below will have the following meanings:

a) "**Articles of Incorporation**" - The Articles of Incorporation of the company CONPET SA[1][2];

b) "**Administrator**"– member the Board of Directors of CONPET SA;

c) "**Board**" or "**Board of Directors**" - the Board of Directors of CONPET SA;

d) "**Non-executive administrator**" - are the members of the Board of Directors who do not have the capacity of Director of the company as per Art. 143 of Law no. 31/1990;

e) "**Executive administrator**" - are the members of the Board of Directors who are also directors as per Art. 143 of Law no. 31/1990. There are no executive directors within CONPET to the date of this document;

f) "**Director**" - the person to whom the management of the company has been delegated by the Board of Directors and who has concluded a contract of mandate with the company; also called Director with a contract of mandate;

g) **"Law 31/1990**" - Law 31/1990 of the companies, further amendments and completions;

1 Published on the website www.conpet.ro

2 As per the provisions of art. 143 of Law no. 31/1990 of the companies, republished, further amendments and completions

h) "**EGO no.109/2011**" - Emergency Government Ordinance no. 109/2011 on corporate governance of public enterprises, further amendments and completions, approved by Law no. 111/2016;

i) **Law 24/2017"** – on the issuers of financial instruments and market operations, subsequent amendments and additions.

j) *"***Website of the company***"* - www.conpet.ro;

k) "**Chairman of the Board of Administration**"**–** the Board of Directors of "CONPET" SA;

l) "**CONPET SA**" or the "**Company**" - CONPET SA;

m) "**The General Meeting of Shareholders**"– the Ordinary General Meeting of Shareholders of CONPET S.A.;

n) "**Legal provision/regulation**" - any set of legal rules applicable in the field provided by a normative document published in the Official Gazette of Romania - Part I;

o) "**Internal regulation**" - any rule provided for by an act approved by a corporate management body of CONPET S.A.;

p) **The average monthly gross earnings** is the average monthly gross earnings in the branch in which the company operates according to the main activity recorded by the company at class level according to the classification of activities in the national economy, communicated by the National Statistics Institute prior to appointment;

q) **The class** in which the company operates is according to the press release of the National Institute of Statistics, in the case of CONPET S.A. the class is "Transport via pipelines"', NACE code 4950;

r) **the remuneration of non-executive members and directors with a contract of mandate** shall be formed of a monthly fixed allowance and a variable component established in accordance with the provisions of EGO no.109/2011;

s) **Key performance indicators**, hereinafter referred to as KPI's, are the performance indicators set out in the Annex to the mandate contract;

3. General Principles on the Remuneration Policy

The general principles for establishing the remuneration policy for administrators and directors with a contract of mandate are the followings:

- ✓ Attracting, maintaining and motivating the most suitable persons of the administrative management and top management of the company
- ✓ Ensuring the long-term sustainability of the company’s profits and activities and generating a long-term value
- ✓ Reward for achievement of the objectives
- ✓ Maintaining competitiveness in the remuneration market
- ✓ Promoting transparency on remuneration and criteria for determining thereof
- ✓ Maintaining a fair balance between fixed allowance and variable component of remuneration.

4. The Role of the Nomination and Remuneration Committee

In conjunction with the Corporate Governance Regulation of CONPET S.A. and the rules of procedure of the Consultative Committees, the Nomination and Remuneration Committee (NRC) set up within the Board of Directors shall have the following responsibilities with regard to the remuneration of non-executive administrators and directors with contract of mandate:

i) advises the Board of Directors on the structure of the remuneration framework for administrators;

ii) formulates proposals regarding the remuneration policy of the administrators and directors with contracts of mandate, in what concerns the quantum and conditions of granting the fix and variable remunerations due to the Board of Administration, as well as the general limits of the remuneration of the directors with contracts of mandate, and other advantages granted to them;

iii) makes recommendations to the Board of Directors on the remuneration of directors with contract of mandate, including on the main components of remuneration, the degree of fulfillment of performance indicators and the methodology for evaluation.

iv) oversees the application of the principles of remuneration of the administrators and directors with contract of mandate.

The mandate contracts of the administrators comprise provisions aiming at avoiding the conflicts of interests, the latter being bound to exercise their mandate with de loyalty, prudency and diligence of a good administrator, always acting in the Company’s interest and at the diligence standards expected from a professional offering services related to a non-executive position within the Board of Directors of companies having an identical or similar core business with that of the Company; the Administrator does not breach the obligation provided above when making a business decision, he is reasonably entitled to consider (i) acting in the Company's interest and (ii) having taken the decision based on the adequate information. The administrators are obliged to inform the Board of Directors the moment such situation occurs and refrain from participating to deliberations and taking any decision; the same obligation applies if the person is the husband/wife, relatives or in-laws up to IVth degree, here included those of the Administrator.

The Administrators are bound to keep confidentiality of the information and business secrets of the Company to which have had access by way of documents presented to the Board of Directors, except for the situations when such a use is required by law or necessary in relation with the public authorities and/or by the participation of the Administrator in a litigation having as object the Company's activity.

5. The Remuneration Policy of Administrators and Directors with Mandate Contract within CONPET S.A.

Considering the following legal provisions:

- EGO no. 109/2011 further amendments and completions;
- The decisions of the Ordinary General Meeting of Shareholders of CONPET SA concerning the approval of the remuneration of the members of the Board of Directors (fix allowance and variable component) as well as the approval of general limits on the remuneration of directors with a contract of mandate appointed pursuant to Article 143 of the companies Act no. 31/1990 (hereinafter referred to as "Law no. 31/1990");
- The decisions of the Board of Directors approving the contracts of mandate and remuneration of directors with contract of mandate;
- The administration contracts of non-executive administrators and the contracts of mandate of directors with contract of mandate, as well as the approved addenda, attached to them;
- The Administration Plan of the Board of Directors which includes indicators and performance criteria of the Board of Directors approved by resolution of the General Meeting of Shareholders;
- The Management component of directors with contract of mandate approved by the Board of Directors which develops and supplements the management component forming the management plan including performance indicators and criteria.

6. Remuneration Criteria

Non-executive administrators and directors with contract of mandate shall receive remuneration for the work performed, consisting of a fixed monthly allowance and a variable component.

The variable component of non-executive administrators and directors with contract of mandate shall be granted for each financial year within the 4-year term of office, namely the following year after the approval by the GMS of the audited annual financial statements for the preceding year, depending on the achievement of the objectives contained in the Management Plan and the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

The fixed allowance and variable component for members of the Board of Directors/directors with contract of mandate shall be approved by the General Meeting of Shareholders of CONPET S.A./the Board of Administration, as appropriate and shall be included in the terms of the contracts of mandate.

7. Remuneration of non-executive Administrators

Remuneration for the members of the Board of Directors, respectively the non-executive directors, appointed by OGMS, is determined as per the provisions of EGO no. 109/2011 by the General Meeting of Shareholders consisting of gross monthly fixed compensation and a variable component.

Remuneration and benefits for non-executive directors as provided for in the contract of mandate shall be recorded in the audited annual financial statements and in the annual Report of the Nomination and Remuneration Committee and in the report of the Board of Directors.

The quantum of the variable component of the non-executive administrators cannot exceed maximum 12 monthly fix allowances.

The payment of the professional liability insurance is covered by the company, according to the terms of the contract of mandate and the resolution of the OGMS and is not part of the remuneration.

Fix Monthly Gross Allowance established by OGMS

Gross quantum: Equal to 2 times the average over the last 12 months of the average gross monthly salary for the activity carried out according to the main activity object recorded by the company (CAEN code 49) at class level according to the classification of activities in the national economy, communicated by the National Statistics Institute prior to the appointment.

Variable component established by OGMS

Gross quantum: 12 monthly fixed allowances, which are being granted according to the fulfillment of the objectives contained in the Administration Plan and the financial and non-financial performance indicators approved by the General Meeting of Shareholders, falling under the provisions in the Revenues and Expenditure Budget approved as per the applicable legal provisions in force and in compliance with the settled methodology.

Payment of the variable component: is being performed annually, within maximum 15 days as of the approval within OGMS of the annual audited financial statements drafted in compliance with IFRS and the presentation of the annual report of the Nomination and Remuneration Committee with regards to the total degree of fulfilment of the financial and non-financial key indicators approved by OGMS.

Calculation and awarding manner and the calculation formula:

The variable component = the value of the variable component established by the addendum to the mandate contract x the total degree of fulfilment of the key performance indicators (KPI).

The total degree of fulfilment of the key performance indicators (GT_{ICP}) is the sum of the degree of fulfilment of each KPI (GI_{ICP}) weighted with the weighting coefficient (W_{ICP}) related to each KPI.

The calculation formula is the following:

$$GT_{ICP} = \sum_{i=1}^{n} GI_{i^{ICP}} \times W_{i^{ICP}}$$

where:

GT_{ICP} = Total annual fulfilment degree KPI

W_{ICP} = weighting coefficient (weighting) for each KPI

GI_{ICP} = Fulfilment degree KPI individually

Ii = individual indicator (Fulfilment degree %)

The fulfilment degree of each KPI (GI_{ICP}) is the fulfilment degree of each KPI, considering the calculation manner provided for each KPI, subsequently weighted with the weighting coefficient ($W_{i\ ICP}$) related to each KPI.

The variable component of the remuneration due to the administrators shall be directly proportional with

GT_{ICP} for the related financial year or part of the related financial year.

Also, in case that:

- **$GT_{ICP} \geq 100\%$**, the variable component of the remuneration is being granted in quantum of 12 fix monthly gross allowances
- **$80\% \leq GT_{ICP} < 100\%$**, the variable component of the remuneration is being awarded proportionally
- **$GT_{ICP} < 80\%$**, the variable component of the remuneration is not being paid.

Remuneration of the non-executive Provisional Administrator

The provisionally appointed administrator benefits from a gross monthly fix allowance for the execution of the awarded mandate, namely same quantum approved by the OGMS for the other administrators.

The mandate contract has as annex financial and non-financial performance indicators (KPI) for the company's administrators approved by the OGMS, as well as the Agreement by which the provisional administrator assumes and agrees with KPI and the Administration Plan.

8. Remuneration of the directors with mandate contract

The remuneration of the directors with mandate contract is being established by the Board of Directors and is made up of a fixed monthly allowance falling under the limits set out by the OGMS considering the provisions of Art. 37 Para (3) of EGO no. 109/ 2011 and a variable component.

The remuneration and benefits granted to the directors with mandate contract as per the provisions of the mandate contract will be consigned in the annual audited financial statements, within the annual Report of the Nomination and Remuneration Committee and the Report of the Board of Directors.

The payment of the professional liability insurance for the directors with mandate contract is borne by the company, as per the provisions of the mandate contract and the BoD decisions and is not part of the remuneration.

The Fix Monthly Gross Allowance

The general limits of the fix monthly gross allowance of the directors with mandate contract are being approved by OGMS, namely between 5-6 times the average over the last 12 months of the average monthly gross earnings for the activity carried out as per the core business registered by the company (code 4950), at level of class, pursuant to the classification of the activities in the national economy, communicated by the National Institute of Statistics, prior to the appointment.

Based on these general limits, the Board of Directors sets out the quantum of the remuneration of the directors with mandate contract.

The fix monthly gross allowance of the Director General

Gross quantum: equal with 6 times the average of the last 12 months of the gross monthly average earnings for the activity carried out as per the core business registered by the company, at level of class, pursuant to the classification of the activities in the national economy, communicated by the National Institute of Statistics, prior to the appointment, with applicability starting the date of execution of the addendum to the mandate contract.

The Fix Monthly Gross Allowance of the Deputy Director General and the Economic Director

Gross quantum: equal with 5 times the average of the last 12 months of gross monthly earnings for the activity carried out as per the core business registered by the company, at level of class, pursuant to the classification of the activities in the national economy, communicated by the National Institute of Statistics, prior to the appointment, with applicability starting the date of execution of the addendum to the mandate contract.

<u>The Variable Component</u>

The variable component of the remuneration, for each year of administration, shall be awarded pro-rata with the executed period over a year, at the date of the appointment in the capacity of Director by the Board of Directors. The latter shall be comprised in the Budget of each financial year and shall be paid as per the fulfillment degree of the key performance indicators.

The payment of the variable component is being performed annually, within maximum 15 days from the date of approval within the OGMS of the annual audited financial statement drafted in compliance with IFRS and the presentation of the annual report of the Nomination and Remuneration Consultative Committee with regards to the total degree of fulfillment of the financial and non-financial key performance indicators for the company's administrators, which will refer also to the report of the Director General, Economic Director and Deputy Director General on the total degree of fulfillment of the financial and non-financial key performance indicators approved by BoD Decision.

The quantum of the variable component of the remuneration, the calculation manner and the conditions for awarding thereof according to the degree of fulfilment of the financial and non-financial performance indicators, in correlation with the general limits of the variable component of the remuneration approved by OGMS Resolution for the directors with mandate contract are being established by the Board of Directors.

The mandate contracts of the directors have as annex the financial and non-financial key peformance indicators (KPI) and contain mentions with regard to the variable component of the remuneration, here included the limit of unfulfilment of the performance indicators and objectives and the financial and non-financial indicators that gives the right to revocation of the directors mandate.

The general limits of the variable component for the directors with mandate contract are being established by the OGMS, in total gross annual quantum of maximum 5% of the net profit annually achieved but no more than the value of the fix gross allowance related to the entire financial year payable to these directors, applicable starting the date of appointment thereof by the BoD, as follows:

- the Director General: maximum 2% of the net profit annually achieved, **but no more than the value of the fix gross allowance related to the entire financial year payable thereto.**

- the Deputy Director General /Economic Director: maximum 1,5% of the net profit annually achieved, **but no more than the value of the fix gross allowance related to the entire financial year payable thereto.**

The calculation manner and manner of awarding and the calculation formula:

The variable component = The value of the variable component x the total degree of fulfillment of the key performance indicators (GTICP)*

**) in case the total degree of fulfillment (GTICP) is > 100%, the total degree of fulfillment is limited to 100%.*

The total degree of fulfillment of the key performance indicators (GT_{ICP}) is the amount of the degree of fulfillment of each KPI (GI_{ICP}) weighted with the weighting coefficient (W_{ICP}) related to KPI.

The calculation formula is the following:

$$GT_{ICP} = \sum_{i=1}^{n} GI_{iICP} \times W_{iICP}$$

where:

GT_{ICP} = Total annual degree of fulfillment KPI

W_{ICP} = Weighting coefficient (weight) for each KPI

GI_{ICP} = Fulfillment degree KPI individually

The fulfillment degree of each KPI (GI_{ICP}) is the degree of fulfillment of each KPI, subsequently weighted with the weighting coefficient ICP, considering the calculation manner provided for each KPI, subsequently weighted with the weighting coefficient ($W_{i\ ICP}$) related to each KPI.

The variable component of the remuneration due to the director with mandate contract will be directly proportional with GT_{ICP} for the related financial year or part of the related financial year and shall be awarded as follows:

In case when:

a) **$GT_{ICP} \geq 100\%$,** the maximum variable component of the remuneration approved by OGMS for each director with mandate contract is being awarded within the maximum quantum, approved by OGMS.

b) **$80\% \leq GT_{ICP} < 100\%$,** the maximum variable component of the remuneration approved by OGMS for each director with mandate contract is being awarded in compliance with the total degree of fulfillment of the performance indicator.

c) **$GT_{ICP} < 80\%$,** is not being granted the variable component of the director with mandate contact.

The financial and non-financial performance indicators approved by the BoA stand for elements against which is being determined the variable component of the remuneration for the directors of the Company.

<u>Remuneration of the Provisional Director with Mandate Contract</u>

The director with mandate contract provisionally appointed benefits from a fix gross monthly allowance along mandate duration, for the execution thereof, in equal quantum with that of his predecessor (former Director with mandate contract), which does not exceed the limit fixed by GMS.

The mandate contract has as annex the financial and non-financial performance indicators (KPI) for the company's administrators approved by the OGMS and for the Directors with mandate contracts approved by the Board of Directors, as well as the Agreement by which the respective directors assumes and agrees with KPI and the Administration Plan.

9. Monitoring of the compliance with the limits approved by OGMS of the key financial and non-financial performance indicators.

On quarterly basis, the non-financial and financial key performance indicators, both for the administrators, as well as for the directors with mandate contract are being overseen and assessed. The purpose of the quarterly assessment is to identify in advance the potential negative deviations from the targets and take measures in view of improvement of the indicator's level.

The total and individual fulfilment of the financial and non-financial key performance indicators is being presented in the quarterly reports monitorining the compliance of the key performance indicators with the limits approved by the OGMS.

10. Information on the duration of the contract, the negotiated notice period, the quantum of liquidated damages for revocation without just cause

- **Contract Duration**

A. Members of the Board of Directors

The duration of the mandate of the members of the Board of Directors appointed in the capacity by OGMS Resolution is of 4 years.

The duration of the mandate of the administrator appointed by OGMS Resolution for the complation of the number of administrators lasts from the date of OGMS Resolution and up to the date of completion of the Board of Directors mandate.

Duration of the mandate of the provisional administrator appointed by the BoD is from the date of appointment and up to the OGMS, but no later than 4 months from the appointment date.

B. The Directors with Mandate Contract

Duration of the mandate of the directors with mandate contract, selected in accordance with the provisions of EGO no.109/2011 *on corporate governance of public enterprises*, is of 4 years.

The duration of the mandate of the director provisionally appointed by the Board of Directors lasts from the date of appointment and up to the completion of the recruitment and selection procedure of the director, but no later than 4 months from the appointment date.

- **Notice Terms**

A. Members of the Board of Directors

As per the provisions of the mandate contacts of the administrators, the cease of the contract mandate can take place also by waiver of mandate of the administrators, from not attributable reasons, case when this one must submit to the Company a 30 days prior notice.

B. The Directors with Mandate Contract

As per the mandate contracts concluded with the directors, the latter have the right to waive mandate, with a 45 working days' notice (forty-five) concluded with the directors granted to the Company, without the fulfilment of other formalities and without the intervention of the competent instances.

Concurrently, there are being provided the reversal conditions of the mandate thereof, by granting a written notice of 60 days.

- **The Quantum of Liquidated Damages**

A. Members of the Board of Directors

In case the reversal occurs without just cause, the administrator in question is entitled to payment of certain liquidated-damages. In case of unreasonable removal from the post, the Administrator shall have the right to receive from the Company e compensation equivalent to the fix gross monthly allowance for the unperformed period of the mandate contract, regardless the date when the removal occurs but no more than 24 fix gross allowances.

If the removal occurs in the last year of mandate, it will be paid a compensation equivalent to the fix monthly gross allowance corresponding to the number of months remaining until the expiry of mandate.

The payment of this compensation is performed within 30 working days from the date of adoption of the revoking decision of the General Meeting of Shareholders. This compensation represents the only compensation form to which the Administrator has the right, in case of unreasonable removal from the post. In case of delay of performance of this payment, the Company owes the Administrator penalties of 0.01% of the compensatory amount for each day of delay.

In case of revocation due to founded/justified reasons of the Administrator, the Company does not owe him any compensation for the unperformed period of the mandate.

B. The Directors with Mandate Contracts

In the mandate Contracts of the directors it is specified that the party which does not fulfill partially or totally the contractual obligations will pay the other party liquidated-damages whose value will be established based on a specialized expertise.

In case of unreasoned revocation of the Contract, based on a Decision of the Board of Directors, by submitting a written notice of 60 working days communicated by the Company, there will be paid a net compensation equivalent with the value of the fix net remuneration from the last month prior to revocation, multiplied by the number of months remaining from the contract term, in the conditions provided by the contracts.

Concurrently, the directors can be revoked without any damage in case it is identified the unfulfillment of the performance objectives and indicators, based on a quarterly analysis, namely an unfulfillment of the global degree thereof, as compared to the contractually established limits.

The limit of unfulfillment of the performance objectives and the financial and non-financial indicators giving the right to revoke the mandate granted to the director with mandate contract, for reasons attributable thereto, is of minimum 25% of the global fulfillment degree of the indicators.

The rates of the financial and non-financial performance indicators and objectives, corresponding to the global degree of fulfilment higher or equal with 75%, does not influence the calculation for the settlement of the variable component of the remuneration approved by the Board of Directors.

11. Other Information on the Mandate Contract

The administrators and directors with mandate contracts benefit from the settlement of the expenses related to the execution of mandate related to the representation in the Company's interest, as well as, but without limitation to these: transport, daily allowance, accommodation expenses, both in country and abroad, based on supporting documents, as well as of professional liability insurance, along the mandate period, the exchange value thereof being borne by the company.

12. The Considerations justifying any scheme of annual bonuses or non-monetary advantages;

The members of the Board of Directors and the directors with mandate contracts do not benefit from the bonuses and non-monetary advantages.

13. The Potential anticipated or additional Pensions Schemes;

For none of the members of the Board of Directors or directors there have not been established schemes of anticipated and additional schemes.

The insurance policies of the administrators and directors with mandate contract are annually completed by the company.

The costs related to the legal liability policy of the administrators in aggregate are borne by the company and fall into the maximum limit of the annual insurance premium approved by the OGMS Resolution.

The costs related to the legal liability policy in aggregate for the directors with mandate contract are borne by the company and fall into the annual maximum limit of the insurance premium approved by BoA decision.

The remuneration policy can be revised and/ or updated whenever necessary, with the endorsement of the Board of Directors and the approval of OGMS, by compliance with the legal applicable regulations or legal binding dispositions on the remuneration policy to public enterprises.

As per the provisions of Art. 92^1 of Law no. 24/ 2017, the remuneration Policy of the administrators and the directors with mandate contract will be submitted for approval of OGMS, on the occasion of any significand amendment and, in any case, at least once every 4 years.

In compliance with the provisions of Art. 39 Para (3) of EGO 109/2011 on corporate governance of public enterprises, the remuneration Policy of the administrators and directors with mandate contract within the unitary system is published on the internet page of the Company by concern of the Board of Directors.

This remuneration Policy of the administrators and directors with mandate contract is endorsed in the meeting of the Board of Directors dated 07.04.2021 and submitted for approval within the OGMS.

CHAIRMAN OF THE BOARD OF DIRECTORS
CRISTIAN – FLORIN GHEORGHE

Endorsed by BoD Decision no.6/07.04.2021
Approved by OGMS Resolution no. ..../