

Recommended for approval in the BoA meeting dated 20.03.2017 and presented in the OGMS meeting held on 26.04.2017

The Board of Administration
The Nomination and Remuneration Committee
No. 11148/20.03.2017

REPORT dated 14.03.2017
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., Law no. 297/2004 regarding the capital market, further amendments and additions, with the updated composition following the BoA Decision no. 15/17.12.2015:

- Dan Weiler – Chairman
- Cristiana Chiriac – BoA member
- Răzvan-Ștefan Lefter – BoA member

met on **14.03.2017**, for the elaboration of the note for substantiation of the proposal regarding:

- the settlement of subcomponent 2 of the variable component of the remuneration of the company's non-executive administrators, with applicability in 2017;
- the settlement of the subcomponent 2 of the variable component of the remuneration of the company's Director General, with applicability in 2017;
- grant subcomponent 2 of the variable component, 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 4, or Article 36, item 6, or Article 36 item 7, or Article 36 item 8 of the contract;

As per the provisions of Art.37 paragraph (1) and (2) and respectively Art. 38 paragraph (2) of the Government Emergency Ordinance no.109/2011 regarding the corporate governance of the public enterprises, subsequent amendments and completions, the members of the board of administration and the administrators, in relation to their performed activity, receive a monthly fix allowance and a variable allowance, set out by the General Meeting of Shareholders.

- I. The remuneration of the non-executive and executive administrators within CONPET S.A. has as legal grounds:
 - the dispositions of the Government Emergency Ordinance no.109/2011, subsequent amendments and additions;
 - Resolution no.2 from 25.03.2014 of the Ordinary General Meeting of CONPET S.A. Shareholders regarding the approval of the remuneration of the Board of Administration members (monthly fix gross allowance and Subcomponent 1 of the variable component, as well as the approval of the general limits of remuneration of the Director General);
 - Resolution no.8 from 18.12.2014 of the Ordinary General Meeting of CONPET S.A. Shareholders on the approval of the remuneration of the Board of Administration members (subcomponent 2 of the variable component);
 - Resolution no.17/2013 of the Board of Administration, based on which was appointed the Director General of CONPET S.A., being delegated management attributions, as per the dispositions of Art. 143 of the Companies' Act no.31/1990, republished, subsequent amendments and completions;
 - The administration contracts of the non-executive administrators and the mandate Contract no.1/2013 of the Director General;
 - The administration plan of the Board of Administration, which includes the performance indicators and criteria of the Board of Administration, approved by Resolution no.3/27.03.2014, of the Ordinary General Meeting of Shareholders.
 - The management Plan of the Director General, approved by Resolution no. 10/27.05.2014 of the Board of Administration, plan which develops and complements the administration plan and includes the performance indicators and criteria of the Director General.

- II. Based on OGMS Resolution no.2/25.03.2014, the non-executive members of the Board of Administration benefit from a remuneration made of:
 - (i) Monthly gross fix allowance;
 - (ii) The variable component made up of two subcomponents.

- III. Based on the Resolution no.17/2013 of the Board of Administration, the Director General of CONPET S.A. benefits from a remuneration made of:
 - (i) Monthly gross fix allowance;
 - (ii) The variable component made out of two subcomponents.

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

IV. Art. 37 paragraph (5) from EGO no.109/2011 establishes that "the level of the variable component is being settled pursuant to the fully reasoned recommendations, formulated based on a comparative study on the remuneration conditions for the similar positions in the autonomous administrations and companies where the State holds majority or full stake, in Romania or other European states, having the same business profile, by the commission of specialist in human resources recruitment or, as the case may be, by independent experts in human resources recruitment".

In May 2014, KPMG performed a comparative study where identified, in terms of business profile, similar companies from other European states and pointed out the main elements with regards to the calculation method of the variable allowances resulting after the analysis of the obtained information.

Considering the above, **the Nomination and Remuneration Committee proposes, for 2017, the followings:**

1. The value of subcomponent 2 of the variable component of the administrators remuneration will reach the annual maximum gross quantum of 5%, applied on the difference of the actually achieved profit and the net profit, estimated for the financial year, calculated for all members of the Board of Administration, but not higher than the value of the fix allowance related to the entire financial year, determined as per the administration/mandate contract.

The value of the maximum fix allowance for all BoA members, in 2017, reaches 604,224 RON, made of 300,960 RON for the six non-executive members (50,160 x 6) and 303,264 RON for the Director General, as executive member.

Considering that the two above-mentioned amounts are almost identical, it is being proposed that the value of subcomponent 2 be equally divided among the six non-executive members, respectively the Director General as executive member in the BoA. On their turn, the six non-executive members equally distribute equally the amount due to them.

The subcomponent 2 of the variable component of the Board of Administration is being granted according to the rate of fulfillment of the performance indicators.

The amounts related to the Subcomponent 2 of the variable component of the Board of Administration members and the Director General fall under the company's Revenues and Expenditure Budget, such as it was approved.

Therefore, for 2017, the Subcomponent 2 of the variable component granted to the non-executive administrator is being determined according the fulfilment of the objectives and achievement of the performance indicators and is established to a rate of 0,415% of the amount representing the difference between the net profit actually achieved and the net profit estimated for the 2017 financial year, but not higher than the value of the fix allowance related to the entire financial year, determined as per the provisions of art.16 of the administration contract. The payment will be made following the approval of the annual financial statements.

2. Subcomponent 2 of the variable component of the remuneration of non-executive administrators will be granted on pro-rata temporis basis, under the administration contract, in case the contract of a non-executive administrator ceases before the end of a calendar year, by one of the situations provided at Art.36 item 3, Art.36 item 4, Art.36 item 6, Art.36 item 7, Art.36 item 8 of the contract.

The Nomination and Remuneration Committee prepared this report regarding the 2017 **value of subcomponent 2 of the variable component of the administrators' remuneration** which is recommended for Board of Administration endorsement and submitted for OGMS approval, along with the proposal for an addendum to amend the administration contracts concluded by the company's non-executive administrators with the company.

- Dan Weiler – Chairman of BoA S.s. Illegible
- Răzvan-Ștefan Lefter – BoA member S.s. Illegible
- Chiriac Cristina – BoA member S.s. Illegible