

Endorsed in the BoA meeting dated 13.11.2018 and submitted for approval to OGMS dated:.....

**THE REPORT**  
**of the Nomination and Remuneration Committee**  
dated 13.11.2018

The Nomination and Remuneration Committee within the CONPET Board of Administration set-up under the Board of Administration Decision no.16/2013 as per the provisions of the companies Law no.31/1990, republished, subsequent amendments and completion, the company's Articles of Incorporation, updated, corroborated with the provisions of Law no.297/2004 on the capital market, ulterior amendments and completions and the provisions of the Government Emergency Ordinance no.109/2011 *on corporate governance of public enterprises*, ulterior amendments and completion, approved by Law no.111/2016, met under the composition approved by BoA Decision no.20/28.08.2018, namely:

*Chairman      Mr. Albulescu Mihai - Adrian  
Mr.              Mr. Gavrilă Florin – Daniel  
                    Mr. Iacob Constantin – Ciprian  
                    Mrs Pavăl Karina  
                    Mr. Meșca Darius-Dumitru*

with Nomination and Remuneration meeting scope:

- a) financial and non-financial performance indicators of the administrators are to be submitted for OGMS approval
- b) the quantum of the variable component of the administrators' remuneration, the means to calculate and award the remuneration.
- c) conclusion of an Additional Act to the Mandate Contract of the administrators, in the form and contents attached to this report.
- d) the settlement of the general limits of the remuneration of the Director General and the Economic Director.

a) **Financial and non-financial performance indicators of the administrators** are the key performance indicators that will set the basis for the determination of the variable component of the administrators remuneration that comprise also the performance indicators set-out in the administration Plan approved by BoA.

As per the legal provisions, the performance indicators (KPI) are being negotiated and approved by the OGMS; the performance indicators will be integral part of the administrators' mandate contract, as annex thereto.

The financial and non-financial performance key indicators set the basis for the establishments and award of the variable component of the administrators remuneration along the performance of the mandate contract. The performance indicators, the targets and degree of achievement thereof may be amended under the law and by the observance of the procedures provided for the approval thereof.

Consequently, the financial and non-financial performance indicators will be submitted for OGMS approval.

**b) the quantum of the variable component of the administrators remuneration, calculation manner and the award thereof.**

By Art.5 and Art.6 of the Decision no.5/22.08.2018, the OGMS established that mandate duration of the elected administrators is of 4 years, namely approved the form and contents of the contract mandate of the elected administrators, in the form proposed by the major shareholder, the Ministry of Energy, submitted by address no.102924/AA/02.08.2018.

**The date of appointment in the capacity** of the current administrators is 22.08.2018.

By Art.7 of Decision no.5/22.08.2018, OGMS established the monthly fixed gross allowance for the elected administrators in the form proposed by the majority shareholders the Ministry of Energy by the draft contract of mandate, respectively: "The Administrator benefits from a monthly fixed gross allowance for the execution of the entrusted mandate in amount of 13,022 RON, equal with two times the average over the last 12 months of the monthly gross average earnings for the activity performed according to core business registered by the company (NACE Code 49), at the level of class as per the classification of the activities in the national economy, communicated by the National Institute of Statistics prior to the appointment.", this being provided, as a consequence, also in Art.13 of the administrators mandate contract.

In Art.37 Para (2) of EGO no.109/2011 *on corporate governance of the public enterprises* is being provided: "The quantum of the variable component of the administrators cannot exceed maximum 12 monthly fix allowances".

Art.15 of the administrators mandate contract provides the followings:

“The administrator also benefits by the payment of a variable component. The variable component is being determined and is being awarded according to the objectives comprised in the administration plan and the financial and non-financial indicators approved by the General Meeting of Shareholders. The variable component, as well as the amendment conditions of the objectives and performance indicators are being settled by addendum to this Contract, addendum that is to be completed based on the approval of the General Meeting of shareholders of the financial and non-financial performance indicators and the Addendum to the Mandate Contract”.

Therefore, considering the applicable legal provisions, in what regards **the variable component** of the company’s administrators remuneration is being proposed the approval thereof by the OGMS, namely in quantum of 156,264 Lei/administrator, for each year of administration, representing 12 gross monthly fix allowances (provided by Art. 13 in the mandate contract approved for each administrator).

For every year of mandate, the variable component of the remuneration of the administrators will be awarded pro-rata with the period of the year employed under the contract of mandate, starting the date of appointment thereof by the OGMS.

The variable component of the remuneration of the administrators will be granted pro-rata with the period of the year employed under the contract of mandate and in case the contract of the administrator ceases before the end of the financial year of a year due to one of the following clauses stipulated in the contract of mandate:

- 37.1. - the expiry of the period for which the contract of mandate was concluded;
- 37.4. - death of the Administrator;
- 37.6. - agreement of the Signatories;
- 37.7. - renunciation of the administrator to the mandate, for causes non- attributable to him;
- 37.8. - occurrence of certain legal impediments/ impossibility to exercise the mandate

#### **The means of calculation and awarding of the variable component of the administrators remuneration**

**The variable component** = The value of the variable component set pursuant to the addendum to the contract of mandate x Total Degree of achievement of the performance indicators (KPI).

Total Degree of achievement of the performance indicators ( $GT_{ICP}$ ) is the amount of the degree of achievement of every KPI ( $GI_{ICP}$ ) weighted by the weighting coefficient ( $W_{ICP}$ ) related to every 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 achievement of the KPI

$W_{ICP}$  = Weighting Coefficient (weight) for every KPI

$GI_{ICP}$  = Degree of achievement of the individual KPI

$I_i$  = individual indicator (Degree of Achievement %)

The degree of achievement of every KPI ( $GI_{ICP}$ ) is the degree of achievement of every KPI, considering the means of calculation provided at every KPI, subsequently weighted by the weighting coefficient ( $W_{iICP}$ ) related to each KPI.

**The variable component** of the remuneration due to the administrators will be directly proportional to the

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

Also, in case:

- $GT_{ICP} \geq 100\%$ , the variable component of the remuneration is being awarded in amount of 12 monthly gross fixed 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.

Considering

- the dispositions of Law no.31/1990 Companies Law, republished subsequent amendments and completions, Art.153 with 18, Para (1); The remuneration of the members of the Board of Administration or the supervisory council is being settled by the Articles of Incorporation or decision of the general meeting of shareholders
- Provision of the Company's Articles of Incorporation, Art. 15, Para (3) letter e) according to which the company's OGMS sets the remuneration of the member of the board of administration.
- The provisions of EGO no.109/2011 on corporate governance of public enterprises, subsequent amendments and completions, Art.36, Para (1): The remuneration of the

members of the board of administration or, as the case may be, of the members of the supervisory council is being established by the general meeting of shareholders in the structure and within the limits provided at Para (2) and (4)”. Therefore, Para (2) describes the calculation means and the means of settlement of the administrators remuneration and at Para (4) regulated the revision manner of the variable component.

- The provisions of EGO no.79/2017 for the amendment and completion of Law no. 227/2016 on the Fiscal Code
- The provisions of EGO no.90/06.12.2017 with regards to some fiscal-budgetary measures, the amendments and completion of several normative acts and prorogation of several terms, Art.18 the gross Remunerations of the administrators and directors provided in the mandate contracts concluded as per the provisions of the Government Emergency Ordinance no.109/2011 on corporate governance, approved with amendments and completions by Law no.111/2016, ulterior amendments, can be recalculated in order to comply to the new binding social contributions due as per the Law no.227/2015, ulterior amendments and completions, as it has been amended by government Emergency Ordinance no.79/2017 for the amendment and completion of Law no.227/2015 on the Fiscal Code.

The Nomination and Remuneration Committee submits for BoA endorsement and OGMS approval the variable component of the administrators remuneration, namely in quantum of 156,264 Lei representing 12 fix monthly gross allowances for each mandate year (13.022 x 12), by observing the calculation means and the awarding as per the afore- mentions.

### **c) The Addendum to the administrators mandate contracts**

In correlation with the aforementioned, the Nomination and Remuneration Committee submits for BoA endorsement and OGMS approval The Addendum to the administrators mandate contracts, in the form and contents attached to this report, having as scope:

- the financial and non-financial performance indicators of the administrators which are to be approved by OGMS and will be annex to the administrators mandate contracts.
- the quantum of the variable component of the administrators remuneration determined based on the financial and non-financial performance key indicators comprised in Annex no.1, the calculation means and awarding thereof,

## **The general limits of the remuneration of the Director General and the Economic Director**

Following the carry out of the procedure for recruitment and selection of the Director General and the Financial Director (Economic) of CONPET S.A., by observing the provisions of Art.35 of EGO no.109/2011 *on corporate governance of public enterprises*, by BoA Decision no.27/06.11.2018, Mr. Chis Timur -Vasile was appointed in the capacity of Director General of CONPET S.A. And Mrs Toader Sanda was appointed Economic Director, with a mandate for a 4 years period as of 07.11.2018 and up to 06.11.2012 (inclusively).

Considering:

- ✓ the dispositions of Law no.31/1990 Companies Law, republished subsequent amendments and completions, Art.153 ^18, Para (2); The additional remuneration of the members of the Board of Administration or the supervisory council charged with specific capacities within the respective body, as well as the remuneration of the directors, in the unitary system, or the members of the directorate, in dualist system, are being established by the board of administration, namely by the supervisory council. The articles of incorporation and the general meeting of shareholders sets the general limits of all the remunerations granted in this manner. The provisions in the Articles of Incorporation, Art.15, Para (3), letter e), according to which the OGMS approves the general limits of the directors remunerations
- ✓ The provisions of EGO no.109/2011 *on corporate governance of public enterprises*, subsequent amendments and completions, Art.38, Para (2): The remuneration of the directors is made up of a monthly fix allowance and a variable component (provision taken over also in the mandate contract of the directors)
- ✓ The provisions of EGO no.79/2017 for the amendment and completion of Law no. 227/2016 on the Fiscal Code
- ✓ The EGO provisions no.90/06.12.2017 regarding several legal-budgetary measures, the amendment and completion of several normative acts and the prorogation of certain terms, Art. 18; The gross remunerations of the administrators and directors provided in the mandate contracts concluded pursuant to the provisions of EGO no.109/2011 on corporate governance, approved with amendments and completions by Law no.111/2016 ulterior amendments can be recalculated in order to comply with the new binding social contributions due as per the Law no.227/2015, ulterior amendments and completions, as it

has been amended by Government Emergency Ordinance no.79/2017 for the amendment and completion of Law no.227/2015 on the Fiscal Code.

is being advanced to OGMS the approval of the general limit of the remuneration of the Director General and the Director Economic, applicable for each year, starting the date of their appointment in the capacity.

It will be mentioned that both the monthly gross fix allowance as well as the variable component of the remuneration differs from one director to another, as the company's management was delegated to the Director General, considering the provisions:

- ✓ Art.35 Para (1) of EGO no.109/2011 *on corporate governance of the public enterprises* subsequent amendments and completions: The Board of Administration delegated the company's management to one or more directors, appointing one of the in the capacity of the Director General.
- ✓ Art.20, Para (1), letter (j) of CONPET S.A. Articles of Incorporation: The Board of Administration delegates the management to the Director General who represents the company in relation to third-parties.

Consequently, the Nomination and Remuneration Committee submits for BoA endorsement and OGMS approval the general limits of the Director General and the Economic Director, applicable starting the date of appointment thereof by the BoA, as follows:

#### **Director General**

- The fix allowance within the limits of 33,000 Lei
- The variable component within the limits of 396,000 Lei

#### **Economic Director**

- The fix allowance within the limits of the amount of 27,000 Lei
- The variable component within the limits of 270,000 Lei

#### **The Nomination and Remuneration Committee**

*Chairman*

*Mr. Albulescu Mihai– Adrian*

*Mr.*

*Mr. Gavrilă Florin– Daniel*

*Mr. Iacob Constantin– Ciprian*

*Mrs Pavăl Karina*

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