

Subject to approval in the BoA meeting dated \_\_\_\_\_ and to information in the O.G.M.S. meeting dated \_\_\_\_\_

**The Company CONPET S.A.**

**The Nomination and Remuneration Committee**

## **ANNUAL REPORT 2019**

### **on remuneration and other benefits granted to administrators and directors with contract of mandate, during the financial year 2019**

#### **I. Preamble**

The company CONPET S.A. was established under Law No.15/1990 on the reorganization of the economic units of state as autonomous and commercial companies, subsequent amendments and additions and Government Decision no. 1213/1990 on the establishment of joint stock companies in the industry.

The Company CONPET SA is the operator of the crude oil National Transport System, as defined and regulated by the Petroleum Law no. 238/2004, subsequent amendments and additions as well as by the Detailed rules for the application of the Petroleum Law, approved by Government Decision no. 2075/2004.

The company CONPET SA is a limited liability company operating under Law no. 31/1990 regarding the companies, republished, subsequent amendments and additions as well as in accordance with the legislation on the capital market.

The present report is prepared in accordance with art. 55 para. (2) and (3) of Government Emergency Ordinance no. 109/2011 *on corporate governance of public enterprises*, subsequent amendments and additions (Law no. 111/2016), according to which:

The Nomination and Remuneration Committee within the Board of Administrators prepares an annual report on the remuneration and other benefits granted to administrators and directors



during the previous financial year, provision reflected in art. 20 para. (1) letter y) of the Articles of Incorporation as a duty of the Board of Administrators.

The report shall be submitted to the General Meeting of Shareholders approving the annual financial statements, is made available to the shareholders and contains the following information:

- a) remuneration structure, with an explanation of variable weight component and the fixed component;
- b) performance criteria underlying the variable remuneration component, the ratio of the performance achieved and remuneration;
- c) considerations justifying any scheme of annual bonuses or non-cash benefits;
- d) any supplementary pension schemes or anticipated;
- e) information on the duration of the contract, the notice period negotiated, the amount of damage - interests for unjust dismissal.

## II. Legal framework and internal framework on remuneration and other benefits granted to administrators and directors

- **Legal framework and internal framework considered for determining the rules for remuneration of administrators and directors are as follows:**

### **A. Members of the Board of Administration**

#### **✓ *The Articles of Incorporation of the company***

- Art. 15, para (3), letter b) - stipulates that the OGMS *“elects and revokes the administrators, according to the law.”*
- Art. 15, para (3), letter e) - stipulates that the OGMS *“sets the level of remuneration and any other amounts and benefits due to administrators for the financial year in progress [...].”*

#### **✓ *Law no. 31/1990 on the companies, republished, further amendments and completions***

- Art. 111, para. (2), lt. c) - stipulates that the GMS is obliged *“to fix the remuneration due for the current board members, if it was not established by the Articles of Incorporation”*.

- Art. 153<sup>^</sup>18, para (1) - stipulates that *“Remuneration for the members of the Board of Administration [...] is determined by the articles of association or by decision of the general meeting of shareholders.”*
- Art. 153<sup>^</sup>18, para (4) - stipulates that *“The General meeting, namely the Board of Administration [...] and, if the case may be, the Nomination and Remuneration Committee will make sure, when establishing remunerations or other benefits that they are justified in relation to specific duties of those persons and the economic situation of the company.”*
- ✓ ***The EGO no.109/2011 on corporate governance of public enterprises, approved with amendments and completions, approved by Law no. 111/2016***
- Art. 37 para (1) - stipulates that: *“The remuneration of the members of the Board of Administration [...] is being established by the general meeting of shareholders in the structure and within the limits provided at Para (2) and (4)”*.
- Art. 37 para (2) - stipulates that: *“The remuneration of non-executive members of the Board of Administration [...] consists of a fixed monthly allowance and a variable component. The fix allowance may not exceed twice the average for the last 12 months of the average gross salary per month for work performed in compliance with the core business recorded by the Company at class level according to the classification of the national economy, announced by the National Statistics Institute prior appointment. The variable component is determined based on financial and non-financial performance indicators negotiated and approved by the general meeting of shareholders, other than those approved for the executives, determined in compliance with the methodology set out in Art. 3<sup>^</sup>1 par. (5) and aimed at including long-term sustainability of the company and ensuring compliance with the principles of good governance. The quantum of the variable component of the administrators cannot exceed maximum 12 monthly fix allowances”*.
- Art. 37 para (4) - stipulates that: *“The variable component of the remuneration of the members of the Board of Administration [...] shall be revised annually, according to the level of achievement of the objectives contained in the administration plan and the achievement degree of the financial and non-financial performance indicators approved by the general meeting of shareholders, annex to the mandate contract”*.

- Art. 37 para (5) - stipulates that: *“The General Meeting of Shareholders will ensure, when determining the fixed monthly allowance of each member of the board[...], determined under paragraph. (2) and (4), that it is justified in relation to specific duties, responsibilities within some advisory committees, number of meetings, objectives and performance criteria set out in the contract of mandate. “*
- Art. 39 para (1) - stipulates that:  
*“Remuneration and benefits provided by law or the contract of mandate to administrators and directors within the unitary system, respectively to the members of the Supervisory Board and the Executive Board, in the case of two-tier system will be recorded in the annual financial statements and annual report of the nomination and remuneration committee, the board of directors or the supervisory board and will include remuneration and other benefits granted by the company and by its subsidiaries.”*
- Art. 39 para (3) - stipulates that:  
*"The policy and criteria for remuneration of administrators and directors, as regards the unitary system, namely of the members of the Supervisory Board and the Executive Board, as regards the two-tier system as well as the level of remuneration and other benefits offered to each administrator and director are made available on the internet page of the public undertaking, through the good care of the president of the board of administration or the supervisory board.”*

## **B. The Directors with mandate contracts**

### **✓ The Articles of Incorporation of the company**

- Art. 20, para. (1), lit. 1) - provides that the Board of Administration *“Appoints and revokes the director general of the company and sets remuneration thereof, remuneration whose overall limits are set by the Ordinary General Meeting of Shareholders. Sets the objectives and performance criteria for the Director General and Economic Director and regularly notes the progress of the fulfillment thereof; approves the global degree of fulfillment of the objectives and performance criteria of the Director General and Economic Director, for the previous year, correlated with the financial statements of financial year in question;*

- Art. 15, para (3), letter e) - stipulates that the OGMS *“sets the remuneration level and any other amounts and advantages due to the administrators for the financial year in progress [...] as well as the general limits of the remuneration of the Director General.”*

***Law no. 31/1990 on the companies, republished, further amendments and completions***

- Art. 142 para (2), lt. c) - mentions among the core competencies of the Board of Administration, which can not be delegated to directors *“appointment and revocation of directors and determine their remuneration.”*
- Art.143, para (1), (2), (3), (4) and (5) - stipulate that:
  - (1) The Board of Administration may delegate the company’s management to one or more directors, appointing one of the in the capacity of Director General.*
  - (2) Directors may be appointed from among the directors or outside the Board of Administration.*
  - (3) If this issue is foreseen by the articles of association or by a decision of the general meeting of shareholders, the chairman of the board of administration of the company may be appointed as Director General.*
  - (4) If joint stock companies whose annual financial statements are subject to a legal obligation of financial auditing, delegating management of the company in accordance with paragraph. (1) is required.*
  - (5) According to this law, the director of the joint stock company is the only person to whom powers have been delegated by the company's management, in accordance with paragraph. (1). Any other person, regardless of the technical name of the position held within the company, is excluded from the rules of this law on joint stock company directors.*
- Art. 153 ^ 18 par. (2) - provides that *“[...] as well as remuneration of directors in the unitary system [...] are determined by the Board of Administration. The Articles of Incorporation or the General Meeting of Shareholders sets the general limits of all remuneration granted in this respect.”*

✓ *The EGO no.109/2011 on corporate governance of public enterprises, approved with amendments and completions, approved by Law no. 111/2016*

- Art. 34 para. (2) - provides the competence of the Nomination and Remuneration Committee “to make proposals on directors' remuneration”
- Art 38, para (1) - provides that: *Remuneration of directors is set by the Board of Administration and shall not exceed the fixed remuneration set for executive members of the Board of Administration. It is the only form of remuneration for directors who also meet the quality of administrators.*
- Art 38, para (2) - provides that: *Remuneration consists of a fixed monthly allowance established in the limits laid down in art. 37 para. (3), and of a variable component consisting of a share of participation in the net profits of the company, granting shares, stock options or an equivalent scheme, a pension scheme or other form of remuneration based on performance indicators.*
- Art 38, para (3) - provides that: *Financial and non-financial performance indicators approved are elements against which is determined the variable component of remuneration for company directors.*
- Art 39, para (1) - provides that: *“Remuneration and benefits provided by law or the contract of mandate to administrators and directors within the unitary system [...], will be recorded in the annual financial statements and annual report of the Nomination and Remuneration Committee, the Board of Administrators and will include remuneration and other benefits granted by the company and by its subsidiaries.”*
- Art. 39 para (3) - stipulates that: *(3) Policy and criteria for the remuneration of administrators and directors for unitary system [...] as well as the level of remuneration and other benefits offered to each administrator and director are made public on the website of the public enterprise under the care of the board of administration or, where appropriate, the supervisory board.”*

- **OGMS Resolutions and BoA Decisions by which the members of the Board of Administration in office during 2019 were appointed and by which the contracts for their mandate were approved:**
  - OGMS Resolution no. 5/22.08.2018 by which, following the completion of recruitment and selection procedure provided by EGO no 109/2011 on corporate governance of public enterprises, approved with amendments by Law no. 111/2016, was approved the election of the members of the BoA by applying the cumulative voting method, respectively Mr. Iacob Ciprian – Constantin, Mr. Popa Claudiu– Aurelian, Mr. Gavrilă Florin – Daniel, Mr. Albulescu Mihai– Adrian, Mr. Gheorghe Cristian - Florin, Mr. Meșca Darius-Dumitru and Ms. Pavăl Karina and it is approved the form and content of the mandate contract as proposed by the majority shareholder.
  - BoA Decision no. 17/04.07.2019 by which Mr. Buică Nicușor - Marian is appointed in the capacity of provisional administrator, considering the proposal from the shareholder DEDEMAN SRL, starting 05.07.2019 and until the OGMS meeting, on the vacancy due to waiver of office and as administrator of Ms. Pavăl Karina. However, by the same decision, the Board approved the conclusion of the mandate of the provisional administrator, valid until OGMS meeting, agreement with form and content similar to the contract approved by OGMS Resolution no. 5/22.08.2018 for the other administrators.
  - Decision no. 5/30.09.2019 by which Mr. Buică Nicușor - Marian was appointed by the OGMS as administrator of the company CONPET SA and the contract of mandate thereof was approved.

All the members of the Board of Administration of CONPET sa are non-executive administrators.

- **The OGMS Resolutions by which the directors with contract of mandate in office during 2019 were appointed and by which the contracts for their mandate were approved:**



- According to BOA Decision no. 27/06.11.2018, following the unrolling of the recruitment and selection procedure of the Director General and Financial Director (known as Economic Director) carried out in accordance with EGO no.109/2011 *on corporate governance in public enterprises*, the BOA appoints Mr. Chiș Timur – Vasile as Director General of CONPET SA and Mrs. Toader Sanda in the capacity of Economic Director of CONPET S.A., starting 07.11.2018, delegating the management of the company in accordance with the legal provisions in force, the Articles of Incorporation and the Contract of Mandate.
- BOA Decision no. 5/18.02.2019, by which, following the unrolling of the recruitment and selection procedure of the Deputy Director General carried out in accordance with EGO no.109/2011 *on corporate governance in public enterprises*, the BOA appoints Mrs. Dumitrache Mihaela - Anamaria in the capacity of Deputy Director General of CONPET S.A., starting 18.02.2019, delegating the management of the company in accordance with the legal provisions in force and the Contract of Mandate.

### III. a) Remuneration structure, with an explanation of variable weight component and the fixed component

In 2019:

- the administrators have received for their activity, a fixed monthly allowance in accordance with the provisions of the contract of mandate concluded with the company
- the directors with mandate contracts have received for their activity, a fixed monthly allowance in accordance with the contract of mandate concluded with the company
- the fixed and variable compensation for directors of the company and the general limits on the remuneration of directors with mandate contract were approved by the GMS
- the gross monthly fixed salary and variable remuneration subcomponent for directors with mandate contract were approved by the Board of Administration
- the variable subcomponent was granted to administrators and directors with mandate contract (General and Economic Directors) after approval of the financial statements for the financial year ended on 31.12.2018





- the administrators received professional liability insurance in the amount approved by the GMS
- the directors received professional liability insurance in the amount approved by the GMS

### **A. Members of the Board of Administration**

The contract of mandate concluded with administrators in office during 2019, approved by the OGMS Resolution no. 5/22.08.2018 in the form and content proposed by the majority shareholder (and hence the OGMS Resolution no. 5/30.09.2019 for Mr. Buică Nicușor - Marian), provides a remuneration consisting in a monthly gross fixed allowance and a variable component established on financial and non-financial negotiated key performance indicators, negotiated and approved by OGMS Resolution no.7/18.12.2018, by observing the provisions of Art.15318 of Law no.31/1990 of the companies and Art.37 of EGO no.109/2011;

#### **1. Fixed monthly allowance**

Gross fixed monthly allowance of administrators has been established according to Art. 7 of OGMS Resolution no. 3/22.08.2018. Thus, each administrator benefits from a monthly fixed gross allowance 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 the main activity object 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”.

The payment of the gross fixed monthly allowance is made once a month, namely on the 26th of the current month, regardless of the number of meetings per month for which the payment is made.

The total gross fixed remuneration paid between 01.01.2019 - 31.12.2019 to the members of the Board of Administration was of 639,912 RON.

#### **2. Variable component**

According to Art. 15 of the Contract of Mandate the administrators benefit also from the payment of a variable component of the remuneration amounting to 12 fixed monthly allowances granted



under the law, to comply with the provision that the Budget approved in accordance with the legal provisions in force and in compliance with the established methodology.

The variable component is being determined and awarded according to the fulfillment of the objectives included in the administration plan and to the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

The payment of the variable component will be made annually, in no more than 15 days as of the approval within the OGMS of the annual financial statements audited in compliance with IFRS and the presentation of the annual report of the Nomination and Remuneration Consultative Committee regarding the global result for the achievement of the financial and non-financial performance indicators approved pursuant to the OGMS Resolution no. 7/18.12.2018.

The method of calculating and granting the variable component and the conditions for revision of the objectives and performance indicators were established by Addendum no. 1 to the Contract of mandate of the Administrators approved by OGMS Resolution no. 7/18.12.2018, the respective provisions being included in the contract of mandate of Buică Nicușor - Marian approved by BoA Decision no. 17/04.07.2019 (provisional administrator) and by OGMS Resolution no. 7/30.09.2019.

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

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 ( $W_{i\ ICP}$ ) 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 that:

- $GT_{ICP} \geq 100\%$ , 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.

**The variable component paid to the members of the Board of Administration for 2018** was in the total amount of 229,656 RON and was paid after approval, by OGMS Resolution no. 4 dated 07.06.2019, of the granting of the the variable component payable to directors for the mandate period during 2018, in accordance with the contract term.

**The detailed structure of the net remuneration paid in 2019 to the administrators** is the following:

	Fixed allowance	Variable remuneration due to 2018, paid in 2019
- Mr. Iacob Ciprian – Constantin –	91,416	32,808
- Mr. Popa Claudiu – Aurelian -	91,416	32,808
- Mr. Gavrilă Florin – Daniel -	91,416	32,808
- Mr. Albulescu Mihai – Adrian -	91,416	32,808
- Mr. Gheorghe Cristian – Florin	91,416	32,808
- Mr. Meșca Darius-Dumitru	91,416	32,808
- Ms. Pavăl Karina	46,691	32,808
- Mr. Buică Nicușor – Marian	44,725	0

For the variable component of the board members for 2019 a provision in amount of 1,118,460 RON gross has been set up (with the contribution of the employer), calculated according to the number of days for the period of mandate.

The variable component for the year 2019 will be paid to the administrators after approval by the GMS of the annual financial statements, based on the fulfillment of the objectives and performance indicators thereof.

## **B. The Directors with mandate contracts**

The contract of mandate concluded with the Director General and the Economic Director, approved by BoA Decision no. 27/06.11.2018 and respectively concluded with the Deputy Director General, approved by BoA Decision no. 5/18.02.2019 provides, in Art. 5: The Director General/ Economic Director/Deputy Director General benefits from **a remuneration composed of a fixed gross monthly allowance** for the execution of the entrusted mandate (...) and of a **variable component of the remuneration** – to be negotiated later, according to the provisions stipulated by the EGO no. 109/2011 approved by Law no. 111/2016, subsequent amendments and completions, subject of an addendum to the contract.

### **1. Fixed monthly allowance**

The general limits of the fixed remuneration of directors with mandate contract have been fixed by OGMS Resolution no. 7/18.12.2018.

The monthly fixed gross allowance of the Director General set by BoA Decision no.33/18.12.2018, is in amount of 40,416 RON, that is 6 times the average for the last 12 months of the average gross salary per month for the activity carried out according to the main object of activity recorded by the company, at class level, according to the classification of the activities of the national economy, announced by the National Institute of Statistics prior to the appointment (NIS address no. 42779/05.11.2018 and calculation note no. 42925/02.11.2018 prepared by the Human Resources Department), effective starting from the date of signing the addendum to the contract of mandate.

The monthly fixed gross allowance of the Economic Director set by BoA Decision no.33/18.12.2018, amounting 33,680 RON, that is 5 times the average for the last 12 months of the average gross salary per month for the activity carried out according to the main object of activity recorded by the company, at class level, according to the classification of the activities of the national economy, announced by the National Institute of Statistics prior to the appointment ((NIS address no. 42779/05.11.2018), effective starting from the date of signing the addendum to the contract of mandate.

The monthly fixed gross allowance of the Deputy Director General set by BoA Decision no.5/18.02.2019, given the limits of the fixed allowance remuneration of directors with mandate contract, established by OGMS Resolution no. 7/18.12.2018, is in the amount of 35,290 RON, that is 5 times the average for the last 12 months of the average gross salary per month for the activity carried out according to the main object of activity recorded by the company, at class level, according to the classification of the activities of the national economy, announced by the National Institute of Statistics prior to the appointment (NIS address no. 5780/12.022019 and calculation note no. 6359/18.02.2019 prepared by the Human Resources Department), effective starting from the date of signing the addendum to the contract of mandate.

**Total net fixed allowance** paid during the period 01.01.2019 - 31.12.2019 to the directors with mandate contract was of 760,235 RON, as follows:

- Mr. Chiș Timur – Vasile, Director General – 283,906 RON
- Mrs. Anamaria Mihaela Dumitrache, Deputy Director General – 239,703 RON
- Mrs. Sanda Toader, Economic Director – 236,626 RON

## **2. Variable component**

According to the provisions of the contract of mandate, the Director General, Deputy Director general and the Economic Director, benefit from a **variable component of remuneration** for each year of administration, granted under the law, respectively to comply with the provisions of the Revenues and Expenditure Budget approved in accordance with the legal provisions in force.



The variable component shall be granted pro-rata depending on the period of execution starting the date of appointment in the capacity of Director by the Board of Administration. It will be included in the Budget of each financial year and be paid after approval of the financial statements of the prior financial year, in relation to the fulfillment of the performance key indicators.

The variable component of the remuneration will be granted pro-rata with the period of the year employed under the contract of mandate and in case the contract of mandate ceases before the end of the financial year of a year due to one of the following clauses stipulated in art. 12.1 of the contract of mandate:

- expiry of the period for which the contract of mandate was concluded;
- waiver of mandate by the trustee, under the conditions specified in the contract of mandate and for reasons attributable thereof;
- agreement of the parties;
- occurrence of incompatibility or prohibition stipulated in the contract of mandate or due to an external situation of it;
- death.

Payment of the variable component is made annually, no later than 15 days from the date of approval in the OGMS of the audited annual financial statements prepared in accordance with IFRS and presentation of the annual report of the Nomination and Remuneration Consultative Committee regarding the total degree of fulfillment of key performance indicators financial and non-financial for the company's directors, which will make reference to the report of the Director General, Economic Director and Deputy Director General on the total degree of fulfillment of financial and non-financial key performance indicators and approved by BoA Decision no. 33/18.12.2018.

The amount of variable component remuneration, method of calculation and the conditions for its granting according to the degree of fulfillment of financial and non-financial performance indicators, in conjunction with the general limits of the variable remuneration component approved by OGMS Resolution no. 7/18.12.2018 for directors with mandate contract were established by the Board of Administration during 2019 by three addenda to the contract of mandate.

**The variable component paid to directors with mandate contract** (Director General and Economic Director) for 2018 amounted to a net total of 67,419 RON and was paid after approval, by BoA Decision no. 17/04.07.2019, of granting the variable component payable to directors with mandate contract - Director General and Economic Director, for the term of office held in 2018 in accordance with the contracts of mandate as follows:

- Mr. Chiș Timur – Vasile, Director General – 36,987 RON
- Mrs. TOADER Sanda, Economic Director – 30,432 RON

For the variable component of directors with contract of mandate for 2019 a provision in amount of 1,287,151 RON gross has been set up (with the contribution of the employer), calculated according to the number of days for the period of mandate.

### **III b). Financial and non-financial key performance indicators underlying the variable remuneration component;**

According to OGMS Resolution no. 7/18.12.2018 the financial and non-financial performance indicators of administrators were approved (KPIs) for the administrators of the company, calculated in conjunction with the Administration Plan for the period 2018-2022, which will be used for determining and granting the variable remuneration component of administrators during the execution of the contract of mandate. The performance indicators, targets and degree of achievement thereof may be amended under the law and by the observance of the procedures provided for the approval thereof.

By BoA Decision no. 33/18.12.2018 the key performance indicators (KPIs) for the Director General and the Economic Director and targets and their weights for the period 2018-2022 were approved, which constitute Annex. 1 to their contract of mandate, ending Addendum no. 1 to the contract.

By BoA Decision no. 8/19.03.2019 was approved Addendum no. 1 to the contract of mandate of the Deputy Director General, covering the key performance indicators, financial and non-financial (KPIs) included in Annex. 1 thereto, and some mention of the variable remuneration component.

By BoA Decision no. 10/09.04.2019 was approved Addendum no. 2 to the contract of mandate of directors covering some changes/additions to the contractual provisions (limit of failing to achieve performance objectives and financial and non-financial performance indicators entitling the revocation of the mandate of directors).

By OGMS Resolution no.3/23.04.2019 were established the general limits of the variable component for the directors with mandate contract, namely the Director General, the Economic Director and the Deputy Director General pursuant to the report of the Nomination and Remuneration Committee no.10853/19.03.2019, in annual gross total quantum of maximum 5% of the annually achieved net profit, but not higher than the value of the fix gross allowance related to the entire financial year, payable thereof, applicable starting with their nomination by the BOA, as follows:

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

**Deputy Director General:** maximum 1.5% of the net profit annually achieved, but no more than the value of the fix gross allowance associated to the entire financial year payable thereof.

**Economic Director:** maximum 1.5% of the net profit annually achieved, but no more than the value of the fix gross allowance associated to the entire financial year payable thereof.

By BoA Decision no. 11/23.04.2019 Addendum no. 3/2019 to the contract of mandate of directors was approved, concerning the general limits on the variable component of remuneration of directors with mandate contract in conjunction with OGMS Resolution no. 3/23.04.2019 and detailing the methodology for calculating and granting it.

### **Monitoring the framing within the limits approved by the OGMS of the financial and non-financial key performance indicators**

On a quarterly basis, the financial and non-financial key performance indicators, both for administrators and for directors with contract of mandate have been evaluated and monitored. The purpose of this quarterly assessment was to identify in advance any negative deviations from targets and to take measures in order to improve the level of the indicator.



The total and individual degree of achievement of the financial and non-financial key performance indicators was presented in the quarterly reports of monitoring the framing of the key performance indicators in the limits approved by the OGMS. The total degree ranged in every quarter above the 100% level.

### **For the administrators of the Company**

From the report of the directors with mandate contract on the fulfillment of financial and non-financial KPIs of administrators, presented to the BoA, results that in 2019 the total degree of fulfillment of key performance indicators underlying the granting of the variable component is of 103.7%.

In structure, the degree of achievement of KPIs in 2019 reveals the following:

Key Performance Indicators	Degree of achievement of financial and non-financial key performance indicators		
	according to the contract of mandate	Achieved 01.01.2019-31.12.2019	Variation
<b>A. Financial key performance indicators</b>	<b>25.0%</b>	<b>27.8%</b>	<b>2.8 pp</b>
<b>B. Non-financial key performance indicators</b>	<b>75.0%</b>	<b>75.9%</b>	<b>0.9 pp</b>
B1. Operational	25.0%	25.9%	0.9 pp
B2. Of Corporate Governance	50.0%	50.0%	0.00%
Total degree of achievement of the performance indicators:	100.0%	103.7%	3.7 pp

The total degree of achievement of the key performance indicators has been exceeded by 3.7 pp, being favorably influenced by the financial key performance indicators by 2.8 pp and by the non-financial key performance indicators by 0.9 %.

### **For Directors with mandate contracts**

From the report of monitoring the achievement of financial and non-financial KPIs of directors with mandate contract, subject to approval of the BoA, results that, in 2019, the total degree of fulfillment of key performance indicators approved by BoA Decision no.33/18.12. 2018, granting underlying variable component, is of **107%**.

In structure, the degree of achievement of the performance indicators reveals the following:

Key Performance Indicators	Degree of achievement of financial and non-financial key performance indicators:
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	according to the contract of mandate	Achieved 01.01.2019-31.12.2019	variation
A. Financial key performance indicators	50.0%	55.4%	5.4 pp
B. Non-financial key performance indicators	50.0%	51.6%	1.6 pp
B1. Operational	30,0%	31.6%	1.6 pp
B2. of Corporate Governance	20.0%	20.0%	-
Total degree of achievement of key performance indicators:	100.0%	107.0%	7.0 pp

The total degree of achievement of the key performance indicators has been exceeded by 7.0 pp, being favorably influenced by the financial key performance indicators by 5.4 pp and by the non-financial key performance indicators by 1.6 %.

**III c). Considerations justifying any scheme of annual bonuses or non-cash benefits;**

The Members of the Board of Administration, the Director General, Economic Director and the deputy Director General does not benefit form bonuses or non-cash benefits.

**III d). Potential supplementary pension schemes or anticipated;**

For none of the Board Members or Directors have been established supplementary pension schemes or anticipated.

**III e). Information on the duration of the contract, the notice period negotiated, the amount of damage - interests for unjust dismissal.**

- **Duration of the contract**

**A. Members of the Board of Administration**

The term of office of the members of the BoA, appointed by OGMS Resolution no. 5/22.08.2018, namely: Mr. Gheorghe Cristian - Florin, Mr. Iacob Constantin- Ciprian, Mr. Popa Claudiu- Aurelian, Mr. Gavrilă Florin – Daniel, Mr. Albulescu Mihai- Adrian, Mr. Meșca Darius - Dumitru, is of 4 years, starting 22.08.2018 up to 21.08.20200 (inclusive of).

The term of office of the administrator appointed by OGMS Resolution no. 5/22.08.2018, namely Mr. Buică Nicușor – Marian is starting from the date of the OGMS resolution (30.09.2019) and up to the end of mandate of the current Board of Administration (21.08.2022, inclusive of).

### **B. The Directors with mandate contracts**

The term of office of Mr. Chiș Timur – Vasile – Director General and Mrs. Toader Sanda - Economic Director, appointed by BoA Decision no. 27/06.11.2019, following the procedure to conduct recruitment and selection of the Director General and Economic Director (known as Financial Manager) carried out in accordance with EGO. 109/2011 *on corporate governance of public enterprises*, is of 4 years, namely up to 06.11.2022 (inclusive of).

The term of office of Mrs. Dumitrache Mihaela Anamaria - Deputy Director General, appointed by BoA Decision no. 5/18.02.2019, following the procedure to conduct recruitment and selection of the Deputy Director General carried out in accordance with EGO. 109/2011 *on corporate governance of public enterprises*, is of 4 years, namely up to 17.02.2023 (inclusive of).

- **Deadlines for notice**

### **A. Members of the Board of Administration**

In the contracts of mandate of the members of the BoA, Art. 37.7. stipulates that termination of the contract of mandate of the administrator may also take place by waiver of the administrator to the mandate, of no fault, in which case it must provide *the Company* a notice of 30 days.

By address registered in CONPET SA under no. 21798/04.06.2019, Ms. Pavăl Karina notified the company about waiving the mandate of administrator from reasons not attributable to the parties, effective immediately and without requiring any other formality after the passage of 30 days provided for by Art. 37.7. from its registration in CONPET SA.

### **B. The Directors with mandate contracts**



According to the contract of mandate concluded with directors, they have the right to waive mandate, with a notice of 45 (forty-five) working days for the Principal without further formalities and without the intervention of competent courts.

At the same time, are prescribed conditions to revoke their mandate, granting a written notice of 60 days.

- **Quantum of - liquidated damages**

**A. Members of the Board of Administration**

In the contracts of mandate of the BOA members, at Art. 39 is being specified: In case the revocation occurs without reasoned cause, the administrator in question is entitled to be paid liquidated damages, according to the Contract of Mandate.

In case of unjustified revocation, the administrator shall be entitled to receive from *the Company* a compensation equivalent to the monthly gross fixed allowance for the non-performed period of the Contract of mandate, regardless the date the revocation occurs, but no more than 24 gross fixed allowances.

Where the revocation occurs in the last year of mandate, a compensation equivalent to the monthly gross fixed allowance shall be paid corresponding to the number of months remaining until the date of expiry of the term provided at art. 6 of the Contract.

Art. 40 from the Contract of Mandate provides that: The payment of this compensation is performed within 30 working days from the date of adoption of the revoking Decision of the GMS. This compensation represents the only form of indemnity to which the Administrator is entitled in case of undue revocation from office. In case of delay in performing this payment, the Company owes the Administrator penalties of 0.01% from the compensating amount for each day of delay.

In case of revocation on reasonable/justified grounds of the Administrator, the Company does not owe the Administrator any compensation for the non-executed period of the mandate.

Starting the date of completion of the mandate contracts and up to date no revocation of the members of the BOA took place.

## **B. The Directors with mandate contracts**

At Art. 9.3 from the contracts of mandate of directors it is stated that the party who fails to fulfill its contractual obligations partially or totally shall pay damages to the other party, whose amount will be determined based on specialist expertise.

Upon unjustified revocation of the Contract, based on a decision of the Board of Administrators, granting written notice of sixty (60) working days communicated to the Director, he will be paid a compensation net equivalent to the value of the net fixed remuneration from the month prior to revocation, multiplied by the number of months remaining in the term of the contract, as provided for in contracts.

However, directors may be dismissed without compensation if there is failure to fulfill the objectives and performance indicators based on a quarterly result analysis, or an unfulfillment of the global degree thereof, versus the limits set by the contract.

According to Addendum no. 3 dated 23.04.2019 to the contract of mandate of directors, the parties agreed that:

- the limit of failing to achieve the performance objectives and financial and non-financial indicators from Annex 1 to the Contract of mandate entitling the Principal to revoke the mandate of the Trustee by the contract, for reasons attributable to the Principal, is of at least 25% of the overall degree of fulfillment of the indicators.
- the shares of objectives and financial and non-financial performance indicators, corresponding to the global fulfillment degree greater than or equal to 75%, does not affect the calculation for determining the variable remuneration component as approved by the Board of Administration.

## **III.f) Other information on the Mandate Contract**

The Administrators, Director General, Economic Director and Deputy Director General receive reimbursement related to execution of the mandate regarding the representation in the interest of the PRINCIPAL, such as, but not limited thereto: transportation, daily allowance, accommodation costs,



both in the country and abroad based on supporting documents, as well as professional liability insurance for the entire period of the mandate, its value being borne by society.

The costs for the insurance policy of civil liability of administrators in aggregate are supported by the company and are in the amount of 14,100 Euro/12 months (contract entered into force starting 01.08.2019), for an insured amount of 12 million Euro in aggregate, falling under the maximum annual insurance premium approved by OGMS Resolution no. 3/23.04.2019, amounting to 15,000 Euro/year of insurance. The payment shall be made in four quarterly installments.

The costs for the insurance policy of civil liability in aggregate for directors with contracts of mandate are supported by the company and are in the amount of 12,700 Euro/12 months (contract entered into force starting 01.08.2019), for an insured amount of 12 million Euro in aggregate, falling under the maximum annual insurance premium approved by OGMS Resolution no. 17/23.04.2019, amounting to 13,000 Euro/year of insurance. The payment shall be made in four quarterly installments.

According to the provisions of art. 55, para (2) of EGO no. 109/2011, on corporate governance of public enterprises, subsequent amendments and completions, the Nomination and Remuneration Committee within the BOA submits this report to the General Meeting of Shareholders of CONPET SA.

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

<i>President</i>	<i>Mr. Albulescu Mihai– Adrian</i>
<i>Members:</i>	<i>Mr. Gavrilă Florin – Daniel</i>
	<i>Mr. Iacob Constantin – Ciprian</i>
	<i>Mr. Buică Nicușor- Marian</i>
	<i>Mr. Meșca Darius-Dumitru</i>