

**REPORT**

**OF THE BOARD OF ADMINISTRATION**

**regarding the administration activity along 2019**

## **BASIS OF REPORTING**

The Annual Report of the Board of Administration related to the administration activity in 2019 was prepared in compliance with:

- Art. 55 of EGO no.109/2011 *on corporate governance of the public enterprises* subsequent amendments and completions;
- Chapter VI Art. 7, item 26 regarding Administrator's Obligations from the Administration Contracts concluded between administrators and CONPET S.A.;

This report contains at least the information provided at Art 55. Para (1) of the Emergency Government Ordinance no.109/2011 on corporate governance of the public enterprises, namely: the execution of the contracts of mandate of the directors, details related to the operational activities, the financial performance of the company and the half yearly accounting reports.

## **COMPANY PRESENTATION**

CONPET is the operator of the oil National Transport System via pipelines. Th company is listed at the Bucharest Stock Exchange, under COTE symbol.

CONPET is the concessionaire of the activity of operation of the crude oil, rich gas, condensate and ethane National Transport System, based on the oil Concession Agreement concluded with the National Agency for Mineral Resources.

CONPET mission is the operation of the National Transport System via pipelines under safe and secure conditions, free access to the system's available capacity to all the inquirers, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis as well as accessing the related markets corresponding to the segments of the value chain of the oil industry.

## **THE BOARD OF ADMINISTRATION**

The company is administered by a Board of Administration consisting of 7 administrators, elected by the Ordinary General Meeting of Shareholders for a period of 4 years, starting 22.08.2018.

The members of the Board of Administration have been elected by the General Meeting of Shareholders dated 22.08.2018, following the selection carried out by the recruitment and selection process performed in compliance to the legal provisions provided in EGO no.109/2011 on corporate governance of the public enterprises.

Subsequently, following the waiver of Mrs. Pavăl Karina to the mandate of administrator within the Board of Administration, in the meeting dated 04.07.2019, was provisionally appointed Mr BUICĂ Nicușor – Marian as administrator, on the place remained vacant following the waiver of Mrs. PAVĂL Karina to the mandate of administrator, as of 05.07.2019 and up to the date of

OGMS meeting. The appointment of the temporary administrator was made in compliance with the provisions of Art.137<sup>2</sup> of Law no.31/1990 regarding companies, republished, ulterior amendments and completions, of Art.19 Para (4) of the Articles of Association of CONPET S.A., following the receipt of the address registered under no.26647/04.07.2019 from the shareholder DEDEMAN S.R.L.

OGMS dated 30.09.2019 has appointed, as administrator of the company CONPET S.A., Mr. Buică Nicușor – Marian with mandate from the date of OGMS Resolution (30.09.2019) up to the completion of the mandate of the current Board of Administration (21.08.2022 inclusive of).

At 31.12.2019, the composition of the Board of Administration (BoA) of the company CONPET S.A. is the following:

Gheorghe Cristian - Florin	Chairman
IACOB Constantin - Ciprian	member
POPA Claudiu - Aurelian	member
GAVRILĂ Florin - Daniel	member
ALBULESCU Mihai - Adrian	member
MEȘCA Darius - Dumitru	member
BUICĂ Nicușor – Marian	member

The chairman of the Board of Administration was elected by the members of the Board of Administration, by BoA Decision no.20/28.98.2018, as per the dispositions of Art.140<sup>1</sup> Para (1) of Law no.31/1990 on companies, republished, subsequent amendments and completions and the provisions of Art.10 Para (3) of the Articles of Association of the company.

The candidates proposals and the result of the vote in the elections have ensured a proper degree of diversity in what concerns the profile of the administrators, the coverage of domains as professional expertise, gender or age thereof. The structure of the Board of Administration is diverse, the members having distinct professions (engineers, jurists and economists), with professional experience in domains as oil and gas, energy, investments and stock market analysis, legal etc.

### ***Attributions of the Board of Administration***

The Board of Administration has the following attributions:

- ✓ summons the general meetings of the company's shareholders and settles the agenda, endorsing all the meeting materials;
- ✓ prepares the annual report that is to be presented to the General Meeting of Shareholders, along with the annual financial statements and the financial auditor report, as well as other reports required by the applicable legislation, in compliance with the reporting requirements set out by ASF regulations on the capital market and other incidental regulations;
- ✓ concludes legal acts on behalf and in the company's account by which it acquires goods thereto or alienates, leases, change or set as guarantee the goods existing in the company's patrimony, whose values exceeds half of the accounting value of company's assets at the date

of conclusion of the legal act, only with the approval of the extraordinary general meeting of shareholders;

- ✓ submits to the internal auditors and the financial auditor at least 30 days prior to the day established for the General Meeting, the annual financial statements related to the previous financial year, along with the administrators report and the substantiating documents.
- ✓ submits for approval of the Ordinary General Meeting of Shareholders the revenues and expenditure budget (Budget) and the investment program for the following financial year, as well as the rectified Budget;
- ✓ approves the revision of the investment program within the same values;
- ✓ approves the current repairs program and the revision thereof;
- ✓ approves the Collective Labor Agreement at the company level;
- ✓ approves the organizational structure and the personnel structure related thereof, the rules for organization and functioning and the internal rules of the company;
- ✓ elaborates and submits for the approval of the Ordinary General Meeting of Shareholders the Administration Plan, within 90 days from the appointment of the administrators under the conditions provided by the Emergency Government Ordinance no.109/2011;
- ✓ delegates to the director general the company's management attributions and settles, by mandate contract and by decisions of the Board of Administration the rights and obligations, powers, attributions, responsibilities of the director general'
- ✓ oversees the activity of the director general in what concerns the company's management, here included the management thereof;
- ✓ appoints and revokes the company's directors as per EGO no.109/2011 and settles the remuneration thereof, remuneration whose general limits are established by the Ordinary General Meeting of Shareholders. Sets out the performance criteria and objectives of the director general and economic director and takes note, periodically, of the performance degree thereof;
- ✓ approves the global degree of fulfillment of the performance criteria and objectives of the directors with contract of mandate for the previous year, correlated with the financial statements of the respective financial year;
- ✓ sets out the main business lines and approves the strategies and policies of development of the company;
- ✓ establishes the accounting policies and the financial control system and approves the financial planning;
- ✓ approves the annual procurement program;
- ✓ approves/endorsees the memos regarding the results of inventory of goods in the company's patrimony/State public property;
- ✓ approves/endorsees the proposals related to decommissioning of the fixed assets, scrapping the materials such as inventory objects in use, downgrading and scrapping of various material goods, other than the fixed assets in the company's patrimony/in the State public patrimony, whose maintenance is no longer justified;
- ✓ approves/endorsees the means of capitalization of these goods and the start-up prices for the goods proposed for capitalization through tender; may delegate to the director general the power to sign the decommissioning memos of the fixed assets/scrapping of the inventory objects/downgrading the material goods;
- ✓ approves the sponsorship requests and the request of passing on the company's costs of some amounts representing penalties, surcharges for late payments, fines etc.

- ✓ proposes to the shareholders on what market are to be listed the securities issued by the company and elects the independent authorized register company that keeps the record of the shares issued by the company;
- ✓ requests for and receives reports for the internal audit of the company;
- ✓ introduces the application for the opening of insolvency proceedings as per Law 85/2014 related to the insolvency prevention procedure and the insolvency procedure;
- ✓ prepares all necessary and useful acts for the achievement of the core business of the company, except for the ones reserved by the law for the general meeting of shareholders;
- ✓ engages the current bank loans and the commercial credits, as per the powers and contracting level settled by the Extraordinary General Meeting of Shareholders and approves the release of guarantees;
- ✓ approves the proposals related to the global development strategy, revamping, modernization, financial-economic restructuring of the company;
- ✓ secures the fulfillment of the decisions adopted by the shareholders within the general meetings of shareholders, so that the execution of the decisions be made in compliance with the legality of the company's activity;
- ✓ ensures and is liable for the fulfillment of any targets and attributions established by the general meeting of shareholders or which are being stipulated by the legislation in force, here included the regulations in force on the capital market, as well as the performance of the company's activity, both for the direct attributions, as well as for those entrusted to the director general;
- ✓ presents half yearly, within the Ordinary General Meeting of Shareholders, a report on the administration activity that also contains information related to the execution of the contract of mandate of the directors, details on the operational activities, company's financial performance and the half yearly accounting reports of the company;
- ✓ submits to the Ordinary General Meeting of Shareholders approving the annual financial statements an annual report elaborated by the Nomination and Remuneration Committee within the Board of Administration, with regards to the remunerations and other advantages granted to the administrators, director general and economic, during the previous financial year, report structured as per the provisions of EGO no.109/2011 on corporate governance of public enterprises.
- ✓ approves the set-up of dissolution of several subunits (secondary premises, working points, branches, agencies or other types of subunits without legal personality), located in the same locality and/or other localities in the country and abroad.

In 2019, within the Board of Administration there have been established and functioned three consultative committees, each of them having in its composition at least three of the Board of Administration members.

The composition of the consultative committees organized within the Board of Administration is the following:

#### **THE AUDIT COMMITTEE**

The audit committee has been established by Decision of the Board of Administration no.16/28.11.2013 and starting 28.08.2018 the members committee - independent non-executive administrators are:

GAVRILĂ Florin– Daniel - president  
IACOB Constantin– Ciprian– member;  
MEȘCA Darius– Dumitru.- member

The objective of the Audit Committee is the assistance of the Board of Administration of CONPET for the accomplishment of the own administration responsibilities for the financial reporting process, the management reporting, the internal control system, the audit process and the organizational monitoring process of the compliance with the law, regulations and the code of conduct.

***The main attributions of the Audit Committee are:***

- ✓ formulates recommendations addressed to the Board of Administration regarding the strategy and policy of the company in internal control domain, internal audit and financial audit;
- ✓ monitors the financial reporting process, being informed by the external auditors with regards to the significant shortcomings of the internal control in this domain;
- ✓ submits for endorsement of the Board of Administration the proposals regarding the selection, appointment, re-appointment, dismissal of the external financial auditor, as well as the terms and conditions for the remuneration thereof, following that the nominations validated by the Board of Administration be submitted for approval of the General Meeting of Shareholders;
- ✓ monitors the effectiveness of the internal control systems, internal audit, as the case may be and management of risks within the trade company;
- ✓ debates over and endorses the multiannual and annual plan for the activity of internal public audit;
- ✓ endorses the internal public audit Book;
- ✓ oversees the activity performed by the internal auditors and the financial auditors;
- ✓ analyses and issues an opinion on the recommendations formulated by the internal auditors;
- ✓ checks and issues the independence of the external auditor;
- ✓ examines, with the support of the financial auditors the financial statements draft, as well as the conditions for the preparation thereof by the company (pertinence of the principles, methods and applied accounting standards, as well as the internal collection information procedures);
- ✓ provides for the quality of audit assessment and the internal audit and makes sure that all necessary measures are taken in order to settle the identified shortcomings in the activity of control and compliance, as well as other problems identified by the auditors;
- ✓ receives the audit reports, analyses and periodically endorses the ascertainments and recommendations of the internal audit, as well as the plans for the implementation thereof;
- ✓ assesses and endorses the normative documents elaborated by the Internal Audit Service before being submitted for approval;
- ✓ examines the complains related to the failure to respect the Code on the ethics behavior of the internal auditor and proposes to the director general of the company/ the Board of Administration the necessary measures;

- ✓ checks the compliance of the audit report elaborated with the audit plan approved at the level of the company;
- ✓ debates and endorses the annual Report of the activity of internal public audit;
- ✓ endorses the cooperation agreements with other public institutions with regards to exercising the internal public audit activity;
- ✓ verifies the statements contained in the declaration of compliance/non-compliance with the provisions of R.G.C. With regards to the managerial internal control and the risk administration system;
- ✓ meets the internal and external auditors at least once a year and discusses the legal aspects of the audit processes and particularly any shortcoming of the internal audit procedures;
- ✓ assists the Board of Administration in the classification of the risks specific to the company and implementation of a risk management system, so that the risks faced by the company, as well as the potential risks be provided, correctly identified, administered and disseminated by the Board of Administration.;
- ✓ examines regularly the effectiveness of the financial reporting, internal audit and risk administration system adopted by the company;
- ✓ assesses the degree of effectiveness of the risk administration system, for making sure that the main risks (here included those related to fraud and compliance with the legislation and associated regulations) are correctly identified, administered and reported in compliance with the audit plan.

#### **The NOMINATION AND REMUNERATION COMMITTEE**

The Board of Administration has decided, in the Board of Administration meeting dated 28.08.2018, the composition of the committee, as follows:

ALBULESCU Mihai– Adrian– president  
IACOB Constantin– Ciprian– member;  
GAVRILĂ Florin– Daniel– member  
PAVĂL Karina - member  
MEȘCA Darius– Dumitru– member

On 25.07.2019, following the waiver of the mandate of administrator of Mrs. Pavăl Karina, the board of administration has decided BUICĂ Nicușor - Marian to be member in the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee assists the Board of Administration of the company CONPET in fulfilling own responsibilities of action in the process of nomination (recruitment and selection) of the administrative and executive management of the company.

#### ***The main attributions of the Nomination and Remuneration Committee are:***

- ✓ coordinates the selection/election process of the members of the Board of Administration;
- ✓ recommends the Board of Administration the selection procedure of the candidates for the position of Director General and recommends the appointment of the director general;

- ✓ proposes to the Board of Administration the selection procedure of the candidates for the position of Director General and recommends the appointment of the director general;
- ✓ evaluates the cumulation of professional skills, knowledge and experiences at the level of the Board of Administration;
- ✓ sets out the requirements for holding a certain position in the executive administration of the company;
- ✓ permanently updates the professional skills of the members of the Board of Administration, by coordinating the improvement of the knowledge thereof in view of application of the best corporate governance practices;
- ✓ formulates proposals regarding the remuneration policy of the administrators and director general, 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 director general, for the ongoing year, in view of endorsing thereof by the Board of Administration and submission for approval of the General Meeting of Shareholders;
- ✓ in establishing the remuneration of the administrators, the Nomination and Remuneration Committee will respect the principle of proportionality of this remuneration with the responsibility and time allocated to performing their duties, within the Consultative Committees constituted at the Level of the Board of Administration;
- ✓ identifies the criteria and objectives regarding any scheme of remuneration based on performance (other financial benefits), being authorized by the Board of Administration to request for any information that they consider necessary in view of fulfillment the attributions thereof;
- ✓ analyses, evaluates and proposes the Board of Administration any payment engagement or compensation that is to be provided in the Contract of Administration of the administrators or the Mandate Contract of the director general;
- ✓ oversees the application of the principles of remuneration of the administrators and the director general and informs the Administration Council with regards thereto, making sure that the monthly remuneration is being granted rightfully in compliance with the degree of fulfillment of specific attributions;
- ✓ submits to the Ordinary General Meeting of Shareholders approving the annual financial statements an annual report with regards to the remunerations and other advantages granted to the administrators, director general and during the previous financial year, report structured as per the provisions of EGO no.109/2011 on corporate governance of public enterprises.

## **COMMITTEE FOR THE DEVELOPMENT AND FOR THE INVESTORS AND AUTHORITIES RELATIONS**

The committee for development and for the investor and authorities relations has been set up by Decision of the Board of Administration no.20/28.08.2018 (by reunion of the Committee for the Development and for Authorities Relation and the Financial Committee and for Investor Relations) committee members - non-executive independent administrators are:

POPA Claudiu– Aurelian- president  
MEȘCA Darius– Dumitru– member  
ALBULESCU Mihai– Adrian– member



The committee for Development and for the Investor and Authorities relations aims at assisting the Board of Administration of the company CONPEY in fulfilling own responsibilities of administration in the process of the development strategy and monitoring of the compliance with the legislation applicable in the company's domain of activity and the capital market;

**The main attributions of the Committee for the Development and for the Investor and Authorities Relations are:**

- ✓ monitors the company's approaches to the energy and regulating authorities related to technical aspects, legislative etc of the activity thereof;
- ✓ monitors the fulfillment of the obligations provided by the regulations related to the activity performed by the company;
- ✓ analyses the proposals related to the regulation framework and submits them to the Board of Administration;
- ✓ monitors the collaboration relations with the public authorities and provides assistance to the Board of Administration in managing the collaboration policy;
- ✓ periodically analyses the list critical infrastructure objectives of CONPET and the security measures established;
- ✓ provides for the necessary conditions for the implementation of the protection measures of all the critical infrastructure objectives in the company's patrimony or in operating domain;
- ✓ monitors the own prevention and fighting against terrorism programs by optimal measures of physical and organizational protection, with recommendations in this respect to the Board of Administration;
- ✓ may represent the company in relation to the regulation and energy authorities;
- ✓ assists the Board of Administration in the fulfillment of the responsibilities in terms of elaboration and updating of the company's development strategy;
- ✓ elaborates proposals regarding the strategy and development lines of the company on medium and long-term;
- ✓ identifies the major development lines in the field, at national and international level and makes recommendations for the major themes to be considered, bearing major impact in the company's development;
- ✓ elaborates proposals regarding the effectiveness of the development activity of the company;
- ✓ analyses the identified development opportunities of the company;
- ✓ analyses the fulfillment of the company's strategic programs;
- ✓ informs the Board of Administration with regards to the effectiveness of the strategic programs;
- ✓ periodically analyses the stage of fulfillment of the investments program RK and RC performed by the company and proposes measures for the improvement of the activities in view of respecting the completion terms of the objectives and works proposed;
- ✓ oversees the provision of maintenance and modernization of the national transport system, as well as the manner of respecting the technical normative of exploitation and maintenance of the production capacities;
- ✓ periodically analyses the observance of the annual program of acquisitions performed by the company;
- ✓ monitors the company's economic and financial statement;

- ✓ transparency and increase of the predictability of the financial reports;
- ✓ recommendation of the financing structure and the manner of mobilization of the resources in an effective manner and in compliance with the administration plan;
- ✓ promotion and boost the company's visibility on the capital market;
- ✓ periodical presentation of economic-financial reports, namely the findings and the sanctions applied by the authorities with financial and fiscal control rights over the company;
- ✓ the examination, at least once a year, of the statement regarding the circulation of the equities and evolution of cash-flow related to the company;
- ✓ decides, organizes and participated to events aiming at promoting and boost the company's visibility within the capital markets;
- ✓ offers advice to the members of the Board of Administration and the director general with regards to the aspects connected to the management and preparation of the half-yearly revenues and expenditure budget, the annual financial statements and the half yearly accounting reporting, as well as the multiannual financial planning;
- ✓ assists and makes recommendations to the Board of Administration in terms of financial reporting and relevance thereof to various stakeholders, here included the capital market;
- ✓ acknowledges the Board of Administration on the financial implications related to the company's management and administration;
- ✓ analyses the company's overview materials in connection with external environment;
- ✓ makes proposals on the strategy and lines of approach for investor relation;
- ✓ monitors the meetings organized by the company with the analysts and investors;
- ✓ requests the external advisors, internal and external auditors, specialists and other persons for advices or support in the achievement of its objectives;
- ✓ requires any necessary information from the employees or third parties involved;
- ✓ organizes meetings with the company's managers, internal and external auditors or external advisors thereof, according to the situation.

## **THE ACTIVITY OF THE BOARD OF ADMINISTRATION DURING JANUARY 1, 2019 - DECEMBER 31, 2019**

Along the activity performed during 01.01.2019 - 31.12.2019 there have been adopted 28 Decisions within the 28 meetings were carried out.

### **Synthesis of the main decisions of the Board of Administration**

#### **Decision no.1/07.01.2019**

- Considering the Nomination and Remuneration Committee (RO .CNR) registered at CONPET S.A. Under no.267/07.01.2019 and Art.22 of BoA Decision no.33/18.12.2018 and following the discussions within the meeting, the Board of Administration:
  - A) sets out the calendar of the recruitment and selection procedure of the Deputy Director General, with deadline, as per CNR Report;
  - b) approves the recruitment and selection criteria of the Deputy Director General (Ro.DGA) as per the Annex to CNR Report;
  - c) approves the recruitment and selection notice in the form provided in Annex II to CNR Report, by performing all necessary publicity provided by applicable legislation;

**Decision no.2/23.01.2019**

- Approves the Investment Program on 2019, namely Annex no.1 (structure detailed on objectives that also comprises estimated for the years 2020 and 2021) and Annex no.2 (independent endowments and equipment 2019) to Report no.1840/16.01.2019 drafted by the Maintenance Development Department.
- Approves the current repairs Program 2019 proposed by the Substantiation Note no.1797/16.01.2019 drafted by the Maintenance Development Department.
- Approves the results of the inventory of elements as assets, debts and equities, as per the Memo no.1659/15.01.2019 concluded with the Central commission for the Inventory, along with the preliminary Report no.45996/26.11.2018 (with Annexes 1-4) and the preliminary Memos no.47764/07.12.2018 no. 48011/10.12.2018, no. 48016/10.12.2018, no. 47923/10.12.2018, no. 47762/07.12.2018, no. 47764/07.12.2018, no. 49644/19.12.2018 and no. 939/10.01.2019.
- Approves the Manual of accounting Policies of CONPET, updated, proposed by Report no.1989/17.01.2019 drafted by the Accounting Department.

**Decision no.4/11.02.2019**

- Considering the Nomination and Remuneration Committee Report registered by CONPET S.A. Under no.5444/11.02.2019, approves the Matrix with Managerial Profile for the deputy director general, namely in the form resulted following the proposals and discussions in the BoA meeting.

**Decision no.5/18.02.2019**

- Endorses Note no.5965/13.02.2019 to EGMS with regards to the proposal of initiation of the procedure for the augmentation of the share capital of the company CONPET S.A. by the value of the land plots held based on 48 land ownership certificates and formulation of a request to the Trade Register office attached to Prahova Law Court for the appointment of an authorized appraiser for the evaluation of the land plots in total surface of 554,537.61 sqm, corresponding to the 48 land ownership certificates, in view of augmentation of the share capital of CONPET S.A.
- Endorses Note no.6380/18.02.2019 to OGMS related to the proposal to approve the transaction with S.N.T.F.M. - National Rail Freight Company "CFR MARFĂ" S.A. that will result in the conclusion of a contract having as its object "Transport services by rail of oil and rich gas from the loading ramps to the destinations set by CONPET S.A."
- Appoints Mrs Dumitrache Mihaela - Anamaria in the capacity of deputy director general starting the date of 18.02.2019, with a mandate for a period of 4 years, namely up to 17.02.2023 (inclusive of), delgating the company's management as per the legal provisions in force and the mandate Contract, considering the proposal formulated in the Report of the Nomination and Remuneration Committee registered under no.6371/18.02.2019 approved by unanimity of votes expressed by the Bord of Administration after debates within the meeting.

**Decision no.7/27.02.2019**

- Approves the preliminary Report for the period January - December 2018 in the form resulting following the discussions in BoA meeting (registered under no.7968/27.02.2019), accompanied by the non-audited preliminary financial Statements at the date and for the

financial year ended 31.12.2018 (registered under no.7889/27.02.2019) drafted in compliance with the accounting regulations compliant with the International Financial Reporting Standards approved by the Ministry of Finance Order no. 2844/2016

- Endorses the investment Program for the year 2019 (Annex no.1 comprising also the estimates of the investment expenses for the years 2020 and 2021) in the form resulting following the discussions in BoA meeting, as per the substantiation note no.7965/27.02.2019 to OGMS drafted by the Investment Management Department.
- Endorses the Revenues and Expenditure Budget for the year 2019 of CONPET S.A. (Containing also the estimates for the period 2020-2021) accompanied by Annexes no.2-5 in the form resulted following the discussions in the BoA meeting, as per the proposals in the substantiation Note no.7973/27.02.2019 to OGMS drafted by the Economic Direction.

#### **BoA Decison no.8/19.03.2019**

- Considering the proposals in the Substantiation Noe no.10344/14.03.2019 approves the new organizational structure og the Company applicable as of 01.04.2019 (annexes no.1 and 1.1.), in the form resulted following the discussions and proposals in the BoA meeting.
- Approves the Report of the Directors with Mandate Contract on the activity along the period ended December 31, 2018, drafted as per the provisions of EGO no.109/2011 on corporate governance of public enterprises and the provisions of the mandate contract.
- Approves the annual Report of the administrators for the financial year ended 31.12.2018, accompanied by annexes, which will be presented to OGMS.
- Endorses the annual financial Statements prepared at the date and for the financial year ended 31.12.2018 drafted based on the accounting regulations accounting regulations in accordance with the International Financial Reporting Standards approved by Order of the Ministry of Public Finance no.2844/2016 under the financial auditor's report BDO Audit SRL on the financial statements of the year 2018.
- Endorses the proposals to OGMS of distribution of the net profit related to the financial year 2018 and of some amounts of the retained earnings and other reserves, setting the gross dividend per share and the date of dividends payment to the shareholders.
- Approves the annual Report no.10847/19.03.2019 of the Nomination and Remuneration Committee to OGMS with regards the remunerations and other advantages granted to the administrators and directors with mandate contract, during the financial year 2018, report that is to be presented to OGMS.
- Endorses the Annual Report no.10851/19.03.2019 of the Nomination and Remuneration Committee to OGMS and submits for approval to OGMS the total achievement degree (102.67%) of the key performance indicators (KPI) financial and non-financial for the year 2018, approved by the administrators by OGMS Decision no.7 from 18.12.2018 and the award of the variable component due to the administrators for the year 2018, pro-rata, according to the mandate period executed in 2018, namely for the number of days during 23.08.2018 - 31.12.2018.
- Endorses the OGMS proposals formulated by the executive management in Report no.9653/11.03.2019 regarding the professional liability insurance of the administrators, having as scope the settlement of the minimum limit of annual insurance premium concluded by the company, namely in quantum of 15,000 Euro /year of insurance, corresponding to a minimum insured amount of 12 mEURO in aggregate, for the

professional liability insurance of the Company's administrators, the limit remaining unchanged for the entire period of mandate thereof.

- Approves the amendments to the annual procurement Draft Program for 2019, as per Annexes no.2 and 3 to the Report no.10109/13.03.2019 drafted by the Procurement Department and approves the annual draft Procurement Program on 2019- revision 3, updated with respective amendments by the director general considering the delegation of powers in BoA Decision no.2/23.01.2019 - Art.4
- Approves the internal procurement procedural Norms - revision 3 updated in correlation with the legislation in force, in the form proposed by Report no.10305/14.03.2019 drafted by the Procurement Department.
- Endorses the proposal to OGMS regarding the settlement of the general limits of variable component for the directors with mandate contract, namely the director general, the economic director and the deputy director general, as per the rules of the Nomination and Remuneration Committee; no.10853/19.03.2019, namely in annual gross total maximum quantum of 5% of the net profit annually achieved but no more than the value of the gross fix allowance related to the entire financial year payable to these directors, applicable as of the date of appointment thereof by BoA.
- Approves the management component for completing the Administration Plan drafted by the deputy director general as per the provisions of EGO no.109/2011 *on the corporate governance of public enterprises*.
- Approves the Addendum no.1 to the mandate contract of the deputy director general, having as object the financial and non-financial key performance indicators (KPIs) contained in Annex no.1 thereto and certain measures regarding the variable component of the remuneration.

#### **BoA Decision no.9/02.04.2019**

- According to Note no.12703/29.03.2019 to CNR drafted by the director general and Report no.12701/29.03.2019 by the Nomination and Remuneration Committee within BoA with regards to the results of the internal selection for occupying the position of deputy director general 2 and also considering the Nomination and Remuneration Committee Report registered under no.13026/02.04.2019 drafted following the interview held with the candidate proposed by the Director General for holding the position of "Deputy Director General 2", the Board of Administration, by majority of cast votes, agrees with the recommendation of the director general regarding the appointment of Mr. Dragne Laurențiu Marian in the capacity of deputy director general 2.

#### **BoA Decision no.10/09.04.2019**

- Approves the decommissioning/downgrading the goods (fix assets and inventory objectives as fix assets contained in Annexes no.1.1. and Annex no.1.2 to Report 1.1. registered under no.10793/19.03.2019 (except for the number of 591 mobile phones Nokia 130), as well as the stocks in the warehouses comprised in Annex 1.3 to Report no.1.3 registered under no.10798/19.03.2019), belonging to the company's patrimony, whose keeping into operation is no longer justified and approves the means of capitalization proposed for these goods.
- Endorses the decommissioning/downgrading of the goods (fix assets and inventory objectives as fix assets contained in Annexes no. 2.1. and Annex no. 2.2 to Report 2.

registered under no.10805/19.03.2019) belonging to State public domain, whose commissioning is no longer justified and endorses the means of capitalization proposed for these goods, in view of drafting the documentation necessary for the issuance of GD for approving the removal of the respective goods in the State public domain and the means of capitalization.

- Approves Addendum no.2 to the Contract of Mandate of the Directors having as scope several amendments/completions of the contractual provisions, in the form resulting following the Boa meeting discussions.
- Approves the means of calculation and awarding of the variable component of the remuneration of the Directors with Mandate Contract, following to be concluded an Addendum in this respect after OGMS meeting dated 23.04.2019 of approval the general limits of the variable component of the remuneration thereof and of the annual financial statements for the year 2018, according to the OGMS Resolution.
- Considering the OGMS Resolution no.1/26.03.2019, containing the request of the majority shareholder, the Ministry of Energy addresses to the BoA, of carrying out an analysis, by the Nomination and Remuneration Committee, related to the aspects found in the information Note no.270270.CCL/11.12.2018 drafted by the Control Body of the Minister of Energy, the Board of Administration decides over the substantiation of the analysis and elaboration of the report to GMS comprising the conclusions of the analysis, the Internal Public Audit Office ( in direct subordination of BoA) to initiation of the necessary audit mission, whose scope and objectives will be disposed by the director general.

#### **BoA Decison no.11/23.04.2019**

- Approves the annual procurement Program for 2019 - Annex to the Report of the Procurement Department no.14913/12.04.2019, in the form resulted following the discussions in BoA meeting.
- Approves the Organization and functioning Rules of the company, amended in correlation with the new organizational structure applicable starting 01.04.2019 as per the Substantiation Note no.15680/17.04.2019 drafted by the Human Resources Department.
- Approves the resizing of the necessary of personnel by dismissal of 29 positions withing several organizational entities of the company, with the consequence of individual severance of the employees holding these positions, for reasons beyond their control, as per the substantiation Note no.15675/17.04.2019 drafted by the Human Resources Department, in the conditions og observance of the organizational structures approved by the BoA Decision no.8/19.03.2019 and the framing into the number of personnel resulting after dismissing the 29 positions, namely 1,663 positions.
- Approves the maintenance of delegation to the director general of the competence regarding the approval of the new Organizational chart resulted, as well as the ulterior amendments thereof in the conditions of compliance with the organizational chart entered in force at 01.04.2019 and with framing into the number of personnel approved by the Board of Administration at item a).
- Approves the Addendum no.3/2019 to the contract of mandate of the Director, in the form resulted following the discussions in BoA meeting, having as object the general limits of the variable component of the remuneration of the Directors with mandate contract, in correlation with the OGMS Resolution no.3/23.04.2019 and detailing the means of calculation and award thereof.

- Approves the Report no.16209/22.04.2019 drafted by the communications and Public Relations Department regarding the waiver to the quality of member in "Petroleum Club Association", starting April, 2019.

**BoA Decison no.12/02.05.2019**

- Approves the activity Report of the Board of Administration to OGMS for the period 23.08.2018 - 31.12.2018 with regards to the level of achievement of the strategic objectives contained in the administration Plan related to the mandate period in 2018 in view of evaluation of the activity of the administrators appointed by OGMS Resolution no.5/22.08.2018 in the form resulted following the discussions in BoA meeting.
- Endorses the Report of the Board of Administration of monitoring the classification of the key performance indicators of the administrators in the limits approved by OGMS for the year 2018 in the form resulted following the discussions in BoA meeting and submits for OGMS approval.
  - a) The total degree of achievement (102.67%) of the key performance indicators (KPIs), financial and non-financial for the year 2018, approved for the administrators by OGMS Resolution no.7 from 18.12.2018.
  - b) Awarding the variable component due to the administrators for the year 2018, in accordance with the provisions of the mandate contract.

**BoA Decison no.13/14.07.2019**

- Approves the Report of the Directors with Mandate Contract on the activity along the period ended 3/31/2019, drafted as per the provisions of EGO no.109/2011 on corporate governance of public enterprises and the provisions of the mandate contract,
- Approves the quarterly Report related to economic-financial activity of CONPET S.A. At 31.03.2019 (period 01.01.2019 - 31.03.2019), accompanied by the financial Statements at the date and for the period of 3 months completed at 31.03.2019 drafted in compliance with JAS 34, documents that will be submitted to the Bucharest Stock Exchange and the Financial Supervisory Activity as per the legal provisions related to capital market.
- Endorses the quarterly Report with regards to monitoring the financial and non-financial key performance indicators and the total degree of fulfillment thereof for administrators (104.41%) and the directors with mandate contract (108.42%) for the period 01.01.2019 - 31.03.2019.
- Approves the investment Program for the year 2019 rectified for the month of May, 2019, in the form resulted following the discussions in the BoA meeting, settled following the meeting of the Development Committee and for Investor and Relations Authorities.
- Approves the annual procurement Program on 2019 - revision 2 in the form resulted following correlation with the investment Program of 2019, rectified in May, 2019.

**BoA Decison no.15/28.05.2019**

- Endorses the Report of the Nomination and Remuneration Committee no.20847/28.05.2019 on the evaluation of the Directors with mandate contracts for the activity performed in 2018 drafted based on Art.36, Para 5 of EGO no.109/2011.
- Requires that the Budgeting Controlling Department and the Internal Management Control Department elaborate a procedure on the settlement and monitoring of the key

performance indicators and the internal control mechanisms to ensure the accuracy of indicators reporting.

- Endorses the augmentation of the share capital of the company CONPET S.A. By a maximum value of 101,763,954.60 RON representing contribution in kind (lands) amounting to 59,751,935.10 RON and cash amounting to 42,012,019.50 RON, from the present value of 28,569,842.40 RON to the value of maximum 130,333,707, as per the Note no.20331/23.05.2019 to the EGMS.
- Takes note of the Point of view no.19860/21.05.2019 drafted by the Legal Department related to granting/not granting the subcomponent 2 of the variable component of the variable component of the remuneration for the year 2017.
- Takes note of the internal audit Report ad-hoc no.19760/21.05.2019 with the mission "The Regime of the breakdowns registered in 2017".

#### **BoA Decision no.16/07.06.2019**

- Approves the Budget rectification - Annex no.2 "Breakdown of the economic-financial indicators provided in the revenues and Expenditure budget for 2019 and the distribution on quarters thereof", proposed by Report no.21830/04.06.2019 drafted by the Economic Direction.
- Approves the distribution criteria and granting of the fund related to employees share of profit on 2018, as they have been negotiated between the social partners and provided in the Protocol and Rules regarding the criteria, levels of granting and means of calculation, which are attached to Report no.21783/04/06.2019, drafted by the Human Resources Department.

#### **BoA Decision no.17/14.07.2019**

- Approves the Report of the Directors with contract of mandate - Director General and Economic Director, of monitoring the classification of the key performance indicators within the limits approved by the Board of Administration, for the period of mandate performed by them in 2018, namely approves:
  - the total degree of achievement (105.04%) of the key performance indicators (KPIs), financial and non-financial for the year 2018, approved for Directors with mandate contract - Director General and Economic Director, by BoA Decision no.33/18.12.2018.
  - Granting the variable component due to the Directors with contract of mandate (Director General and Economic Director) for the mandate period carried out in 2018, as per the provisions of the mandate contract and with the general limits of the variable component approved by OGMS in the meeting dated 23.04.2019.
- Approves the decommissioning of the fix assets from administration 373 - Berca Ramp (inv.no 110117 and 110540), whose maintenance in operation is no longer justified (fix assets in administration 373 Berca Ramp - buildings no.110117 and 110540), as per the proposals in Report no.18519/13.05.2019 drafted by Division e East, Urlati-Berca Sector - Transport Operations Department, formulated based on the Report no. 18448/13.05.2019.
- Approves the start-up prices at tender at the level of the values established by the authorized appraiser Faur T Daniel - individual Enterprise, for the goods whose maintenance is no longer justified (approved by BoA Decision no.10/09.04.2019 to the decommissioning/downgrading, on the occasion the annual inventory 2018), as per the



proposals comprised in the Annexes no.1 and no.2 to the Report no.24954/25.06.2019 drafted by the Patrimony Management Department,

- Approves the annual maximum limit of 13,000 Euro of the professional liability insurance premium of the Directors with contract of mandate, along the mandate contract, corresponding with a minimum insured amount of 12 mEURO in aggregate and approves the relocation in budgetary position “II.1.A3 j) - Other Expenses” of the amount of 50,000 RON in the budgetary position “II.1.A2.c) - Insurance premiums expenses” from Annex 2 to the Budget for the year 2019, limit that will be considered at the procurement of the professional liability insurance services of the Directors with mandate contract. Annex 2 to the Budget shall comprise the above-mentioned amendments and will be presented to the Board of Administration.
- Approves the cease of the activity in location “Constanta Note crude oil pumping stations” and initiation of the approaches to NAMR for obtaining the permit of decommissioning of the work site, as per the proposals in the Report no.23233/ 13.06.2019 drafted by the Transport Operations Department, with the completion of the Report with the information related to the estimation of the costs reduction and submission thereof by e-mail to the BoA members.
- Considering the CNR Report registered under no.26780/04.07.2019; By Decision 17/04.07.2019, the Board of Administration has provisionally appointed Mr. Buică Nicușor – Marian as administrator, considering the proposal from the shareholder DEDEMAN S.R.L., the mandate period starting 05.07.2019 and up to the date of the OGMS meeting, on the lace remaining vacant following waiver of Mrs. Pavăl Karina to the mandate and capacity of administrator. The appointment of the temporary administrator was made in compliance with the provisions of Art.137<sup>2</sup> of Law no.31/1990 regrading companies, republished, ulterior amendments and completions, of Art.19 Para (4) of the Articles of Association of CONPET S.A.

#### **BoA Decison no.18/25.07.2019**

- Approves the update of the composition of the Consultative Committees set out at the level of the Board of Administration, namely the Nomination and Remuneration Committee - completion of the number of members with Mr. BUICĂ Nicușor – Marian (in place of Mrs. Pavăl Karina) and approves the Rules of Organization and Functioning (Ro. ROF) of BoA, updated following the appointment of Mr. Nicușor – Marian BUICĂ, as provisional administrator of CONPET S.A.

#### **BoA Decison no.19/12.08.2019**

- Endorses and submits for approval of OGMS the Revenues and Expenditure Budget (Budget) rectified for the year 2019 of CONPET S.A. (Annexes no1-5 to the Substantiation Note drafted by the economic director), in the form resulted following the proposals and discussions in the BoA meeting.
- Approves the Report of the Directors with Mandate Contract on the activity along the period ended Sunday, June 30, 2019, drafted as per the provisions of EGO no.109/2011 on corporate governance of public enterprises and the provisions of the mandate contract.
- Approves the Administrators Report to OGMS with regards to the activity for Semester I,2019 (period January - June, 2019), drafted as per the provisions of Art.223 of ASF Regulation no.5/2018 and Art.55 of EGO no.109/2011, along with the financial Statements

at the date and for the period of six months ended June 30, 2019, in accordance with the OMPF no.2844/2016 and the International Accounting Standard 34” “The Interim Financial Reporting”, the materials that will be presented to OGMS along with the Review Report of the interim financial statement drafted by the financial auditor BDO Audit SRL.

- Endorses the quarterly Report with regards to monitoring the financial and non-financial key performance indicators and the total degree of fulfillment thereof for administrators (105.6 %) for Semester I 2019, as per Annex no.3) and the directors with mandate contract (110.7 %) , Semester I, 2019, as per Annex no.4)
- Approves the current Repairs Program for the year 2019, reviewed, in the form annexed to the Report no.31188/05.08.2019 drafted by the Maintenance Development Department, analyzed within the Committee for the Development and for Investor and Authorities Relations.
- Approves the Investment program for 2019 - rectified August 2019 and estimations for the years 2020 and 2021 proposed by the Report no.31266/05.08.2019 drafted by the Maintenance Development Department - Annexes no.1,2 and 3 analyzed within the Committee for the Development and for Investor and Authorities Relations.
- Approves the Annual Procurement Program for the year 2019 - revision 6 (Annex no.1 to the Report no.31497/06.08.2019 drafted by the Procurement Department) in the form resulted following the discussions in the BoA meeting, namely without position 31 from direct acquisitions - “press monitoring services”, the respective activities following to be carried out by the personnel in the Communications and Public Relations Department. The Annual Procurement Program on 2019 - revision 6 (Annex no.1) will be submitted to the members of the Board of Administration
- Endorses the Note to the OGMS no.32211/12.08.2019 drafted following the Audit Committee Report no. 32206/12.08.2019 established at the level of the Board of Administration with regards to the appointment by OGMS of the financial auditor BDO Audit S.R.L. of CONPET S.A., following the carry out of the procurement procedure by the company and the settlement of the financial audit contract duration for a period of 3 (three) years starting the date of approval of the appointment thereof by the OGMS, namely for the years 2019, 2020 and 2021.
- Endorses the Information Note no.31335/05.08.2019 to the Ordinary General Meeting of Shareholders regarding the prescription of the right of shareholders to the dividends related to the financial year 2015, unclaimed at 31.07.2019.
- Endorses the Nomination and Remuneration Committee (CNR) no.32197/12.08.2019 to the OGMS regarding the proposal to appoint Mr. Nicușor – Marian BUICĂ in the capacity of administrator of CONPET S.A. and endorses the contract of mandate that will be submitted for approval of OGMS, in the form resulted following the discussions in the BoA meeting.

#### **BoA Decison no.22/12.09.2019**

- Approves the decommissioning of the working site “Constanta North Crude Oil pumping station” and the radiation thereof from ONRC records as per the Report no.34823/03.09.2019, drafted by Head of the Transport Operations Unit.
- Takes note of the Address of Prahova Court of Audit to the GMS registered at the company under no.35261/05.09.2019, having as object the Decision no.3026/651/2013/ 02.09.2019 with regards to th extension, up to 31.03.2020 of the term for the fulfillment of measures

I.1 and II.2 disposed by Decision no.28/29.03.2013 and requires the executive management the presentation in the following BoA meeting of an information/report regarding the statement of the respective measures, in view of GMS call.

**BoA Decison no.23/11.10.2019**

- Approves the Investment program for 2019 - rectified September and estimations for the years 2020 and 2021 proposed by the Report no.37833/ 30.09.2019 drafted by the Maintenance Development Department - Annexes no.1,2 and 3.
- Approves the rectification of Annexes no.2 and 4 of the revenues and Expenditure Budget (Budget) corrected for the year 2019, as per the Report no.39067/07.10.2019 drafted by the economic director.
- Approves the Annual Procurement Program on the year 2019 - revision 10 proposed by Report no.38800/04.10.2019 prepared by the Procurement Department.
- Endorses the Information no.39071/07.10.2019 to OGMS with regards to the extension, up to 31.03.2020 of the term for the fulfillment of the measures I.1 and II.2 disposed by Decision 28/29.03.2013 of Prahova Court of Audit.
- Following the discussions and proposals within the BoA meeting, approves the Report of the Board of Administration registered at the company under no.39754/11.10.2019, which will be presented to OGMS with regards the number of technical breakdowns registered in 2017 and the degree of fulfillment of the administrators performance indicators for the year 2017, recalculated based on the indicator “decrease of the number of technical breakdowns” for the year 2017 and required the executive management to calculate the amounts that shall be restored by the administrators, considering the provisions of the administration contracts of the non-executive administrators/mandate contract of the executive administrator, given OGMS approves the recalculation of the variable subcomponent of the administrators allowance for the year 2017 according to the total degree of accomplishment of the performance indicators of the company’s administrators, recalculated for the year 2017. The note comprising the calculation of the differences related to the variable subcomponent of the administrators allowance shall be attached to the BoA report to the OGMS.
- The report comprises proposals of BoA that will submit to OGMS approval:
- Approval of the achievement degree of the performance indicator “the decrease of the number of technical breakdowns” of the administrators recalculated for the year 2017 and, consequently, the approval of the total degree of achievement of the performance indicators of the company’s administrators, recalculated for the year 2017.
- Approval of the recalculation of the variable subcomponent of the variable allowance of the administrators for the year 2017, according to the total degree of fulfillment of the performance indicators of the company’s administrators, recalculated for the year 2017 and taking the necessary measures by the executive management for recovering the differences from the respective administrators.
- Approves the composition of the Nomination and Remuneration Committee (reconfirmation of Mr. Buică Nicușor-Marian as CNR member) and approves the Rules of Organization and functioning (ROF) of the Board of Administration, updated in what concerns the final mention regarding the OGMS Resolution no.5/30.09.2019, (appointment of Mr. Nicușor – Marian Buică as company’s administrator) and this BoA Decision regarding the composition CNR

- Approves the amendment of the organizational structure as per the discussions and proposals in the BoA meeting
- Approves the substantiation Note no.9053/07.10.2019 drafted by the Human Resources Department, namely approves the resizing of the necessary of personnel by dismissal of 29 positions (as of 15.10.2019) within certain organizational entities of the company, with the consequence of the individual severance of the employees holding these position, for reasons beyond their control, with the mention that the applicable legal provisions will be considered.
- Approves the maintenance of the delegation to the director general of the competence regarding the approval of the new Organizational Chart.

#### **BoA Decison no.24/13.11.10.2019**

- Approves the quarterly Report related to the financial-economic activity of CONPET S.A. At September 30, 2019 (period 01.01.2019 - 30.09.2019) prepared in compliance with Art.125 of ASF Rules no.5/2018, accompanied by the financial Statements at the date and for the period of nine months concluded at September 30, 2019 drafted as per OMPF no.2844/2016 and with the International Accounting Standard no.34 "Interim Financial Reporting".
- Approves the Report of the Directors with Mandate Contract on the activity along the period ended September 30, 2019, drafted as per the provisions of EGO no.109/2011 on corporate governance of public enterprises and the provisions of the mandate contract.
- Approves the Investment program for 2019 - rectified October and estimations for the years 2020 and 2021, proposed by the Report no.42216/ 31.10.2019 drafted by the Maintenance Development Department - Annexes no.1,2, 3 and 4.
- Approves the Annual Procurement Program for the year 2019 - rectified October.
- Endorses the quarterly Report no.43014/06.11.2019 with regards to monitoring the financial and non-financial key performance indicators and the total degree of fulfillment thereof for administrators (104.6%) and the directors with mandate contract (108.7%) for the period January 1,2019 - September 30, 2019.

#### **BoA Decison no.25/28.11.2019**

- Approves the proposals of Report no.45435/21.11.2019 drafted by the Maintenance Development Unit, formulated based on the Report no.45158/20.11.2019 on the result of the analysis and endorsement of the goods proposed to be scrapped, drafted by the Commission of analysis and endorsement of the proposals for the decommissioning of the fix assets (...), appointed by Decision of the director general no.172/ 20.03.2019, completed by decision of the Director General no.596/ 26.09.2019, namely:
  - approves the commissioning of a number of 30 fix assets (Dacia Logan autos and Dacia Duster), belonging to the company's patrimony proposed for scrapping, the assets being depreciated integrally;
- Approves the capitalization of the fix assets - mentioned at letter a) through sale by tender, based on a start-up price that will be established in compliance with the internal procedure and approved by the executive management.
- Takes note of the OGMS Resolution no.6/19.11.2019 and requires the executive management measures to be taken for the fulfillment of the provisions thereof, as per Art.3, Letter b) of the Decision, in view of recovering the differences of amounts from the

administrators with mandate in 2017, following the approval by the OGMS of the recalculation of the variable subcomponent of administrators allowance for the year 2017, according to the total degree of achievement of the performance indicators of the company's administrators, recalculated for the year 2017.

- Takes note of Information no.45276/21.11.2019 drafted by the Critical Infrastructure Department with regards to the investment objective with regards to acquisition of the video surveillance Systems in 10 locations CONPET” and the execution of the installation works of the security technical systems at Marghita Ramp, Baicoi Station, Ramp and Independenta Warehouse.

#### **BoA Decison no.26/12.12.2019**

- Approves the rectification of Annexes no.2 (Breakdown of the economic-financial indicators) and no.4 (Investment Program, endowments and financing sources - rectified for th year 2019) of the Budget rectified for 2019, in the form attached to the Report no.47640/06.12.2019, prepared by the Controlling and Budgeting Department.
- Approves the investment Program for the year 2019 - rectified November 2019, comprising also estimations for the period 2020-2021 in the form presented in Annexes no.1, 2 and 3 to the Report no.47444/ 05.12.2019 drafted by the Investment Management Department (namely on types of works, membership, (operating domain Conpet and the State public domain0 and the financing sources.
- Approves the Annual Procurement Program on the year 2019 , in the form p[resented in Annex 1 to the Report no.47473/ 05.12.2019 drafted by the Procurement Department.
- Takes note of the procurement annual Draft Program for the year 2020, in the form annexed to Report no.47336/ 05.12.2019 drafted by the Procurement Department, with the mention that the draft program will be reassessed and presented in final form after approval of the Budget for the year 2020.
- Considering the Report no. 47662/06.12.2019 drafted by the Human Resources Department and following the discussions in the BoA meeting, approves the Rules of the assessment of the professional performance of the employees of CONPET S.A. - Annex 1 to the internal Rules that will be completed with provisions regarding the applicable sanctions of the employees with management positions in case of failure to fulfill the established objectives.
- Endorses the preliminary Budget Projection for the year 2020, presented by the executive management.
- Considering the Note no.47330/09.12.2019 regarding the financial impact on the Budget for the year 2020 that the requests of CONPET Free Union would bear, formulated by the address registered at the company under no. 46357/27.11.2019, empowers the executive management to negotiate with CONPET Free Union the granting of an increase of the basis salaries for the year 2020, under the limit of the inflation index (3.4\$\_ forecasted by the INS (National Institute of Statistics) for the year 2020 as per the proposal in the preliminary Projection of the Revenues and Expenditure Budget (Budget ) for the year 2020 and Note no.47330/09.12.2019 and only under the condition of approval of the Budget 2020 to GMS

## **ACTIVITY OF THE CONSULTATIVE COMMITTEES**

### **THE NOMINATION AND REMUNERATION COMMITTEE**

During 01.01.2019 - 31.12.2019 took place 17 meetings of the NOMINATION AND REMUNERATION COMMITTEE following which have been elaborated 17 reports.

The activity of the Nomination and Remuneration Committee during 01.01.2019 - 31.12.2019 comprised the following subjects:

- ✓ interviewing the persons proposed for the positions of Head of Unit and Chief Engineer;
- ✓ settlement of the means of calculation and the shares in the final note for the Deputy General Director position;
- ✓ settlement of the long list and short list of the candidates in the recruitment and selection process of the Deputy General Director;
- ✓ appointment of the Deputy General Director;
- ✓ remunerations and other advantages granted to the administrators and the directors with mandate contract, during the financial year 2018;
- ✓ the total degree of achievement of the key performance indicators (KPI), financial and non-financial for the year 2018, approved for the administrators by OGMS Resolution no.7 from 18.12.2018.
- ✓ proposal to OGMS regarding the settlement of the general limits of the variable component of the remuneration for the Directors with Mandate Contract;
- ✓ point of view in connection to the conclusion formulated in the Findings Note no. 2327/18.03.2019 drafted by the Prime-Minister Control Body and submitted to Conpet S.A. By address registered at the company under no.10800/ 19.03.2019;
- ✓ interviewing the person propose for the position of Deputy Director General 2;
- ✓ completion of certain provisions in the Contract of Mandate of the Directors and Addendum no.2;
- ✓ the general limit of the variable competence for the Directors with Mandate Contract and the Addendum no.3;
- ✓ monitoring the financial and non-financial key performance indicators and the total degree of fulfillment thereof for administrators and the Directors with mandate contract, for the period 01.01.2019 - 31.03.2019;
- ✓ evaluation of the activity of the Directors with mandate contracts for the activity performed in 2018 drafted based on Art.36 Para (5) of EGO no.109/2011;
- ✓ proposal of appointment by the BoA of a provisional administrator of CONPET S.A.;
- ✓ proposal of the OGMS of election/appointment of a member of the Board of Administration of the company;
- ✓ the number of technical breakdowns registered during the year 2017 and the variable subcomponent of the administrators allowance for the year 2017;
- ✓ the quarterly report for the period 01.01.2019 - 31.12.2019 regarding the monitoring of the financial and non-financial key performance indicators and the degree of fulfillment thereof for administrators and the Directors with mandate contract

## **THE AUDIT COMMITTEE**

During the analyzed period there took place 8 meetings of the Audit Committee following which have been elaborated 8 reports.

The activity of the Audit Committee during 01.01.2019 - 31.12.2019 comprised the following subjects:

- ✓ assessment of the preliminary Financial Statements unaudited at the date and for the financial year ended 31.12.2018, the preliminary Report of the company for the period January-December 2018 and the Budget for the year 2019, comprising also the estimates for the year 2020-2021;
- ✓ the internal control system within Conpet S.A.;
- ✓ the annual report of the Directors with mandate contracts for the year 2018, the annual Report of the administrators for the financial year ended 31.12.2019, the internal control system within Conpet, the annual financial statement drafted for the financial year ended 31.12.2018 and the OGMS proposals of distribution of the net profit related to the financial year 2018 and of some amounts from the retained earnings and other reserves, the settlement of the gross dividend per share and date of payment of dividends to the shareholders;
- ✓ the quarterly report of the Directors with Mandate Contracts for a period ended 31.03.2019 and the quarterly Report of the administrators regarding the economic-financial activity, accompanied by the financial Statements at the date and for the period of 3 months ended at 31.03.2019;
- ✓ the OGMS proposal of appointment of the financial auditor and the settlement of the duration of the services contract of financial audit;
- ✓ information no. 33714/ 26.08.2019 regarding the monitoring of the internal managerial control system and risks management at the level of Conpet in 2019;
- ✓ conclusions of the analysis performed by the Audit Committee with regards to the number of breakdowns registered during the year 2017 and proposals;
- ✓ debating several materials submitted to the endorsement of BoA dated 31.11.2019, namely Quarterly report of the administrators regarding the economic-financial activity at 30.09.2019, accompanied by the financial Statements at the date and for the period of 9 months ended 30.09.2019 and the quarterly Report of the Directors with mandate contract, for the period ended 30.09.2019.

## **COMMITTEE FOR THE DEVELOPMENT AND FOR THE INVESTORS AND AUTHORITIES RELATIONS**

During the analyzed period there took place 7 meetings of the Committee for the Development and Investors and Authorities Relations, following which have been elaborated 7 reports.

The activity of the Committee for the Development and Investors and Authorities Relation during 01.01.2019 - 31.12.2019 comprised the following subjects:

- ✓ analysis of the Investment Program for the year 2019 and estimated for the years 2020 and 2021, the current repairs Program for the year 2019. The Note for the approval of the delegation to the Director General of the power related to the approval of the investment Program of investment within the same values approved by the annual Budget, the information Note on the state of achievement of the investment Program estimated 2018;
- ✓ the investment program replaced, namely Annex no.1 (structure detailed on objectives) and Annex no.2 (9 endowments and independent equipment 2019) and the investment Program 2019 - proposal to OGMS;

- ✓ analysis of the decommissioning proposals/downgrading of goods belonging to the company/State public domain whose maintenance is no longer justified and the analysis of the means of capitalization proposed by the respective goods;
- ✓ analysis of the investment Program for the year 2019 - rectified May 2019, the annual procurement program - revision 2 information Note regarding the difficulties faced in obtaining the building authorizations for achieving the objectives in the investment Program;
- ✓ analysis of the investment Program for the year 2019 rectified August 2019 and estimated for the year 2020-2021, the current repairs Program for the year 2019 reviewed and the information Note no. 31192/05.08.2019 with regards to the state of achievement of the investment program 2019, Semester I;
- ✓ analysis of the investment program for the year 2019 rectified October and estimates for the years 2020 and 2021;
- ✓ analysis regarding the state of achievement of the investment Program of distinct activity periods.

Concurrently, in the meetings of the committee have been analyzed activity report on monthly reporting periods and cumulated, periodical information regarding the state of achievement of the investment Program and procurement Program.

## **OTHER INFORMATION REGARDING THE FULFILMENT OF THE RESPONSIBILITIES AS PER ART.5 OF GD NR.722/2016**

### **Corporate Governance**

The corporate governance at the level of CONPET is being organized and is performed in compliance with the legal framework in Romania, namely the companies Law no.31/1990 and the Government Emergency Ordinance no.109/2011 on corporate governance of public enterprises.

The corporate governance system of CONPET is permanently improved, so that it provides for the compliance with the rules and recommendation applicable to a company listed to the Bucharest Stock Exchange.

The Board of Administration has undertaken the Rules of corporate Governance proper to the principles of the corporate governance provided in the Corporate Governance Code of the Bucharest Stock Exchange.

The Rules is being published on the company's web page, under the link:

<http://www.conpet.ro/guvernanta-corporativa/regulament-de-guvernanta-corporativa/>

In the annual Report of the administrators for the financial year ended December 31,2019 was included a chapter dedicated to the corporate governance that makes reference, among others, to information relate to the Board of Administration and consultative committees, information regarding the risks and internal control; information regarding the remuneration policy. Also, the chapter related to governance comprises also the Declaration regarding the compliance with the provisions of the Code of Corporate Governance of BSE.



The Board of Administration and the consultative committees carry out their activity in compliance with own organizational and functioning rules. The delimitation of the BoA responsibilities from those of the director general is being provided in the Corporate Governance Rules

The organization and functioning rules of the Board of Administration and the consultative committees are being published on the web page of the company.

*Transparency, information and communication*

The Board of Administration has monitored the performance of a full and correct information of all shareholders and investors by inclusion on the website of the market releases addressed to the participants to the capital market of the Half Yearly and Quarterly financial statements, of the annual reports and the procedures to be followed in view of access thereof and participation to GMS.

As company listed on the Bucharest Stock Exchange there have been respected all reporting obligations to the shareholders and investors and to the institutions of the capital market, by drafting and submitting the periodical and current reports required by Stock Exchange Rules. The company has also implemented a strategy of communication to other parties concerned (authorities and local communities, media, etc.).

As company activating in a competitive environment of great importance for the economy in general, CONPET seeks to achieve the proper balance between the information of confidential nature and those of public interest. There have been adopted internal regulations regarding the dissemination of the information and respecting confidentiality.

As per the Corporate Government Rules, at the beginning of 2018 the company has published the calendar of the quarterly and half yearly financial reporting and has announced the calendar of the meetings with the analysts and investors.

The quarterly financial reports have been prepared for the year 2019 and have been published as per the data in the financial calendar. At each financial reporting the financial analysts were sent a presentation material of the reported data, in the synthesis and a conference call was held with the financial analysts of the stock market, to analyze the published reporting. The presentation materials prepared on the occasion of the events mentioned above have been published on the company's website.

Also, it was given a special importance to the relation with the shareholders and investors, proving increased transparency. The company's representatives answered positively to all the requests of the participants to the capital market. During 2019, the company CONPEY has been represented to the events organized within the capital market, proving openness both with the institutional investors, as well as with individual investors.

For efficient communication with the investors, the company made available a contact number and an e-mail address ([infoinvestitori@conpet.ro](mailto:infoinvestitori@conpet.ro)), by means of which they can clarify certain

aspects or may address various questions, coming thus in direct touch with the investor relations team of the company.

The evolution of CONPET S.A. share is monitored by the departments in charge with analysing the main financial investments services companies in the Romanian capital market. Concurrently, the entity managing the investor relations maintains a permanent connection with all the financial analysis in the capital market.

### **The management of Conflicts of Interest**

During Half I 2019, at the level of CONPET S.A. have not been registered conflicts of interest, as it results from the declarations of interest submitted by the leading personnel and the BoA members in the application of Law No. 176/2010 regarding the integrity in exercising the public positions and dignities, for the amendment and completion of Law no.144/2007 on the set-up, organization and operation of the National Integrity Agency, as well as for the amendment and completion of other normative acts.

The general objectives in the Anticorruption National Strategy 2016-2020, to which CONPET S.A has adhered have been adopted at the level of CONPEY, by elaboration of measures adopted to the specific of company's business, measures that have been included in the Plan of Integrity elaborated within CONPET, in 2017. The plan has been updated in 2018 by decision of the director general. The integrity plan is being updated when new risks and vulnerabilities identified.

Among the 27 measures in the plan, 25 measures have been implemented in term up to the end of 2019, two measures left to be implemented (the implementation of the integrity whistleblower concept and the policy regarding the presents and initiation of the undergoings specific to implementation of Standard ISO 37001) with term up to the end of 2020.

In approaching the measures left to be implemented in 2020, in December 2020 has been elaborated and approved the operational procedure "Protection of the integrity whistleblowers" and has been initiated the integrity warnings button.

In order to avoid the occurrence of the conflict of interest, the company has set-out a series of deontological rules that need to be observed both by the members of the Board of Administration as well as by the directors of the company, in correlation with the applicable legal provisions.

Both in the Rules of Organization and Operation of the Board of Administration of CONPET S.A., as well as the Corporate Governance Rules there are dispositions with regards to the management of the conflicts of interests. In practice, the members of the Board of Administration shall inform the Board of any conflicts of interest that have arisen or may arise and shall refrain from attending the discussion and voting for the adoption of a ruling on the matter giving rise to the conflict of interest concerned.

### **Social and Corporate Responsibility**

The social and corporate responsibility is integral part of CONPET Strategy; The respect for the people, the responsibility towards the environment and implication in the life of the community are essential and major priorities for CONPET.

The company has undertaken firm commitments with regards to environmental protection, by optimizing its achievements in the environmental protection activity, pollution prevention, energy effective use, natural resources and raw materials, as well as by informing and acknowledgment of its own employees and the community with regards to the importance and necessity to comply with the regulation and recommendations aiming at environmental protection.

Consistent in the sustainable development principles, CONPET uses the instruments specific to a modern economy, the instruments offered by the continuous maintenance and improvement of the Integrated Management System Quality, Environment, Occupational Health and Security, the Rail Safety Management System, as as as the maintenance and improvement of the Energy Management System and the standards contained in the internal/managerial internal control Code.

The company has undertaken the maintenance of high standards in all aspects of its activity, as well as the continuous exercising of a positive impact on all communities where it activates. A special attention is being granted to the education, sports activities, cultural activities and humanitarian spirit.

The human resources policy of the company aims, at the same time, the training and development of the existing personnel, in new or traditional area, one of the most important competitive advantages of CONPET being the united and experienced personnel body.

### **Business ethics and integrity, fight against corruption**

CONPET S.A. promotes the correct business relationships and tracks the compliance with the legislation in all trade transactions and activities that it performs, acting for discouraging, preventing and fighting against the fact of corruption.

By the Ethics and integrity Code there have been established the norms of conduct regulating the corporate values, responsibility, obligation and business conduct, binding norms, applicable to all employees of all organizational structures of CONPET S.A.

The code of Ethics and Integrity defines the integral conduct and behavior, forbids the participation of the employees in the decisional process in case there is a conflict of interest, requires restrictions in what concerns offering/accepting presents, favors or services, settles the obligations of the employees with regards to protection of goods and resources of the company, specifies the manner of networking with the authorities based on principles of fairness, transparency and good collaboration and mentions the rules of conduct during domestic and external travels. Also, there are being mentions clear networking rules with the shareholders regarding the equal treatment and also related to inside information, as well as the use of honest and legal practices in relation with the business partners.

In 2019 there were not signaled cases of conflicts of interest or integrity warnings.

## **Policy related to Quality, Environment, Labor Health and Safety**

As per the strategic development direction of CONPET S,A, it was elaborated the Policy for quality, environment, labor health and safety. This is oriented to the satisfaction of clients requirement and other relevant stakeholders, the observance of the legal requirements in the crude oil, reach gas, ethane and condensate transport and provision for the entire personnel a healthy working environment, in safe conditions.

The company's management is consistently tracking the achievement related to quality, environment, labor health and safety by implementing, maintaining and improving continuously an Integrated Management System pursuant to the provisions of the reference standards for these domains.

The integrated management System quality-environment- labor security and safety is being certified by the company DNV-GL business Assurance Romania.

In 2019, the company has been subject to the external re-certification audit, also including the transition to the requirements of standard SR ISO 45001:2018; Following this audit, CONPET S.A. Certifications maintain on the four domains: quality-environment- labor health and safety - energy.

### **Quality of Transport Services**

CONPET tracks the full satisfaction of clients requirements and expectations, the fulfillment of the obligations deriving from the Oil Concession Agreement, as well as the observance, constantly, of the regulations and legal provisions.

The main objectives tracked by the company for ensuring a corresponding level of quality of transport services are:

- ✓ Permanent reinforcement and development of the National Transport System by implementation of state-of-the art technologies for the rehabilitation and modernization of the oil transport infrastructure, so that the present and future conditions of continuity and the quality of transport services.
- ✓ The increase of safety in operation and reduction of technological consumption.
- ✓ Ongoing improvement of the operational processes for ensuring the high level of satisfaction of the clients by prompt, timely and economically efficient execution of the transport services.
- ✓ Maintaining the certifications of the Integrated Management System as per the reference standards

The main lines of actions related to the quality of the services are:

- ✓ Ensuring availability and expedience of the transport services.
- ✓ Settlement operatively of the interventions at transport installations without affecting clients interest and other stakeholders.
- ✓ Optimization of the technological consumption of transported product.

The risks identified in this respect are the followings:

- ✓ Deterioration of the National Transport System, reduction of the transport capacities, delays in the delivery, clients satisfaction decrease, complaints.
- ✓ Identification of major incompliances following the certification or surveillance auditors and suspension/ cancellation of the certificates, this fact bearing a negative impact on the image of the organization.

Due to the measures taken by the company, the mentioned risks were maintained at the level of reduced impact. The efficient control of the risks has been materialized by:

- ✓ Activities related to documentation measures and implementation of the procedures;
- ✓ Analysis performed by the management and internal audits of the integrated management system;
- ✓ Planning and execution of investment and repairs works to the National Transport System.
- ✓ Ensuring human resources with competences proper to the development of the main processes.

Following the external audits of surveillance of the integrated management system there have not been found major incompliances.

Indicators related to the quality specific objectives, referring to the increase of clients satisfaction and celerity in delivery the transport services are:

- ✓ Achievement of the transport program, falling under the contracted technological consumptions.
- ✓ Respecting the delivery term of transported products.
- ✓ The number of complaints received from the clients in one year related to the transport services, with target value zero.

In 2019 the indicators have reached the target values, as follows:

- ✓ The transport program has been achieved with the observance of the contractual limits of technological consumptions;
- ✓ The delivery of transported products was realized pursuant to the contractual provisions;
- ✓ There were not registered complaints from third-parties.

### ***Environment***

As concerns the environmental protection ares, CONPET management has adopted an environmental policy specific to the company's activity, dimension and impact on the environment, meant to offer the framework for settlement and analyzing the general and specific environment objectives.

A distinct attention was given to the aspects related to the needs and expectations of the stakeholders (here included the authority requirements) and the local environment conditions or regional that may affect or may be affected by the organization, the manner in which the risks are being treated and the opportunities related to environmental aspects in order to prevent and limit the consequences thereof on human health and environment.

Being aware of the fact that the responsibilities towards the environment and community where in performs its activity are strongly connected to the achievements that the company wishes to reach in its own activity and in compliance with the sustainable development principles, CONPET has committed that, by its environment policy:

- ✓ ensures the compliance with the legal requirements and other applicable requirements related to environmental aspects.
- ✓ continuous improvement of the achievements in the environmental protection activity, namely by adoption of the pollution prevention measures, technological risks and accidents that could trigger negative consequences on the environment.
- ✓ permanent evaluation of the risks/opportunities generated by the context where the organization activates and the risks/opportunities related to the processes and settlement of actions for treatment thereof.
- ✓ acknowledging of own personnel and that working on behalf of the organization and improving the communication in view of ensuring the active participation to the achievement of the objectives and environmental management program.

Considering the environmental protection and water management, CONPET activity is being authorized in compliance with the provisions of EGO no.195/2005 on environmental protection, ulterior completions and amendments and Water Law no.107/2005 ulterior completions and amendments. As per Order no.1798/2007 of the National Agency for Environmental Protection for the approval of the procedure of release of the environmental permit, the activity performed by CONPET is an activity with significant impact on the environment. The environmental permits keeps its validity all along the period in which its beneficiaries obtain the annual cover - amendment brought to EO no.75, normative act that came out at the end of 2018.

During 2019 there have been re-assessed the environmental aspects at the level of locations, significant environmental aspects being comprised in the "List of significant environmental aspects and the associated impacts".

Updated the lists of the environmental aspects and associated impacts thereof, as well as the centralization thereof is being performed whenever amendments such as:

- ✓ change of technology
- ✓ modernizations and introduction of new installations, equipment, use of raw materials, materials;
- ✓ occurrence of new requirement, regulations related to environment and change of the existing ones;  
decommissioning of various installations, equipment;
- ✓ preservation/re-commissioning, decommissioning of working sites after the completion of the actions proposed for treating ASM.

Considering the significant environmental aspects at the company's level, the measures in the inspection reports/protocols - authorities, regarding the compliance with the legal requirements and other applicable requirements etc. is being performed the Actions Plan for the fulfillment of the environmental objectives at the company's level.

Following the identification of the environmental aspect for the activities, products and services within the company there have been pointed out the significant environmental aspects as input data and for the environment; management program.

Identification of the environmental aspects and the assessment of the associated impact is being performed for:

- ✓ All the activities performed, included in SSM application domain.
- ✓ Materials, goods and services that may generate impacts of the environment and which are supplied/executed by suppliers/providers.
- ✓ New development projects/modernizations;
- ✓ Installations working equipment within a working point whose operation has been partially or fully ceased due to preservation, namely decommissioning of the working sites and which have generated or may generate impacts on the environment.

The state of achievement of objectives and targets is periodically analyzed by the executive management.

### ***Occupational Health and Safety***

Ensuring labor safety and security represents nowadays the domain of the concerns conjugated of the technical and engineering disciplines, interested in finding the most accurate methods and means of optimization of human integration in the system of professional requests.

In the attention of the board of administration, the main aspects related to the operational health and security are:

- ✓ ensuring the organizational framework proper for settlement the objectives of the integrated management system quality-environment-operational health and security;
- ✓ permanent evaluation of the risks/opportunities generated by the context where the organization activates and the risks/opportunities related to the processes and settlement of actions for treatment thereof.

By company's policy in this area the company permanently undertakes the legal obligations that it has for:

- ✓ ensuring the safety and health of the workers in all aspects related to work;
- ✓ prevention of professional risks;
- ✓ information and training of the workers;
- ✓ ensuring the organizational framework and means necessary to labor health and security

CONPET S.A. policy related to labor health and security - integral part of the policy in terms of quality, environment, health and occupational safety, is compatible with the strategic direction and organizational context, with the other management definite policies and is focused on ensuring a healthy working environment for the entire personnel.

### **Energy - related Policy**

CONPET S.A promotes the continuous improvement objectives of the energy performance by the energy management system, by ensuring compliance with the legal provisions and other applicable requirements in what concerns the energy consumption and energy efficiency, minimization of electric power loss and fuel for the production of thermal energy, reduction of costs for energy, procurement and use of products and services efficient in terms of energy.

### Personnel and Social Policy

In the monthly and quarterly reports, the directors with mandate contract present information related to compliance with the applicable legislation in the field and the internal regulations with regards the organization of the activity within the company and the efficient distribution of the resources necessary for carrying put the activity.

There where are being identified risks associated to social and personnel areas, which could bear significant impact on the future activity, the executive management communicate them to the board of administration.

At the company's level there are being respected the legal requirements in human resources and SSM areas and bu implementation and certification of the integrated management system. Also, certain requirements are being included in the Internal Rules and Integrity and Ethics Code.

CONPET S.A promotes a transparent business climate, the communication and cooperation with all parties involved in the performance of its activity, respecting the community and the environment. The company has supported, by sponsorship actions, projects of tradition or with an important impact and longlasting on the community, but also requirement of smaller size describing ideas, actions or individual performance.

### Dividends-related Policy

In the first 2 years of mandate (2018-2019), the board of administration has carried on the policy of distribution of the profit as dividend, with a payout ratio beyond the ratio in the budget, of 85% (2018: 91.5% and 2019: 88,4%).

Also, by the multiannual budget, the Board of Administration has budgeted the distribution of the profit to dividends, with payout ratio constant, of 85%, close to effective ratio.

The net accounting profit registered by CONPET S.A. at December 31, 2019 for which is being proposed the distribution, reinstated with the provision related to employees share of profit is of **65,317,598 RON**.

The proposal of distribution on legal destinations of the accounting profit remaining after the corporate tax deduction at December 31, 2019, in amount of 65.,137,598 RON is the following

The remaining accounting profit after the deduction of the corporate tax, reunited with the provision for the employees share of profit.	65,317,598	100.00%
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Other reserves representing fiscal facilities provided by the law-reinvested profit	1,119,275	1.71%
Employees share of profit	6,440,879	9.86%
Dividends due to shareholders	57,757,444	88.43%

**Implementation/development of the internal control management system. Risk management.**

CONPET S.A., defined as public entity as per the provisions of the Order of the General Secretary of the government no.600/2018 applies the internal control management code of public enterprises, approved by the mentioned regulation.

CONPET SA does annual self-assessments of the degree of implementation of the internal control management standards and reports in accordance with the legal requirements.

At company's level it was elaborated the "Code of Ethics and Integrity of CONPET S.A." in November 2018 and is being appointed a new ethics advisor by decision of the Director General. The personnel of the organization has signed an individual engagement for compliance with the rules of ethics and integrity contained in the "Code of Ethics and Integrity of CONPET S.A." and the ethics a advisor has monitored the observance, by the organization personnel of the principles and norms of conduct and has delivered consultancy and support in ethics, as per a program approved by the Director General.

At the company's level is being established the monitoring Commission of the internal control management system.

The Commission shall cooperate with all organizational entities so as to implement and develop the internal audit management system. Each member of the Monitoring Committee is responsible for fulfilling the tasks from the development program of the internal control management system and for the respecting the settled terms.

The Internal Audit Office monitors the activities of the Monitoring Commission and regularly informs the Director General on the activity of the Monitoring Committee and the problems facing it and which may affect the process of implementing and maintaining the internal control management system.

The monitoring commission has prepared The Development Program of the internal control management system of CONPET, which is analyzed annually, on the self-evaluation of the implementation degree, according to OGSG no. 600/2018. The development plan of the internal control management system for the period 2019, registered under no. 8693/04.03.2019 has been revised in July and approved by the Director General. This program is registered with no. 27036/05.07.2019.

As per the provisions of the system procedure "Settlement of CONPET objectives", at the level of all organizational entities have been defined and approved the specific SMART objectives for 2019. Corresponding to the changes in the organizational structure during 2019 the specific objectives of the entities affected by these changes were updated.

Between March-June 2019 (considering also the amendments in the organizational structure) there took place meetings of all teams of risk management (RMT), in which each team has reviewed the corresponding risks to the set objectives (including the targets of all processes identified in the organization) and analyzed the status of implementation of control measures maturity, and where appropriate, new control measures for risk mitigation, as well as new deadlines for their implementation have been proposed, as per the [provisions of the system procedure: "Risks Management".

Based on the risk profile at the level of CONPET S.A., the Monitoring commission analyzed and endorsed the tolerance limit of risk for the year 2019, being maximum 8. All exposure risks between 9 and 25 are significant risks, in 2019 their number being 42.

The Technical Secretariat of the Monitoring Committee has developed the Significant Risk Register within CONPET SA (with a tolerance level greater than or equal to 9). The actions of significant risks treatment were centralized and the annual implementation plan of control measures for significant risks was developed, as required by the provisions of OGSG no. 600/2018, approved by the Director General.

All actions in the development program of the managerial internal control system of CONPET S.A. For the year 2019 have been achieved within the terms established in the program.

Following the evaluation of the internal control management system in accordance with OGSG no. 600/2018, it has been declared compliant at 31.12.2019 with all 16 standards implemented.

The report on the internal control management system at 31.12.2018 is registered under no. 395731.01.2019. The self-assessment results are submitted annually to the guardianship authority.

### ***Integrated management system***

Certification of the Integrated management system quality - environment - occupational health and safety was held for the first time in September 2007 with recertification every three years, in September 2010, September 2013 and September 2016. Surveillance audits conducted annually by auditors of the certification body DET NORSKE VERITAS-GERMANISCHER LLOYD.

During 2019 there have been implemented new requirements and the ones amended of the standard related to occupational health and safety.

### ***Risk management***

Within CONPET a Register of these risks has developed, with measures for keeping them under control, responsible persons and deadlines for implementation of measures.

### **Remuneration Policy**

The remunerations of the directors with mandate contracts are set out in compliance with the provisions of EGO no.109/2011, within the general limits approved by the General Meeting of Shareholders. The remuneration is made up of a fix monthly allowance set out within the limits provided at Art.37, para (3) and of a variable component consisting of a stake share to the net profit of the company based on the level of achievement of the performance indicators.

The director general has the gross monthly fix allowance in quantum of 40,416 RON, representing 6 times the average on the last 12 months of the gross 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 as of the date of execution of the addendum to the mandate contract.

The Deputy Director General has the gross monthly fix allowance in quantum of 35,290 RON, representing 5 times the average on the last 12 months of the gross 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 as of the date of execution of the addendum to the mandate contract.

The Economic Director has the gross monthly fix allowance in quantum of 33,680 RON, representing 5 times the average on the last 12 months of the gross 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 as of the date of execution of the addendum to the mandate contract.

The general limits of the variable component have been approved by the OGMS at the meeting dated April 23, 2019. The variable component is being paid following the approval of the annual financial statements, according to the degree of achievement of the key performance indicators.

The remuneration system for the employees with individual contract is a complex one, the company's employees benefiting from a fix and variable component.

The fix component consists of the basis salary settled in the Collective Labor Agreement valid at company level.

The variable component contains the benefits and other advantages established by the Collective Labor Agreement, including: additional seniority (5-30%), bonus for bight work 93%), feast bonus (100%), holiday and treatment ticket settlement within the limit of 75% of the exchange-value thereof but no more than 2,2000 RON, quarterly premiums within the limits of the amounts approved by the budget.

Another benefits granted to CONPET employees is being represented by the employees share of profit. The distribution of the share of profit to the employees is made based on elaborated criteria in this respect, annually negotiated and approved by the Board of Administration together with the financial exercise of the previous year, the latter also having the possibility to

decide over the level of share of profit of each employee, according to the results and effectiveness thereof and with classification in the share of profit fund set out as per the provisions of the legislation in the domain.

The remuneration component also includes other advantages granted to the employees in a discretionary manner, which are not dependent on performance and do not represent stimulative effects. They include payments for the volunteer health insurance, the facultative pension Pillar III etc.

### **Half Yearly Accounting Statements**

At the company's level there is a calendar and a well defined process with regards the accounting and financial information compliant with the requirement related to the accounting-financial reports and the capital market, as well the the verification and approval thereof by the Board of Administration in view of publishing thereof.

**These financial reporting of the Company have been drafted under the accounting regulations compliant with the International Financial Reporting Standards (“IFRS”) approved by Order of the Ministry of Public Finances no.2844/2016 and published in the terms provided by the law also in the financial calendar.**

### **Internal audit**

The internal public audit activity in 2019 was performed based on the Internal Public Audit Plan endorsed by the Audit Committee, as well as on based on BoA Decision and according to the dispositions of the director general to conduct ad-hoc audits required.

A total of 8 internal audit missions have been performed in 2019, where 20 recommendations have been formulated.

### ***Auditing the financial statements***

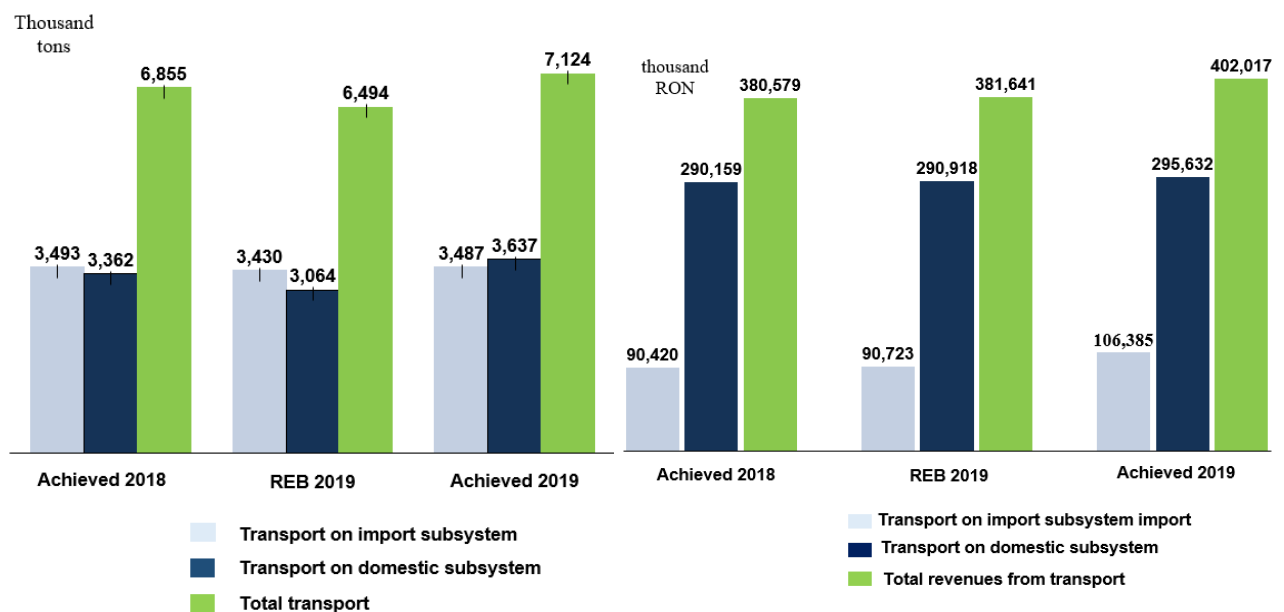
The annual financial statements of 2018 and 2019 were audited by the independent financial auditor BDO Audit SRL appointed by GMS Decision no. 5/30.09.2019 for three years starting the financial year 2019. The financial auditor fulfilled the mission to review the interim quarterly financial statements both for the first half of 2018 and the first Semester of 2019.

### ***Assessment of the operating activity***

CONPET supplies transport services for its clients via both the National Transport System, and by rail, from the loading ramps to the refineries, for the oil areas which are not connected to the major transport lines.

The evolution of the product volumes (crude oil, condensate and rich gas), transported via the National Transport System (NTS), in 2019 as compared to 2018 and the revenues and expenditure budget is presented below:

Indicators	Achieved 2018	2019			Variation 2019/2018
		Revenues and Expenditure Budget (REB)	Achieved	Variation Achieved/Budget	
Transported quantities on the domestic subsystem (thousand tons)	3,493	3,430	3,487	▲ 1.7%	▼ 0.2%
Transported quantities on the import subsystem (thousand tons)	3,362	3,064	3,637	▲ 8.7%	▲ 4.7%
<b>Total quantities (thousand tons)</b>	<b>6,855</b>	<b>6,494</b>	<b>7,124</b>	<b>▲ 9.7%</b>	<b>▲ 3.9%</b>
Revenues from the domestic subsystem (thousand RON)	290,159	290,918	295,632	▲ 1.6%	▲ 1.9%
Revenues on the import transport subsystem (Thousand RON)	90,420	90,723	106,385	▲ 17.3%	▲ 17.7%
<b>Total Operating Revenues (thousand RON)</b>	<b>380,579</b>	<b>381,641</b>	<b>402,017</b>	<b>▲ 5.3%</b>	<b>▲ 5.6%</b>



The transport activity by products: crude oil, rich gas and condensate, programmed and achieved in 2019 as compared to 2018, is as follows:

Transport Subsystems	Indicators and products	2019	2018	2017	Variation (%) 2019/2018
DOMESTIC	<b>Domestic crude oil, condensate and light condensate</b>				
	- programmed quantities (thousand tons)	3,410	3,443	3,503	▼1.0%
	- achieved quantities (thousand tons)	3,468	3,473	3,531	▼0.1%
	- degree of achievement	101.7%	100.9%	100.8%	+0.8 p.p.
	- degree of use of the transport throughput	56,6%	56.7%	57.7%	-0.1 p.p.
	<b>Rich gas</b>				
	- programmed quantities (thousand tons)	20	21	16	▼4.8%
	- achieved quantities (thousand tons)	19	20	19	▼5.0%
	- degree of achievement	95.0%	95.2%	119.0%	-0.2 p.p.
	- degree of use of the transport throughput	16.6%	17.4%	9.8%	-0.8 p.p.
	<b>Total domestic subsystem</b>				
	- programmed quantities (thousand tons)	3,430	3,464	3,519	▼1.0%
	- achieved quantities (thousand tons)	3,487	3,493	3,551	▼0.2%
	- achievement degree	101.7%	100.8%	100.9%	+0.9 p.p.
- degree of use of the transport throughput	56.0%	56.0%	56.2%	-	
IMPORT	<b>Crude oil</b>				
	- programmed quantities (thousand tons)	3,064	3,210	2,945	▼4.6%
	- achieved quantities (thousand tons)	3,637	3,362	3,269	▲8.2%
	- achievement degree	118.7%	104.7%	111.0%	+14.0 pp
- degree of use of the transport throughput	30.8%	28.5%	27.7%	+2.3 p.p.	
TOTAL	- programmed quantities (thousand tons)	6,494	6,674	6,464	▼2.7%
	- achieved quantities (thousand tons)	7,124	6,855	6,820	▲3.9%
	- achievement degree	109.7%	102.7%	105.5%	+7.0 p.p.
	- transport capacities use degree	39.5%	38.0%	37.6%	+1.5 pp

The degree of use of the transport system in 2019 was of 39.5%, increasing by 1.4 pp as compared to 2018 (38 %), as effect of the transported volume increase, by 3.9%.

Out of the total crude oil, rich gas and condensate quantities out of the domestic production, of 3,487 thousand tons transported and delivered in 2019, by railway have been transported 1,155 thousand tons (33.1% of the total transported quantity).

The transport services supplied by CONPET SA are addressed to a reduced number of potential beneficiaries; consequently, the volume thereof is closely related to the trade policy applied by the beneficiaries of the supplied services.

OMV is the client holding the highest share in the transport revenues of the company (81.7%).

Indicators	M.U.	2019	2018	2017	Variation (%)	
					2019/2018	2018/2017
Revenues from transport services Domestic Subsystem	thousand tons	3,487	3,493	3,551	▼0.2%	▼1.6%
	thousand RON	295,632	290,159	284,890	▲1.9%	▲1.9%
Revenues form import transport subsystem	thousand tons	3,637	3,362	3,269	▲8.2%	▲2.8%
	thousand RON	106,385	90,420	87,466	▲17.7%	▲3.4%
<b>Total revenues from transport services</b>	thousand tons	<b>7,124</b>	<b>6,855</b>	<b>6,820</b>	<b>▲3.9%</b>	<b>▲0.5%</b>
	thousand RON	<b>402,017</b>	<b>380,579</b>	<b>372,356</b>	<b>▲5.6%</b>	<b>▲2.2%</b>
Revenues from rents	thousand RON	1,593	1,483	1,399	▲2.4%	▲2.0%
Other revenues	thousand RON	4,212	3,078	2,930	▲36.8%	▲5.1%
<b>Turnover</b>	thousand RON	<b>407,822</b>	<b>385,140</b>	<b>376,685</b>	<b>▲5.9%</b>	<b>▲2.2%</b>

## FINANCIAL RESULTS

### Statement of the Financial Position

Indicators (thousand RON)	2019	2018	Variation (%) 2019/2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets	463,636	430,599	▲7.7%
Intangible assets	6,340	2,844	▲122.9%
Financial Assets	811	861	▼5.8%
Receivables related to deferred corporate tax	5,422	3,047	▲77.9%
<b>Total fixed assets</b>	<b>476,209</b>	<b>437,351</b>	<b>▲8.9%</b>
<b>Current assets</b>			
Stocks	8,170	9,168	▼10.9%
Trade receivables and other receivables	42,249	43,156	▼2.1%
Short-term investments	0	0	-
Cash and cash equivalents	238,577	259,682	▼8.1%

Indicators (thousand RON)	2019	2018	Variation (%) 2019/2018
Prepaid expenses	1,862	1,771	▲5.1%
<b>Total current assets</b>	<b>290,858</b>	<b>313,777</b>	<b>▼7.3%</b>
<b>TOTAL ASSETS</b>	<b>767,067</b>	<b>751,128</b>	<b>▲2.1%</b>
<b>SHAREHOLDERS' EQUITY AND DEBTS</b>			
<b>Equities</b>			
Subscribed and paid-up share capital	28,570	28,570	-
Legal reserves	5,714	5,714	-
Revaluation reserves	21,112	25,811	▼18.2%
Other reserves	495,540	496,092	▼0.1%
Retained earnings	43,997	44,689	▼1.6%
Year's Result	58,877	60,676	▼3.0%
<b>Total Equities</b>	<b>653,810</b>	<b>661,552</b>	<b>▼1.2%</b>
<b>Accrued revenues</b>			
Investment Subsidies	1,066	1,178	▼9.5%
Accrued revenues	8	10	▼20.0%
<b>Total Accrued Revenues</b>	<b>1,074</b>	<b>1,188</b>	<b>▼9.6%</b>
<b>Long-term liabilities</b>			
Long-term provisions	16,269	14,760	▲10.2%
Long-term trade liabilities	0	893	-
Other long-term liabilities	3,582	-	-
<b>Total long-term liabilities</b>	<b>19,851</b>	<b>15,653</b>	<b>▲26.8%</b>
<b>Current liabilities</b>			
Trade liabilities	27,179	19,154	▲41.9%
Ordinary Corporate Tax	3,077	3,787	▼18.8%
Other liabilities	38,838	36,699	▲5.8%
Short-term provisions	23,238	13,095	▲77.5%
<b>Total current liabilities</b>	<b>92,332</b>	<b>72,735</b>	<b>▲26.9%</b>
<b>Total liabilities</b>	<b>112,183</b>	<b>88,388</b>	<b>▲26.9%</b>
<b>Total equities and liabilities</b>	<b>767,067</b>	<b>751,128</b>	<b>▲2.1%</b>

The total assets increased by 2.1% (15,939 thousand RON) as compared to the level recorded at December 31, 2018 following the increase of the current assets.

The fixed assets have registered an increase of 8.9% compared to December 31, 2018, being determined by the inputs of assets in total value higher than the value of the registered depreciation in 2019.

The fixed assets entered represent investments executed for the development and modernization of the National Transport System and for ensuring the achievement of the transport operations in safety conditions.

The current assets lowered by 7.3% (22,919 thousand RON), from 313,777 thousand RON, level achieved at the December 31, 2018, to 289,145 thousand RON, value registered at December 31, 2019, due to decrease of outstanding cash.



This decrease is due to the cash outputs for the payment of additional dividends, distributed from the retained earnings and reserves-own financing sources, as well as for covering the increases of prices to goods and services destined to the operating activity and salary increases.

**The equities** lowered by 1.2% (7,742 thousand RON) as compared to December 31, 2018 reaching 653,810 thousand RON.

**Long-term liabilities** registered an increase by 4,198 thousand RON as compared to December 31, 2018 due to the increase of the debts related to leasing and the provisions for employees benefits.

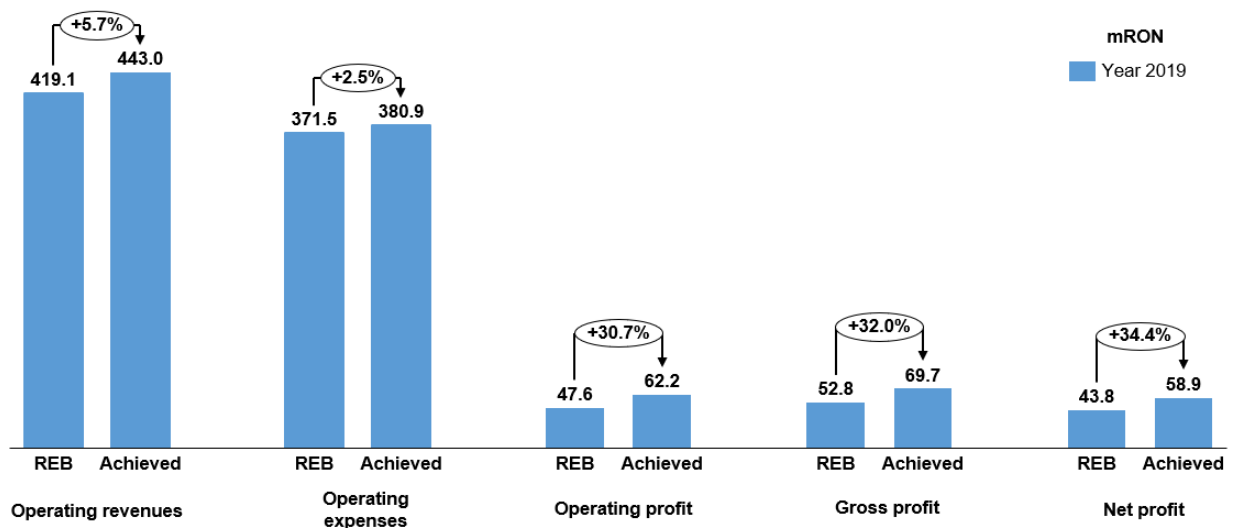
**Current liabilities** in amount of 92,332 thousand RON, are increasing by 19,597 thousand RON as compared to December 31, 2018, mainly due to the increase of the dividends payable and to the provisions for untaken annual leaves.

### Profit and Loss Account

Evolution of the main financial indicators from the profit and loss account, durinh 2018-2019, is predsented below:

Indicators– thousand RON	Achieved 2018	2019			Variation 2019/2018
		Achieved	Revenues and Expenditure Budget (REB)	Variation Realized/Budget	
Turnover Revenues	385,140	407,822	385,257	▲ 5.9%	▲ 5.9%
Other revenues	33,571	35,181	33,817	▲ 4.0%	▲ 4,8%
<b>Total Operating Revenues</b>	<b>418,711</b>	<b>443,003</b>	<b>419,074</b>	<b>▲ 5.7%</b>	<b>▲ 8%</b>
Expenditure on stocks	7,012	7,605	8,557	▼ 11.1%	▲ 8.5%
Expenses with energy and water	11,163	13,089	12,217	▲ 7,1%	▲ 17.2%
Personnel expenses	140,266	159,901	161,450	▼ 1,0%	▲ 14.0%
Impairment of current, non-current assets	44,502	48,261	45,904	▲ 5.1%	▲ 8,5%
Impairment with current assets	1,266	(717)	300	-	-
Expenses related to external services	99,058	107,103	107,035	▲ 0,1%	▲ 8.1%
Impairments related to provisions	4,273	10,480	2,790	▲ 275,6%	▲ 145,3%
Other expenses	44,931	35,133	33,257	▲ 5,6%	▼ 21,8%
<b>Total operating expenses</b>	<b>352,471</b>	<b>380,855</b>	<b>371,510</b>	<b>▲ 2.5%</b>	<b>▲ 8.1%</b>
<b>Operating profit</b>	<b>66,240</b>	<b>62,148</b>	<b>47,564</b>	<b>▲ 30.7%</b>	<b>▼ 6,2%</b>
Financial Revenues	5,462	7,874	5,350	▲ 47,2%	▲ 44.2%
Financial Expenses	11	318	90	▲ 253,3%	▲ 2,791%
<b>Financial profit</b>	<b>5,451</b>	<b>7,556</b>	<b>5,260</b>	<b>▲ 43.7%</b>	<b>▲ 38.6%</b>

<b>PROFIT BEFORE TAXATION</b>	<b>71,691</b>	<b>69,704</b>	<b>52,824</b>	<b>▲ 32.0%</b>	<b>Expense with corporate tax</b>
Expenses with ordinary income tax	12,760	12,959	9,021	▲ 43.7%	▲ 1.6%
Expenses with (revenues from) deferred corporate tax	(1,745)	(2,132)	-	-	-
<b>Profit of the year</b>	<b>60,676</b>	<b>58,877</b>	<b>43,803</b>	<b>▲ 34.4%</b>	<b>▼ 3.0%</b>



In 2019, the company has achieved a gross profit of 69.7 million RON, higher than 32% as compared to the budgetary provisions.

The net profit registered in 2019, an increase of 15.1 million RON, as compared to the budget (from 43.8 million budgetary provision for the year 2019, to 58.9 million RON).

### Results of the investment activities

The value of the investment works achieved in 2019 raise up to 80,143 thousand RON, representing 93% of the total value of the investment program 2019, being registered the highest degree of achievement in the last 5 years.

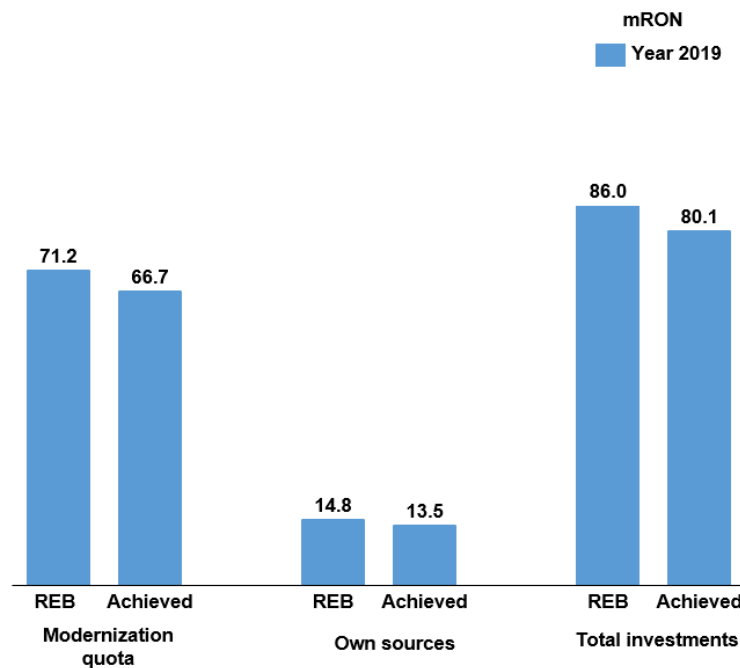
The investment projects within Conpet mainly target the increase of the efficiency of the transport activity.

The investments have been entirely financed out of own sources made up of: the modernization quota and other sources.

Out of the modernization quota, CONPET finances the investment objectives within the rehabilitation, modernization and development programs agreed with the National Agency for Mineral Resources as per "The Oil Agreement for the concession of the operation activity

related to the national transport system of crude oil, rich gas, condensate and ethane, here included the major pipelines and the installations, equipment and related endowments.

Investments thousand RON	YEAR 2019		
	Achieved	Revenues and Expenditure Budget (REB)	Degree of achievement
Modernization Quota	66,674	71,240	93.6%
Own sources	13,469	14,760	91.3%
<b>TOTAL INVESTMENTS</b>	<b>80,143</b>	<b>86,000</b>	<b>93.2%</b>



### Financial Performance of the Company

The economic and financial activity of CONPET SA in 2019 was performed based on the indicators included in the revenues and expenditure budget approved by the General meeting of Shareholders.

The evolution of the main indicators of the financial results during 2017-2019 and the comparative statement of the values registered in 2019 as compared to 2018, namely 2018 as compared to 2017, reveals the followings:

Indicators (mRON)	2019	2018	2017	Variation (%)	
				2019/2018	2018/2017
Turnover	407.82	385.14	376.69	▲ 5.9%	▲ 2.2%

Operating revenues, of which:	443.00	418.71	411.18	▲5.8%	▲1.8%
Transport revenues	402.02	380.58	372.36	▲5.6%	▲2.2%
Operating Expenses	380.85	352.47	328.09	▲8.1%	▲7.4%
<b>EBIT (operating profit)</b>	<b>62.15</b>	<b>66.24</b>	<b>83.09</b>	<b>▼6.2%</b>	<b>▼20.3%</b>
Amortization	48.26	44.50	44.47	▲8.5%	▲0.1%
<b>EBITDA</b>	<b>110.41</b>	<b>110.74</b>	<b>127.56</b>	<b>▼0.3%</b>	<b>▼13.2%</b>
Financial Result	7.55	5.45	3.57	▲38.5%	▲52.7%
<b>EBT (gross profit)</b>	<b>69.70</b>	<b>71.69</b>	<b>86.66</b>	<b>Expense with corporate tax</b>	<b>▼17.3%</b>
<b>NET PROFIT</b>	<b>58.88</b>	<b>60.68</b>	<b>74.39</b>	<b>▼3.0%</b>	<b>▼18.4%</b>

The financial results of the company in 2019 YoY is as follows:

- The turnover achieved in 2019 accounted for 407.82 mRON is increasing by 5.9% as compared to 2018;
- EBITDA recorded a decrease by 0.3%, from 110.74 million RON in 2018 to 110.41 million RON in 2019;
- The Operating Profit (EBIT) decreased by 6.2%, from 66.24 million RON in 2018 to 62.15 million RON in 2019.

CONPET is a company paying substantial contributions to the consolidated State budget. The total amounts paid to the State budget in 2019, here-included the VAT, were in amount of 156 million RON, out of which, the most important are represented by:

- VAT 47 mRON
- Tax on salaries and related contributions 61 mRON;
- Corporate tax 14 mRON;
- Oil royalty 31 mRON.

### Achievement Degree of Key financial and non-financial performance indicators

The key financial and non-financial performance indicators are being defined with the observance of the provisions and criteria provided by Chapter II - Methodology of settlement of key financial and non-financial performance indicators and the variable composition of the remuneration - from GD no.722/28.09.2016 for the approval of the methodological Norms of application of various provisions from EGO no. 109/2022 on corporate governance rules of the public enterprises, subsequent amendments and completions.

### The relevance of the performance indicators selected for the fulfillment of the desiderata contained in the Expectations Letter

The expectations of the majority shareholder, Romanian State by the Ministry of Energy, as major shareholder of the company CONPEY S.A, and other shareholders of the company are to be found in the Expectations Letter, representing a synthesis of the financial and non-financial expectations from CONPET S.A.

The expectations of the shareholders target the following elements: clarification of the patrimonial state of the Company by augmentation of the share capital of the company by the value of lands for which the company has obtained land ownership certificates, the implementation of several solutions for the increase of the degree of achievement of the investment/modernization/revamping works, services supply related to crude oil and oil products storage, improving efficiency of the rail transport, the increase of the turnover and operational profit, the decrease of the operating expenses and the increase of labor productivity, the increase of the human capital, employees training, development of the reporting capabilities, control and management of risk, development of new activities related or non-related to the core business, implementation of the principles of corporate governance and a code of ethics and integrity.

In this respect, the fulfillment of shareholders desiderata contained in the expectations Letter will be monitored and realised along the 4 years of mandate, by using the set of performance indicators representing the measuring instruments in terms of quantity and quality and that, at the end of each mandate year, indicates the achievement of quantifiable objectives reported to the specific performance targets.

#### **Shareholders expectations with regard to the investment policy applicable to CONPET S.A.**

The investment program, endowments and financial sources currently elaborated by the company comprises both an annual planning, as well as a multiannual planning on medium term, namely 3 years. The expectations of the shareholders regarding the investments aim as final results the modernization of the pumping stations unmodernized assets, replacement of the pipeline sections not representing safety in operation, completion of implementation of the leaks location and detection system, modernization and monitoring of the cathodic protection system, the decrease of breakdowns.

The execution of the investment policy will be monitored by non-financial key performance indicator "Achievement of investments financed out of the modernization quota" with target value of achievement of minimum 95%.

The shareholders expectations in what concerns the supply of services for crude oil and oil products storage, improving the transport efficiency on the railway system, the increase of the turnover and operational profit, the decrease of the operating expenses, development of new activities, related and non related to the core business, elaboration of a policy of dividends of the company, will be monitored by the following key performance indicators.

- Financial KPI "Adjusted EBITDA = (Operating profit– revenue reserves from the share modernization + Expenses regarding constitution of modernization quota + Value adjustments on tangible and intangible assets, including revaluation differences)".  
The target value for this indicator along the mandate is being represented by the fulfillment of the target undertaken in the Administration Plan.
- Financial KPI "The decrease of the operating expenses = (Operating expenses– Impairments of assets and impairments of provisions)/ Turnover".

The target for this indicator is represented by the maintenance of the share of expenses in the turnover at the level assumed through the Administration Plan.

By the Measures and Actions Plan for the achievement of the strategic objectives have been provided:

- The development of storage activities/ crude oil and oil products handling for third parties.
- Assessment of the opportunity/feasibility of the increase efficiency related scenarios of the Rail transport activities.
- Assessment of the feasibility of the development of transport for atypical products.
- Electric power production from renewable resources (pilot project).
- Development of the activity of consultancy, engineering, operation (and maintenance) for hydrocarbons transport system via pipelines.
- The Monitoring of the Operational Programs and Priority Axis in view of accessing European Funds and other non-refundable financing forms.

The expectations of shareholders in what concerns the increase of labor productivity, the increase of human capital, the training of the employees are being monitored by KPI "Labor Productivity". This indicator is being calculated as ratio between the total operating revenues and an average number of personnel. The target of this indicator is the achievement of the level settled by the annual Budget.

By the measures and actions Plan there have been provided

- Resizing and permanent compliance of the human resources in relation to the requirements and technical-economic realities of the company.
- The Development of the Specific Skills and Basic Abilities of the Human Capital.
- Development of the System related to Employees' Results Assessment.

The expectations of the shareholders regarding ethics, integrity and corporate governance. The company's shareholders wish the company acted further for the implementation of the corporate governance principles and an ethics and integrity code.

This desideratum of the shareholders shall be fulfilled by monitoring the following indicators:

- Non-financial KPI "Implementation/Development of the internal control management system in compliance with the legal requirements in force".
- Non-financial KPI "The increase of the institutional integrity by inclusion of the prevention measures anti-corruption as element of the management plans", with target value to be achieved within a minimum 90% percentage of the number of measures proposed.
- Non-financial KPI "Timely reporting of the achievement of the performance indicators of the company", the target value being the falling within the legal reporting terms to authorities and beneficiary institutions by various declarations/reports (compliance 100%).

### **The expectations of the shareholders with regards of other aspects of the business**

In what concerns other business aspects, it is targeted:

- Unregistered outstanding payments
- Reduction of the consumption specific to crude oil transport;
- Monitoring of the annual average specific consumption for technological purposes.

The performance of the monitoring of these business aspects is being recorded by:

Financial KPI “Outstanding payments” (with target value 0 RON)

- Non-financial KPIs “Framing within the specific consumptions for the crude oil transport (does not include the crude oil quantity lost during provoked breakdowns or in case of breakage resulting in contamination, where the owners do not ease access for remedy)”. The target value lower than the value of the maximal technological consumption, for crude oil.
- Non-financial KPI “Monitoring the annual electricity average specific consumption for technological purposes”. The target of this indicator is the maintenance of the annual average specific consumption for technological purposes at a level of maximum 3.3 Kwh/to.

The targets of the key performance indicator of the administrators for the year 2019 have been established based on the indicators in the revenues and expenditure budget for the year 2019, approved by OGMS, of the investment programs and engagements in progress at the date of appointment of the Board of Administration.

The total degree of fulfillment of the key performance indicators based on which is being granted the variable component, approved by OGMS Resolution no.7/18.12.2018 for the year 2019 provided in the mandate contracts of the administrators is of **103.7%**.

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

Key Performance Indicators	Key financial and non-financial performance indicators		
	Achievement Degree of the Key Performance Indicators	Achieved 1/1/2019 - 31.12. Achieved 2019	Variation
A. Key Performance Financial Indicators	25.0%	27.8%	2.8*)
B. Non-Financial Key Performance Indicators	75.0%	75.9%	0.9*)
B1 OPERATIONAL	25.0%	25.9%	0.9*)
B2 OF CORPORATE GOVERNANCE	50.0%	50.0%	-
Key financial and non-financial performance indicators	100.0%	103.7%	3.7*)

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

#### **Actions carried out in view of achieving the strategic objectives contained in the Administration Plan**

The Administration Plan of the Board of Administration of CONPET, for the period 2018-2022 is based on a detailed analysis of the company’s activities, on its business segments.

The formulation of the strategic objectives focused on the conclusions of the diagnostic analysis and strategic analysis of the competitive environment, in view of identification and capitalization of the opportunities and strengthening the strong points existing at the level of the company.

The strategic objectives for the period 2018 -2022, established and assumed by the administrative management by the administration component were defined in strong correlation with the strategic directions, the vision and expectations of the tutelary authorities, namely the one of the shareholders and the contextual lines of the Energy Strategy of Romania along 2018-2030, envisaging the years 2050 and are the followings:

- I Increasing efficiency and improvement of the business performance
- II Development of new activities, related and non related to the core business
- III Defining the company as regional player
- IV Outstanding management of the human resources
- V The implementation and development of the corporate governance principles

The component Management of the Administration Plan was elaborated as per the provisions of Para 1 Art. 36 of EGO no109/2011 ulterior amendments, by the director general, the deputy director general and the economic director selected and appointed by the Board of Administration.

Measurement of the company's performance represents a process of improvement of the activities performed and use of the engaged resources in view of efficient achievement of the strategic objectives undertaken by the administrators and management by the Administration Plan of the company, plan comprising the administration component, management component and key performance indicators financial and non-financial for the calculation of the variable remuneration component.

The administration plan of the company CONPET S.A for the period 2018-2022 is being governed by responsible attitude, professional and ethic in relation to stakeholders (shareholders, employees, partners, community, authorities and state institutions etc) and comprises the material measures by which the management of the Company will act for achievement of these objectives and fulfillment of the financial and non-financial key performance indicators, in compliance with the strategic vision of the administrators regarding the strategic redefinition lines and improving efficiency of the company.

The strategic objectives comprised in the company's administration Plan for the period 2018-2022 derive from the expectations Letter of the major shareholder, the Romanian State, by the Ministry of Energy and target the increase of business efficiency and the improvement of business performance, optimization of the operating expenses, the development of new activities related and non-related to the core business, definition of the company as regional payer, efficient management of human resources and the implementation and development of the corporate governance principles.

### **Objective 1 Increasing the efficiency and improvement of business performance**

*Redefinition of the necessary of the transport infrastructure*



In March, 2019 was concluded the services supply contract (beneficiary NIS Petrol Romania SRL) for the take-over and temporary storage of the crude oil and condensate produced from exploitations in Timis county for a period of 1 year. There have been initiated discussions with NIS representatives, a.d. Serbia, the company holding the refineries in Pancevo and Novi Sad, in view of performing the crude oil transport produced by the branch NIS Petroleum Romania SRL at Pancevo refinery, discussions that led to the conclusion of a services supply contract for the transport of crude oil by rail tanks on the route Biled ramp - Romania-Serbia border, for a period of 1 year.

#### *Multiannual Investment Program*

The multiannual investment program of the company contains mainly the same investment objectives meant to increase the efficiency of the National Transport System, as well as the safety in operation.

At settling the multiannual investment program is is mainly targeted the compliance with the commitment that the company has undertaken by the minimal investment program communicated to NAMR, annex to the Concession Agreement.

#### *Continuation of the project "Pipelines leaks location and detection System"*

It was executed and completed in 2019 an LDS system on other transport relations, the action being programed for 2020.

#### *Optimizing the SCADA system and Hard and Software upgrade for the Remote Transmission Unit (RTU)*

There have been completed and received SCADA system optimization works and upgrade Hard and Hardware and Software of the Remote Transmission Units (RTU), for a number of 19 locations out of a total of 29.

#### *The modernization and monitoring of the Cathodic Protection System related to the National Transport system via Pipelines*

The project performance is structured in two stages, as follows:

Stage 1 -51 locations (completed at the end of 2019)

Stage 2 - 16 locations (at 31.11.2019 started the works for stage 2, completion in 2020).

#### *Implementation of a GIS System*

The feasibility study for the implementation of a patrimonial geographic evidence system has been completed and launched the procurement process for technical assistance services for system implementation management.

#### *ERP Upgrade*

In in progress in the scope of work for the analysis regarding the determinstion of the new business requirements of the company CONPET S.A., based on the analysis regarding the determination of the new business requirements of Conpet.

#### *Rehabilitation of the pipelines under crossing Dunarea river and Borcea Arm*

In view of rehabilitation of the pipelines undercrossing the Danube River and Borcea Arm if was completed the feasibility study. The initiation of the execution of the pipelines to overcross Dunărea/Borcea, in the configuration resulting from the completion of the solution study is scheduled for the period 2020-2025.

*The implementation of a system for the teletransmission and telemetering of the power consumptions in CONPET locations:*

The implementation of the telemetering system will be performed in 19 locations (Poiana Lacului, Cartojani, Videle, Lucăcești, Imeci, Moreni, Siliștea, Cireșu, Băicoi, Bărbătești, Țicleni, Orlești, Ghercești, Otești, Biled, Pecica, Marghita; Constanța Sud, Călăreți).

#### **Objective 2 Development of new activities, related and non related to the core business**

*Assessment of the feasibility of the development of transport for atypical products;*

In May 2019 has been concluded a transport contract for the condensate associated to the exploitation in Muftiu-Carei are (Beneficiary Serinus Energy).

#### **Objective 3 Defining the company as regional player**

The company supported all the actions coordinated by the Ministry of Energy for the carry out of the works of the Mixed Intergovernmental Commissions of bilateral cooperation in the energy sector, both by the participation of the company's representatives in the official delegation occasioned by the visit of the Foreign Minister in Turkmenistan (June 2019), as well as by the preparation of the representation within the join Work Group in the energy sector Romania - Polonia (May 2019).

The company's specialist participated to the regional initiatives of collaboration in the energy sector, in this respect being mentioned the support in what concerns the construction of the bidirectional flow interconnection pipelines Constanța – Pitești-Pancevo within the collaboration format the Initiative of the 3 Seas (Bucuresti, April 2019).

#### **Objective 4 High performance management of the human resources**

*Resizing and permanent compliance of the human resources in relation to the requirements and technical-economic realities of the company.*

For the fulfillment of this objective it was monitored and adapted, ongoing, the necessary of human resources, considering the specific to the company's activity, namely the fluctuations of the activity volume at working sites, which determines

- the efficient use of personnel;
- providing business continuity, within the conditions required by the permanent fluctuations in the production activity;
- Providing balance between the personnel number and the real technical-economic needs and administrative of the company.
- Flexibility in the redistribution of human resources for avoiding possible bottlenecks in the provision thereof and for the more efficient use of personnel.

The Board of Administration has approved, at 23.04.2019 the decommissioning of a number of 29 positions within certain organization entities of the company, triggering the individual severance of the employees holding these positions, for reasons beyond the control thereof,

falling within the budget allocated for this measure, as well as the incurred amendment of the organizational chart. Starting 01.05.2019 have been dismissed 29 positions.

After approval by OGMS at 30.09.2019 of 2019 Budget rectification it was initiated a new analysis action, together with the organizational entities, the necessary of personnel, in view of suppression of posts are no longer necessary, triggering the individual severance of the employees holding these positions, as per the legislation in force and the Collective Labor Agreement applicable.

Under this context, as per the BoA decision dated 11.10.2019 there have been suppressed 29 posts starting 15.10.2019, triggering the individual severance of the employees holding these positions, as per the legislation in force and the Collective Labor Agreement applicable.

#### *The Development of the Specific Skills and Basic Abilities of the Human Capital*

The training and professional authorization of the company's employees were carried out based on the Authorization and Personnel Training Programs drawn and approved in this respect for the year 2019, following the identification of professional training needs and the personnel authorization necessities, in correlation with the attributions in the job description, in view of maintaining/developing the aptitudes, specialized knowledge and the necessary skills related to the position held.

The professional training program, namely the professional authorizations Program for the year 2019 there have been reviewed the legal requirements, as well as other necessities occurred along the year.

The professional training is being performed by collaboration with external partners, authorized firms in the professional training but also in-house, within the company.

The in-house professional training is being organized by internal trainers and/or specialists within the company, with good knowledge in the domain and/or with relevant experience in the area of the respective technical activity, holding sessions of internal professional qualification/training/maintenance of the knowledge in various area of activity such as examination/verification of the employees participating the the named sessions. There is a permanent concern for the extension of the trainers body in other domain as well, such as ethics and integrity and GDPR).

By the trainers inside the company, in 2019 were trained/retrained/internally qualified: 10 receivers deliverers fluid producta, 118 employees with operating attributions in the domain micro SCADA.

Following the approaches carried out in view of identifying certain non-repayable financing sources applicable to some project for the development/modernization of the company's activity, Conpet S.A., in partnership with Prahova Chamber of Commerce and Industry, namely OK Services, has implemented the project named " High Performance Human Resource - strategic vector for the increase of company's competitiveness" - POCU 227/3/8/117913, project co-financed through the European Social Fund - Human Capital Operational Program 2014-2020, priority Axis 3. Thus, following these approaches, in the first Semester of the year 2019,

a number of 51 employees of CONPET S.A., holding management positions, benefited from professional training in view of increasing competitiveness and implicitly, has improved the management act at the level of the company.

In 2019 there has been revised the evaluation system regarding the employee performance, so that it consider criteria more and more objective in what concerns the individual professional performance. The rules of evaluation of the employees professional performance, revised, has been approved by decisions of the board of administration dated 12.12.2019.

At the elaboration of the new Rules of evaluation of professional performance of the employees it was targeted:

- The implementation of Standards 3 Competence Performance from the Development program for the year 2019, the Internal Management Control System within CONPET S.A.
- Optimization of the integrated system of evaluation of the employees performance, which targets the settlement of individual objectives SMART and the performance indicators for leading positions.

#### **Objective 5 Implementation and development of the principles of corporate governance**

##### *Issue of a Code of Ethics and Integrity*

The measure is being fulfilled, the Code of Ethics and Integrity of CONPET SA having been approved by the Board of Administration on 13.11.2018.

##### *Active involvement in corporate social responsibility*

In 2019 have been concluded 46 contracts of sponsorship in total amount of 684,077.74 RON. There have been carried out social activities, namely projects, competitions, exhibitions and internal manifestations specific to the organizational culture.

There have been undertaken demonstrative actions - anti terrorist intervention exercises, in collaboration with county institutions, components of the National Prevention and Countering Terrorism System ( RO. SNPCT).

The report on the statement of sponsorship granted by CONPET in 2019 has been approved by the BOARD OF ADMINISTRATION in the meeting dated 17.01.2020.

##### *Development of the reporting, control and risk management capability*

The commission for monitoring the internal/management control system has performed the annual update of the Program of Development of the internal/management control as per the legal requirements in force. The actions set out in the Program related to the development of the internal/management control have been fulfilled.

##### *Implementation of SR ISO 37001:2017 requirements, Anti-bribery management Systems*

The measure contains a series of actions schedules starting 20120, as follows:

- Training the personnel in what concerns the requirements of SR ISO 37001:2017, Anti-bribery management Systems
- Elaboration of 20121 standard implementation program.
- Execution in term of the stages of the program of implementation of standard requirements (as per the data set out in the implementation program)

It has been elaborated and approved the implementation program of SR ISO 37001:2017 requirements - Anti-bribery management Systems (nr.49462/ 19.12.2019)

### **Execution of the contracts of mandate of the directors**

The contract of mandate completed with the directors have mainly the same clauses and comprise in the annex the same key performance indicators for the entire period of mandate.

Related to the fulfillment of the obligations provided in the mandate contracts by the directors we hereby mention that there are no reasons or significant findings related to their failure to fulfill.

The directors have monthly presented and cumulated for the reported period the execution of the revenues and expenditure budget and, whenever necessary, information on the degree of achievement of the investments, the degree of achievement of the taken measures, the degree of fulfillment of the Board of Administration decisions.

Also, the directors have presented on quarterly basis, half-yearly and annually to the Board of Administration an activity report, as well as the economic-financial statement of the Company, in view of meeting the reporting obligations thereof.

On quarterly basis, the financial and non-financial key performance indicators have been evaluated and monitored both for the administrators, as well as for the directors with mandate contracts. The total degree of achievement of the financial and non-financial KPI and the degree of achievement of each indicator have been presented in monitoring quarterly reports. The total degree of achievement was over 100% in each Quarter.

The total degree of achievement of the key performance indicators for the year 2019, which represent the grounds for granting the variable component, approved by OGMS decision no/7/18.12.2018, also provided in the contract of mandate of the administrators is of 103.7%. For the year 2019, the degree of achievement of the key performance indicators for the directors with mandate contract was of 107.0%.

In view of reaching the strategic objectives contained in the Administration Plan of CONPET for the period 2018-2022, the directors have completed the actions comprised in the management component, with maturity term the year 2019. Details regarding these actions are presented on the directors evaluation report, drafted by the Nomination and Remuneration Committee for the year 2019.

**For the Board of Administration**

**Chairman of BoA**

**GHEORGHE Cristian-Florin**