

**REPORT**

**OF THE BOARD OF DIRECTORS**

**regarding the administration activity throughout 2021**

## **BASIS OF THE REPORT**

The Annual Report of the Board of Directors regarding the management activity in 2021 was prepared in compliance with:

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

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

## **COMPANY OVERVIEW**

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

CONPET is the concessionaire of the operating activity 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's mission consists of 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 value chain segments of the oil industry.

## **THE BOARD OF DIRECTORS**

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

The members of the Board of Directors 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 with the legal provisions provided by the G.E.O. no.109/2011 *on the corporate governance of the public enterprises*.

Subsequently, the Board of Directors, in the meeting dated 04.07.2019 provisionally appointed Mr. BUICĂ Nicușor – Marian as administrator, on the position left vacant following the waiver of Mrs. PAVĂL Karina to the mandate of administrator, as of 05.07.2019 and up to the date of the O.G.M.S. meeting. The appointment of the temporary administrator was made in compliance with the provisions of Art.137<sup>2</sup> of the no. 31/1990 Law regrading companies, republished, with

subsequent additions and amendments, of Art.19 Para (4) of the Articles of Incorporation of CONPET S.A.

Mr. Buică Nicușor - Marian has been appointed as administrator of CONPET S.A., by the O.G.M.S., via the no. 5 / 30.09.2019 Ruling, the term of office of the electee ranging between the date of the O.G.M.S. (30.09.2019) until the current Board of Directors' mandate ends (21.08.2022).

On 23.03.2021, the Board of Directors was notified by the administrator Meșca Darius - Dumitru regarding his resignation from the administrator mandate according to art. 37.7 of the Mandate Contract. The position of administrator remained vacant starting with 08.04.2021, being subsequently filled by Ms. Kohalmi - Szabo Luminița - Doina, appointed interim administrator by the Decision of the Board of Directors dated 23.03.2021, in accordance with the provisions of art. 137<sup>2</sup> para. 1 of Law no. 31/1990 regarding the companies, republished, with the subsequent additions and amendments and of art. 19 para. (4) of Conpet S.A.'s Articles of Incorporation, with an office term starting with 08.04.2021 until the meeting of the Ordinary General Meeting of Shareholders, but not later than 07.08.2021.

Subsequently, Ms. Kohalmi - Szabo Luminița - Doina was appointed by the no. 2/04.08.2021 O.G.M.S. Ruling as interim administrator of CONPET S.A., with an office term of 4 months, starting with the date of the O.G.M.S. (04.08.2021) up to and including 03.12.2021 or until the completion of the recruitment and selection procedure provided in the no. 109/2011 G.E.O. on the corporate governance of public enterprises, if it will take place no later than 4 months following the appointment by the O.G.M.S. of the interim administrator.

Via the no. 4 / 07.12.2021 O.G.M.S. ruling, Ms. Kohalmi - Szabo Luminița - Doina was appointed as interim administrator of CONPET S.A., with an office term of 4 months, from the date of the O.G.M.S. ruling, namely from 07.12.2021 up to and including 06.04.2022 or until the completion of the recruitment and selection procedure provided by the no. 109/2011 G.E.O. on the corporate governance of public enterprises, if it will take place no later than 4 months following the appointment by the O.G.M.S. of the interim administrator.

On 31.12.2021, the Board of Directors (BoD) of the company CONPET S.A. consisted of:

GHEORGHE Cristian - Florin	Chairman
IACOB Constantin - Ciprian	Member
POPA Claudiu - Aurelian	Member
GAVRILĂ Florin - Daniel	Member
ALBULESCU Mihai - Adrian	Member
KOHALMI - SZABO Luminița Doina	Member
BUICĂ Nicușor - Marian	member

The chairman of the Board of Directors was elected by the members of the Board of Directors, via the BoD's no.20/28.98.2018 Ruling, as per the dispositions of Art.140<sup>1</sup> Para (1) of Law no. 31/1990 on companies, republished, with subsequent additions and amendments and the provisions of Art.19 Para (3) of the company's Articles of Incorporation.

The candidate proposals and the election voting results ensured an appropriate degree of diversity concerning the profile of the administrators, the coverage of domains of professional expertise, gender or age thereof. The structure of the Board of Directors is diverse, the members having distinct professions (engineers, jurists and economists), with professional experience in areas such as oil and gas, energy, investments and stock market analysis, legal etc.

### ***Attributions of the Board of Directors***

The Board of Directors has the following attributions:

- ✓ convenes the general meetings of the company's shareholders and establishes the agenda, at the same time endorsing 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's report, as well as other reports required by the applicable legislation, in compliance with the reporting requirements set out by F.S.A. regulations on the capital market and other incidental regulations;
- ✓ concludes legal documents in the name and on behalf of the company, by which to acquire assets thereof or to alienate, rent, exchange or constitute as warranties assets in the company's patrimony, whose value exceeds half of the accounting value of the company's assets at the date of concluding 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 meeting of the General Assembly, the annual financial statements for the previous financial year, along with the administrators' report and substantiating documents;
- ✓ submits for approval to the Ordinary General Meeting of Shareholders the revenue and expenditure budget (B.V.C.) and the investment program for the following financial year, as well as the rectification of the B.V.C.;
- ✓ approves the revision of the investment program within the same values;
- ✓ approves the current repair program and its revision;
- ✓ approves the Collective Labor Agreement within the company;
- ✓ approves the organizational and personnel structure related thereof, the organizational and functioning regulation and the internal company regulations;
- ✓ elaborates and submits for approval to the Ordinary General Meeting of Shareholders the Management Plan, within 90 days from the appointment of the administrators under the conditions provided by the no.109/2011 Governmental Emergency Ordinance;
- ✓ delegates to the Director General the company's management attributions and establishes, by the mandate contract and by decisions of the Board of Directors the rights and obligations, competences, attributions, responsibilities thereof;
- ✓ oversees the activity of the Director General regarding the company's management, including the management thereof;
- ✓ appoints and revokes the company's directors as per the no.109/2011 G.E.O. and establishes their remuneration whose limits are set by the Ordinary General Meeting of Shareholders. Sets out the performance criteria and objectives of the Director General and periodically takes note of the performance degree thereof;
- ✓ approves the overall degree of fulfillment of the performance criteria and objectives of the mandate contract directors for the previous year, correlated with the financial statements of the respective financial year;

- ✓ establishes the main business framework and approves the company's development strategies and policies;
- ✓ establishes the accounting policies and the financial control system and approves the financial planning;
- ✓ approves the annual procurement program;
- ✓ approves/endorsees the reports regarding the inventory results of the goods in the company's patrimony/State's public property;
- ✓ approves/endorsees the proposals related to the decommissioning of the fixed assets, the scrapping of 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's 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 those of transfer onto the company's expense budget of some amounts representing penalties, surcharges for late payments, fines etc.
- ✓ proposes to the shareholders on which market the securities issued by the company are to be listed and elects the authorized independent register company that keeps records of the shares issued by the company;
- ✓ requests for and receives reports for the internal audit of the company;
- ✓ submits the application for the commencement of the insolvency procedure, as per Law 85/2014;
- ✓ fulfills 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, in accordance with the competencies and contracting level established by the Extraordinary General Meeting of Shareholders and approves the issuance of warranties;
- ✓ approves the proposals regarding the global development, revamping, modernization, financial-economic restructuring strategy of the company;
- ✓ ensures 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 tasks and attributions established by the general meeting of shareholders or which are stipulated by the legislation in force, including the regulations in force on the capital market, as well as the performance of the company's activity, both for the direct acquisitions, as well as for those entrusted to the Director General;
- ✓ presents a half-yearly report, within the Ordinary General Meeting of Shareholders, on the administration activity that also contains information related to the execution of the Director General's mandate contract, details regarding the operational activities, company's financial performance and the half-yearly accounting reports of the company;
- ✓ presents 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 Directors, with regards to the remunerations and other benefits granted to the administrators and Director General, during the previous financial year. The report is

structured as per the provisions of the no.109/2011 G.E.O. on the corporate governance of public enterprises.

✓ approves the establishment of dissolution of certain subunits (secondary premises, working points, branches, agencies or other types of subunits without legal personality), in the same or different localities, in the country and abroad.

In 2021, three consultative committees had been established via the Board of Administration's decision and were functioning within the Board of Directors, each with at least three members of the Board of Directors in them.

The consultative committees organized within the Board of Directors have the following structure:

### **THE AUDIT COMMITTEE**

The audit committee was established by Decision of the Board of Directors from independent non-executive administrators. In April 2021, the composition of the committee was reconfigured by the Decision of the Board of Directors as follows:

GAVRILĂ Florin – Daniel - president;  
IACOB Constantin – Ciprian – member;  
BUICĂ – Nicușor Marian – member.

The Audit Committee assists the Board of Directors in fulfilling its own management responsibilities for the financial reporting process, management reporting, internal control system, audit process and the organizational monitoring process of compliance with the laws, regulations and code of conduct.

#### ***The main Attributions of the Audit Committee are:***

- ✓ formulates recommendations addressed to the Board of Directors regarding the strategy and policy of the company in the field of internal control, internal audit and financial audit;
- ✓ oversees the financial reporting process, being informed by the external auditor with regards to the significant deficiencies of the internal control in this field;
- ✓ submits for the endorsement to the Board of Directors the proposals regarding the selection, appointment, reappointment, the 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 Directors be submitted for approval of the General Meeting of Shareholders;
- ✓ monitors the effectiveness of the internal control, internal audit and risk management systems within the trade company;
- ✓ debates over and endorses the multi-annual and annual plan for the internal public audit activity;
- ✓ endorses the internal public audit Charter;
- ✓ 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;

- ✓ monitors and oversees the independence of the statutory auditor or that of the audit firm and, in particular, the rendering of services for CONPET S.A., if requested;
- ✓ examines, with the support of the financial auditors the financial statements draft, as well as the conditions for its elaboration by the company (relevance of the principles, methods and applied accounting standards, as well as the internal procedures for collecting information);
- ✓ ensures the quality of the audit assessment and that of the internal control and ensures 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 their implementation plans;
- ✓ analyses and endorses the normative documents elaborated by the internal auditor prior to their submission for approval;
- ✓ examines the notifications regarding the failure to comply with the Code on the ethical behavior of the internal auditor and proposes to the Director General of the company/ the Board of Directors the necessary measures;
- ✓ checks the compliance of the elaborated audit reports with the audit plan approved within the Company;
- ✓ analyzes and endorses the annual Report of the public internal audit;
- ✓ endorses the cooperation agreements with other public institutions regarding the exercise of the public internal audit activity;;
- ✓ verifies the statements contained by the declaration of compliance/non-compliance with the provisions of the Corporate Governance Regulation regarding the internal management control and 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 shortcomings of the internal audit procedures;
- ✓ assists the Board of Directors in classifying company-specific risks and in implementing and developing a risk management system, so that the risks faced by the company, as well as the potential risks can be foreseen, correctly identified, managed and disseminated to the Board of Directors;

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

The Nomination and Remuneration Committee was constituted by Decision of the Board of Directors, consisting of independent non-executive administrators. In April 2021, the structure of the committee was reconfigured by the Decision of the Board of Directors, as follows:

ALBULESCU Mihai – Adrian – president;  
POPA Claudiu - Aurelian – member;  
GAVRILĂ Florin – Daniel – member;  
BUICĂ Nicușor – Marian – member;  
KOHALMI-SZABO Luminița - Doina – member.

The Nomination and Remuneration Committee is a standing committee with a consultative role, directly subordinated to the Board of Directors of the company. This committee is responsible for evaluating, consulting and preparing proposals in the field of nominating the members of the



Board of Directors and the mandate contract directors, as well as for overseeing the implementation of the remuneration policy within the company.

***The main Attributions of the Nomination and Remuneration Committee are:***

- ✓ coordinates the selection/election process of the members of the Board of Directors;
- ✓ recommends to the Board of Directors to nominate candidates for the position of director and / or to fill the vacancies in the Board of Directors;
- ✓ recommends the Board of Directors 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 Directors;
- ✓ establishes the requirements for occupying a certain position in the executive administration of the company;
- ✓ permanently updates the professional skills of the members of the Board of Directors , by coordinating the improvement of the knowledge thereof in view of application of the best corporate governance practices;
- ✓ elaborates proposals regarding the remuneration policy of the administrators and Director General, regarding the quantum and conditions of granting the fix and variable remunerations due to the members of the Board of Directors, 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 Directors 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 Directors;
- ✓ identifies criteria and objectives regarding any performance-based remuneration schemes (other financial benefits), being authorized by the Board of Directors to request any information it deems necessary to fulfill its duties;
- ✓ analyzes, evaluates and proposes to the Board of Directors any payment engagement or compensation to be provided in the management Contract of the administrators or in the Mandate Contract of the Director General;
- ✓ oversees the application of the principles of the remuneration policy of the administrators and Director General and informs the Board of Directors about it, ensuring that the monthly remuneration is being granted rightfully in relation to the degree of fulfillment of the specific attributions;
- ✓ submits to the Ordinary General Meeting of Shareholders, which approves the annual financial statements, an annual report, on the remuneration and other benefits granted to the administrators and the general director during the previous financial year, a report structured as per the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises.



## **COMMITTEE ON DEVELOPMENT AND RELATIONS WITH INVESTORS AND AUTHORITIES**

The Development Committee was constituted by the Decision of the Board of Directors from independent non-executive administrators. In April 2021, the composition of the committee was reconfigured by the Decision of the Board of Directors, as follows:

POPA Claudiu – Aurelian – president;  
ALBULESCU Mihai - Adrian – member;  
IACOB Constantin – Ciprian – member.

The Committee on Development and Relations with Investors and Authorities aims at assisting the Board of Directors of CONPET in fulfilling its management responsibilities in the process of developing and monitoring compliance with the legislation applicable to the company's field of activity and the capital market.

### **The main attributions of the Committee on Development and Relations with Investors and Authorities are:**

- ✓ recommends the financing structure and the method of efficiently mobilizing the resources and in accordance with the management plan;
- ✓ supports the promotion and increase of the Company's visibility on the capital market;
- ✓ supports the transparency and predictability increase of the financial reporting;
- ✓ analyzes the findings and sanctions applied by the authorities with the right of financial and fiscal audit on the Company;
- ✓ participates in events aimed at promoting and increasing the visibility of the Company on the capital market;
- ✓ analyzes the company's presentation materials for external use;
- ✓ offers recommendations regarding the strategy and direction of approaching the investor relations;
- ✓ monitors the meetings organized by the company with analysts and investors;
- ✓ assists the Board of Directors in fulfilling the responsibilities in the field of elaborating and updating the company's development strategy;
- ✓ offers recommendations regarding the company's medium and long-term strategy and development directions;
- ✓ nationally and internationally oversees the major development directions in the field and offers recommendations for the major topics to be considered with a strategic impact regarding the company's development;
- ✓ draws-up proposals regarding the increase in activity efficiency in order to develop the Company and analyzes the identified opportunities;
- ✓ oversees and analyzes the completion stage of the annual investment and procurement program, in order to comply with the deadlines for the completion of the proposed tasks and objectives;
- ✓ oversees the company's endeavors addressed to the regulatory and energy authorities regarding the technical, legislative, etc. aspects regarding its activity;
- ✓ analyzes the proposals regarding the regulatory legislative framework submitted to the Board of Directors;

- ✓ oversees collaboration with public authorities and provides assistance to the Board of Directors in managing the collaboration policy;
- ✓ periodically analyzes CONPET's list of critical infrastructure objectives and the established security measures;
- ✓ may represent the company in its relation to the regulatory and energy authorities.

### **ACTIVITY OF THE BOARD OF ADMINISTRATION THROUGHOUT JANUARY 1 2021 – DECEMBER 31 2021**

The activity performed during 01.01.2021 - 31.12.2021 also encompassed 26 rulings adopted throughout the 26 held meetings.

#### **Synthesis of the Board of Directors's main rulings**

##### **Ruling of 28.01.2021**

- Approval of the 2020 inventory's results, of the asset-like elements, liabilities and equity, according to the minute elaborated by the Central Inventory Commission, along with the Preliminary Report with Annexes 1 - 4 and the preliminary minutes.
- Endorsement of the proposal to the E.G.M.S. for the augmentation of the share capital of CONPET S.A. with a maximum value of 108,798,558 lei representing an in-kind contribution (lands) in the amount of 63,882,386.70 lei and cash in a maximum amount of 44,916,171.30 lei, from the current value of 28,569,842.40 lei up to the a maximum of 137,368,400.40 lei, according to the addendum addressed to the E.G.M.S. alongside the Evaluation Report regarding the assessment of the value of the land in the patrimony of CONPET S.A., in order to increase the share capital and to approve the E.G.M.S. meeting notice.
- Approval of the Report prepared by the Communication and Public Relations Service regarding the status of the sponsorships granted by CONPET S.A. in the year 2020.
- Approval of CONPET S.A.'s Policy regarding the dividend.

##### **Ruling of 05.02.2021**

- The approval of the initiation of the recruitment and selection procedure of the company's Director General, in accordance with the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises, approved with subsequent additions and amendments by the no. 111/2016 Law and mandates the Nomination and Remuneration Committee for its organization.
- The appointment of Mr. Dorin Tudora as interim Director General starting with 05.02.2021, until the completion of the recruitment and selection procedure of the Director General, according to the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises, but no longer than 4 months, namely from 05.02.2021 up to and including 04.06.2021.
- Establishing the monthly gross fixed allowance of the interim Director General for the interim period, for the execution of the entrusted mandate and the approval of the mandate contract.

### **Ruling of 24.02.2021**

- Approval of the Preliminary Report for the period January - December 2020, accompanied by the unaudited preliminary financial statements on 31.12.2020, for the financial year which ended on the same day, prepared based on the accounting regulations compliant with the International Financial Reporting Standards approved by the Ministry of Public Finance no. 2844/2016 Order.
- Approval of the auction starting bids for 3 tanks belonging to the private domain of the state, included in the no. 952/2014 G.D., results based on the Evaluation Report prepared by the authorized auditor.
- Approval of the elimination of 29 positions within some organizational entities of the company, starting with 25.02.2021.
- Establishing the calendar for the recruitment and selection procedure of the Director General, with deadlines, according to the Nomination and Remuneration Report (Ro.C.N.R. Report), approving the recruitment and selection criteria of the Director General and the recruitment and selection announcement with the necessary publicity provided by the applicable legislation, for a mandate contract period of 4 years, for the Director General, starting with the date of their appointment.
- Analysis of the results of the revaluation of the assets related to the patrimony of CONPET S.A. (group I constructions and lands) and related to the assets pertaining to the public and private domain of the state granted by CONPET S.A. Ploiești, on 31.12.2020.

### **Ruling of 23.03.2021**

- Approval of the Investment Program for 2021 (also including estimates of investment expenditures for 2022 and 2023).
- Approval of the current Repair Program for 2021.
- Approval of CONPET S.A.'s Revenues and Expenditure Budget for 2021 (including the estimates for 2022 - 2023), accompanied by the substantiation no. 2 - 5.
- Approval of the yearly financial statements prepared on and for the financial year ended on 31.12.2020, based on the accounting regulations compliant with the International Financial Reporting Standards approved by the Order of the Ministry of Public Finance no. 2844/2016, accompanied by the Report of the financial auditor BDO Audit SRL to the O.G.M.S., regarding the financial statements for 2020.
- Approval of the Annual Report of the administrators of CONPET S.A. to the O.G.M.S. for the financial year ended on 31.12.2020.
- Endorsement of the proposals to O.G.M.S. regarding the distribution of the net profit for the financial year 2020 and of some amounts from the retained earnings, the establishment of the gross dividend per share.
- Submission to the O.G.M.S. for the approval of the discharge from administration of the company's directors for the financial year concluded on 31.12.2020.
- Approval of the Annual Report of the mandate contract directors on the activity of the period concluded on 31.12.2020, elaborated in accordance with the provisions of art. 54 of the G.E.O. no. 109/2011 on *the corporate governance of public enterprises* and with the provisions of the mandate contract.
- Approval of the Report of the mandate contract directors regarding the monitoring of the classification of their key financial and non-financial performance indicators (KPI) for 2020 within the limits approved by the Board of Directors, namely:

- a) approval of the total degree of fulfillment (104.8%) of their key financial and non-financial performance indicators (KPI) for 2020.
- b) approval of the variable component due to the directors for the year 2020, in accordance with the provisions of the mandate contracts and within the limits approved by the G.M.S.
- Submission for the O.G.M.S. approval of the Board of Directors Report regarding the administrative activity of 2020, drafted in accordance with the provisions of art. 55 of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and with the provisions of the mandate contract.
- Approval of the Report prepared by the mandate contract directors regarding the total degree of achievement of the key financial and non-financial performance indicators (KPI) for 2020 for the company's administrators, approved via the no. 7 / 18.12.2018 O.G.M.S. Ruling.
- Approval of the Annual Report of the Nomination and Remuneration Committee to the O.G.M.S., regarding the remuneration and other benefits granted to the administrators and mandate contract directors, during the 2020 financial year.
- Approval of the Report of the Nomination and Remuneration Committee regarding the evaluation of the activity of the company's administrators for 2020.
- Approval of the Report of the Board of Directors for monitoring the classification of the key performance indicators (KPI) of the administrators for 2020 within the limits approved by the O.G.M.S., encompassing the proposals made to the O.G.M.S. for the approval of:
  - a) the total degree of achievement (102.6%) of the key financial and non-financial performance indicators (KPI) for 2020, approved for the administrators by the no. 7/8.12.2018 O.G.M.S. Ruling.
  - b) granting the variable component due to the administrators for the term of office carried out in 2020, in accordance with the provisions of the mandate contracts.
- Approval of the C.N.R. Report regarding the evaluation of the activity of the mandate contract directors for 2020.
- Approval of the Annual Procurement Program for 2021.
- Approval of the decommissioning of 3 Volkswagen Crafter vans and their capitalization via auction, based on a starting price established in accordance with internal procedures and approved by the executive management.
- Approval of the C.N.R. Report on the establishment of the matrix of candidates and the percentage in the final grade of the Director General's recruitment and selection process.
- Takes note of the Notice received from Mr. Meșca Darius - Dumitru regarding the withdrawal from his administrator mandate according to art. 37.7 of the Mandate Contract, the administrator position remaining vacant starting with 08.04.2021.
- Appointment of an interim administrator of CONPET S.A. (Mrs. Kohalmi Szabo Luminița - Doina), with a term of office starting with 08.04.2021 until the meeting of the Ordinary General Meeting of Shareholders, but not later than 07.08.2021, on the vacancy following the resignation of Mr. Meșca Darius - Dumitru to the mandate of administrator of the company and approval of the conclusion of a mandate contract, with the gross fixed monthly allowance in the amount established by the O.G.M.S. for the other administrators.
- Approval of the anti-bribery policy of CONPET S.A.

#### **Ruling of 07.04.2021**

- Endorsement of the Remuneration Policy of the administrators and directors with a mandate contract, applicable within CONPET S.A., proposed by the C.N.R. Report and subject to the approval of the O.G.M.S.

#### **Ruling of 12.04.2021**

- Approval of the amendments made to the Revenue and Expenditure Budget for 2021 according to the provisions of article 48, Law no. 15/2021 of the state budget for 2021.

#### **Ruling of 20.04.2021**

- Appointment of Mr. Dorin Tudora in the position of Director General, following the recruitment and selection procedure of the Director General, according to the provisions of the no. 109/2011 G.E.O. regarding corporate governance of public enterprises approved by the no. 111/2016 Law, with subsequent additions and amendments, with a term of office of 4 years, namely from 21.04.2021 to 20.04.2025 and the establishment of the gross monthly fixed allowance of the Director General for the performance of the entrusted mandate.
- Approval of the Director General's Mandate Contract, accompanied by the Director General's Consent, with the purpose of acknowledging and ensuring the continuity in fulfilling the Administration and Management Plan, as well as of the performance indicators of the administrators and Directors with a mandate contract.
- Approval of the criteria for granting the amounts related to the employees' participation in the company's profit for 2020, included in the Regulation drafted by the Human Resources Department.

#### **Ruling of 28.04.2021**

- Approval of decommissioning/declassification of goods (fixed assets and inventory items in use) whose maintenance is no longer justified and approval of proposed capitalization methods for these assets.
- Approval of the proposals for decommissioning / declassification of the goods (fixed assets and inventory items of fixed assets nature) belonging to the state's public domain, whose operational maintenance is no longer justified and approval of the proposed capitalization methods for these assets.
- Approval of CONPET S.A.'s updated Accounting Policy Manual.
- Approval of the Consultative Committee's reconfiguration, constituted at the level of the Board of Directors and the Functioning and Organizational Rules (R.O.F.) of the Board of Directors, updated following the appointment of CONPET S.A.'s interim administrator.
- Analysis of the information prepared by the executive management regarding the results of the employees' performance evaluation in 2020.

#### **Ruling no. 10/ 13.05.2021**

- Approval of the Report of the Directors with a mandate contract on the activity which concluded on March 31, 2021, drafted as per the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and with the provisions of the mandate contract.
- Approval of the quarterly Report regarding the financial-economic activity of CONPET S.A. on March 31, 2021 (period 01.01.2021 - 31.03.2021), accompanied by the Financial Statements on the date and for the period of 3 months, concluded on 31.03.2021, drafted as per the no.

2844/2016 O.M.P.F. and the no. 34 International Accounting Standard “Interim financial reporting”.

- Approval of the Quarterly Report regarding the monitoring of the key financial and non-financial performance indicators and the total degree of fulfillment thereof for the company's administrators and mandate contract Directors for the period 01.01.2021 - 31.03.2021.
- Approval of the Internal Functioning and Organization Regulation of the Consultative Committees established at the level of the Board of Directors, modified and reconfigured in terms of their structure.

#### **Ruling of 27.05.2021**

- Approval of the new organizational structure of the company, in force since 15.06.2021 and of the company's Regulation of Organization and Functioning, amended in accordance with it.
- Approval of the Director General's mandate for the negotiation and conclusion with the Conpet Free Union of an addendum to the Collective Labor Agreement on the updating of the company's job title roster and the salary grid, in accordance with the new organizational chart, with subsequent registration at Territorial Labor Inspectorate (I.T.M.).
- Approval of the 2021 Annual Procurement Program - revision 3.
- Approval of the Code of Ethics and Integrity of CONPET S.A.
- Approval of the management component of the 2018 – 2022 Management Plan of CONPET S.A. elaborated by the Director General.
- Approval of the key financial and non-financial performance indicators (KPI) for 2021 - 2025 (estimates for 2023 - 2025), Addendum to the Mandate Contract of the Director General.

#### **Ruling of 16.06.2021**

- Approval for the supplementation of the 2021 Annual Procurement Program.
- Approval of the auction starting bids for a pipeline stock totaling 23,405.89 l.m. and for 5 means of transport (3 vans, one lab on wheels and one cesspool emptier) which represent the market prices established in the Evaluation Report prepared by the authorized assessor.

#### **Ruling of 30.06.2021**

- Approval of the 2021 Annual Procurement Program - Revision 6.
- Approval of the Investment Program for 2021 and estimates for the years 2022 - 2023, rectified on June 2021.
- Approval of the updated Corporate Governance Regulation of CONPET S.A.
- Approval of the modification of the organizational structure of the company starting with 01.07.2021.
- Approval of the Information Note to the General Meeting of Shareholders regarding the prescription of the shareholders' right to additional dividends, unclaimed up to 31.01.2021.
- Approval of the mandate contract of the interim administrator submitted for approval to the O.G.M.S. in the form annexed to the C.N.R. Report (his remuneration being composed of a gross monthly fixed allowance equal to the one approved by the no. 5/22.08.20218 O.G.M.S. Ruling for the other administrators).

#### **Ruling of 20.07.2021**

- Approval of the 2021 Annual Procurement Program - Revision 8.



### **Ruling of 12.08.2021**

- Approval of the Report of the Mandate Contract Directors regarding the activity which concluded on June 30, 2021, in accordance with the provisions of the no. 109/2011 G.E.O. on corporate governance of public enterprises and with the provisions of the mandate contract.
- Approval of the Administrators' Report regarding the activity for the first semester of 2021 (January - June 2021), drafted as per the provisions of art. 223 of the F.S.A. Regulation no. 5/2018 and art. 55 of the no. 109/2011 G.E.O., accompanied by the financial statements on and for the six-month period concluded on June 30, 2021, drafted in accordance with the no. 2844/2016 O.M.F.P. and with the International Accounting Standard no. 34 "Interim Financial Reporting" and also accompanied by the Review Report of the independent practitioner regarding the interim financial statements for the first half of 2021, drafted by the BDO Audit SRL financial auditor.
- Endorsement of the Quarterly Report regarding the monitoring of key financial and non-financial performance indicators and the total degree of their fulfillment for the administrators and mandate contract directors, accompanied by the Report of agreed upon procedures prepared by BDO Audit S.R.L. regarding the verification of the fulfillment degree of the performance indicators, for the 1 January 2021 - 30 June 2021, established by the mandate contracts of the administrators and directors.
- Approval of the capitalization methods of the goods approved for decommissioning by the no. 952/2014 G.D., belonging to the private domain of the state (fixed assets and inventory items of the nature of fixed assets).
- Approval of the 2021 Annual Procurement Program - Revision 10 (Annex 1).
- Analysis of the stage of completion of the Investment Program in the first semester of 2021, including measures to improve the degree of fulfillment of the financed investments indicator from the Modernization Quota on 30.06.2021.
- Approval for the modification of CONPET S.A.'s organizational structure, starting with 01.09.2021.

### **Ruling of 20.08.2021**

- Approval of the 2021 Annual Procurement Program - Revision 11.

### **Ruling of 30.08.2021**

- Approval of the establishment and registration at the Trade Register Office of the project site located in Ploiești, B-dul. Independenței no. 7, as an auxiliary office where its own office activities will be performed for the company.

### **Ruling of 01.10.2021**

- Approval for the decommissioning of 10 fixed assets (means of auto transport) belonging to the company's patrimony, proposed for scrapping and the suggested capitalization method of these goods.
- Approval of the Investment Program for 2021 and estimates for the 2022 - 2023, rectified in September 2021.
- Approval of the amended Revenue and Expenditure Budget for 2021 - Annexes no. 1, 2 and 5



- Approval of the conclusion of a single insurance policy for the company's administrators and mandate contract directors, with the minimum insured amount (compensation limit) of 12,000,000 euros, in aggregate, and the maximum limit of the annual insurance premium of 34,000 euros year.
- Approval of the amounts representing the additional insurance premium related to the extension of the validity of the administrators' insurance policy until 31.12.2021.
- Approval of the amounts representing the additional insurance premium related to the extension of the validity of the insurance policy of the mandate contract directors until 31.12.2021.
- Approval of the Information Note to the Ordinary General Meeting of Shareholders regarding the finding of the prescription of the shareholders' right to the dividends related to the 2017 financial year, unclaimed until 28.06.2021.
- Approval of CONPET S.A.'s Regulation of Organization and Functioning.
- Approval of the sale of crude oil stocks from the decommissioning of some pipelines, totaling 6,330.912 tons, stored in Siliște and Orlești.

#### **Ruling of 01.11.2021**

- Approval of the Mandate Contract of the interim administrator subject to the approval of the O.G.M.S., having on the agenda the appointment of an interim administrator for the vacancy following the expiration of interim administrator's mandate, starting with 04.12.2021, with a term of office of 4 months from the date of the O.G.M.S. ruling or until the completion of the recruitment and selection procedure provided by the no. 109/2011 G.E.O., provided takes place no later than 4 months after the appointment, by the O.G.M.S., of the interim administrator.

#### **Ruling of 15.11.2021**

- Approval of the Report of the Mandate Contract Directors on the activity for the period which concluded on September 30, 2021, in accordance with the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and with the provisions of the mandate contract.
- Approval of the Quarterly Report on CONPET S.A.'s financial-economic activity, on September 30, 2021 (01.01.2021 - 30.09.2021), drafted as per art. 125 of the no. 5/2018 F.S.A. Regulation, alongside the Financial Statements on and for the nine-month period concluded on September 30, 2021, prepared as per the no. 2844/2016 O.M.F.P. and the International Accounting Standard no. 34 "Interim Financial Reporting".
- Approval of the Quarterly Report on the monitoring of the key financial and non-financial performance indicators and the total degree of their fulfillment for administrators and the mandate contract directors, during 01 January 2021 - 30 September 2021.
- Approval of the amendment and addition of the Internal Procurement Procedural Guidelines - revision 4.
- Approval of the Procurement Program for 2021 - revision 16.
- Approval of the auction starting bids for 10 means of transport representing the market prices established in the Evaluation Report prepared by the authorized auditor.

### **Ruling of 13.12.2021**

- Mandating of the company's Director General to negotiate and conclude with the Conpet Free Union an Addendum to the Collective Labor Agreement applicable at the level of the company, with subsequent registration with the Prahova Territorial Labor Inspectorate.
- Approval of the Investment Program for 2021 - rectified on December and estimates for 2022 - 2023.
- Approval of the rectification of Annexes no. 1, 2 and 4 of the Revenue and Expenditure Budget, rectified for 2021.
- Approval of the Annual Procurement Program for 2021 - December revision.
- Approval of the Annual Procurement Program Draft for 2022.
- Approval of the Regulation of Organization and Functioning of the Board of Directors, updated following the appointment of CONPET's interim administrator via the the no. 4 / 07.12.2021 O.G.M.S. Ruling.
- Assessment of the Preliminary Projection of the Revenues and Expenditure Budget (B.V.C.) for 2022, presented by the executive management.
- Assessment of the Information on the need and opportunity of the objectives/ works included in the Investment Program of 2022 and estimated 2023 - 2024.

Concurrently, in the meetings of the Board of Directors information on monitorization status of the investment program and procurement activity were presented; sponsorships were granted, taking into account the requests received and the company's possibilities, as well as the participation of the Board of Directors members / Director General in some professional trainings. The analysis of the total degree of fulfillment of the financial and non-financial KPI was performed for the directors and mandate contract directors (preliminary data 2020 and quarterly); an informative brief was presented on the monitorization of the internal management control system and risk management performance at CONPET S.A. in 2020. The periodic reports on the activity of CONPET S.A. were also analyzed.

### **ACTIVITY OF THE CONSULTATIVE COMMITTEES**

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

Twenty meetings of the Nomination and Remuneration Committee took place between 01.01.2021 and 31.12.2021, which resulted in 20 reports.

The activity of the Nomination and Remuneration Committee starting with 01.01.2021 and up to 31.12.2021 mainly included the following subjects:

- the recommendation to the Board of Directors for the appointment of Mr. Dorin Tudora as interim Director General.
- the recommendation to the Board of Directors that the duration of the mandate contract of the interim Director General last until the conclusion of the recruitment and selection procedure of the company's Director General, in accordance with the no. 109/2011 G.E.O. provisions on the corporate governance of public enterprises, but no longer than 4 months.
- the recommendation to the Board of Directors to establish the gross monthly fixed allowance of the interim Director General for the execution of the entrusted mandate, according to the existing legal framework, so that it does not exceed the maximum amount set by the G.M.S.

- the recommendation to the Board of Directors to sign the mandate contract as proposed by the Nomination and Remuneration Committee.
- discussing the subject regarding the selection of the company's Director General, in accordance with the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises, approved with additions and amendments by the no. 111/2016 Law and the finalization of the Recruitment and Selection Criteria of the Director General and of the Recruitment and Selection Announcement.
- analysis of the substantiation note to the Board of Directors regarding the proposal to eliminate 29 positions within some organizational entities of the company, resulting in the individual dismissal of these employees, for impersonal reasons and recommending the Board of Directors to approve it.
- approving the Report of the mandate contract directors for monitoring the compliance with their key financial and non-financial performance indicators (KPI) for 2020 within the limits approved by the Board of Directors.
- approving the Report prepared by the mandate contract directors regarding the total degree of fulfillment of the key financial and non-financial performance indicators (KPI) for 2020 for the company's administrators and the recommending its approval by the Board of Directors.
- preparation of the Annual Report of the Nomination and Remuneration Committee to the O.G.M.S. regarding the remuneration and other benefits granted to the administrators and mandate contract directors during the 2020 financial year.
- endorsing the Report of the Board of Directors for the monitoring of the classification of the key performance indicators (KPI) concerning the administrators for 2020 within the limits approved by the O.G.M.S.
- preparation of the C.N.R. Report regarding the evaluation of the activity of the mandate contract directors for 2020, drafted based on art. 36 paragraph (5) of the no. 109/2011 G.E.O.
- preparation of the C.N.R. Report regarding the elaboration of the matrix of candidates and of the corresponding weights in the final grade for the recruitment and selection process of the Director General.
- preparation of the C.N.R. Report after interviewing the candidate Mrs. Kohalmi - Szabo Luminița – Doina, following the vacancy of a seat on the Board of Directors and the recommendation to the Board of Directors to appoint her as interim administrator of the company, the mandate starting on 08.04.2021 and lasting until the O.G.M.S. meeting.
- preparation of the C.N.R. Report regarding the activity evaluation of the administrators / mandate contract Directors for 2020, following the filling in of the individual questionnaires.
- approving the calculation method of the final grade for the recruitment and selection of the Director General.
- approving the Remuneration Policy for administrators and mandate contract directors.
- proposal to the Board of Directors for the appointment of Mr. Dorin Tudora as Director General, following the conclusion of the recruitment and selection procedure and the establishment of the form and content of the mandate contract.
- endorsing the Quarterly Report regarding the monitorization of the key financial and non-financial performance indicators of the administrators and mandate contract directors for the period 01.01.2021 - 31.03.2021, subject to the approval of the Board of Directors.
- endorsing the management component of the Management Plan prepared by the Director General, subject to the approval of the Board of Directors.

- endorsing the key financial and non-financial performance indicators, annexed to the mandate Contract of the Director General, for approval by the Board of Directors.
- proposal to the Board of Directors for the approval of the conclusion of an Addendum to the Mandate Contract of the Director General, its object being Annex no. 1 which includes the Key Financial and Non-Financial Performance Indicators (KPI) for the period 2021-2025, as well as some mentions on the variable component of the Director General's remuneration.
- preparation of the C.N.R. Report for the O.G.M.S. with the request to convene the O.G.M.S. in order to appoint an interim administrator for a set period of time, no longer than 4 months, according to the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and the conclusion of the mandate contract (following the expiry of the interim administrator's mandate).
- endorsing of the Quarterly Report regarding the monitoring of key financial and non-financial performance indicators and their total degree of fulfillment for administrators and mandate contract Directors for the first half of 2021, accompanied by the Report of agreed upon procedures on verifying the completion degree of the performance indicators for the period January 1, 2021 - June 30, 2021, established by the mandate contracts of the administrators and directors.
- endorsing the modification of the organizational structure of CONPET S.A., applicable with 01.09.2021
- endorsement of the Quarterly Report on the monitoring of key financial and non-financial performance indicators of the administrators and mandate contract Directors, during 01 January 2021 - 30 September 2021.
- endorsing the Addendum to the Collective Labor Agreement and the recommending its approval by the Board of Directors
- endorsing the Functioning and Organizational Rules of the Board of Directors, updated following the appointment of Ms. Kohalmi - Szabo Luminița - Doina as interim administrator of CONPET by the no. 4 / 07.12.2021 O.G.M.S. Ruling.

At the same time, in the meetings of the Nomination and Remuneration Committee, materials were analyzed regarding proposals to modify the organizational structure of the company and to maintain the delegation to the Director General to approve subsequent changes to the list of positions, within the established personnel quota, to modify the company's Functioning and Organizational Rules, the quarterly analysis of the key financial and non-financial performance indicators and the degree of their fulfillment for the administrators and mandate contract Directors.

## **AUDIT COMMITTEE**

During the analyzed period, 9 meetings of the Audit Committee took place, following which 9 reports were concluded.

The activity of the Audit Committee in the period 01.01.2021 - 31.12.2021 included the following topics:

- endorsement of the Preliminary Report for the January - December 2020 period, accompanied by the preliminary, unaudited, financial statements on and for the financial year concluded on 31.12.2020, elaborated based on the accounting regulations compliant with the International

- Financial Reporting Standards approved via the no. 2844/2016 Order of the Ministry of Public Finance and recommends its approval by the Board of Directors in the form presented to the Audit Committee, the materials to be reported to the Bucharest Stock Exchange. and the F.S.A.;
- analysis of the information regarding the reevaluation of the assets pertaining to the patrimony of the company / public and private domain of the state, concessioned to CONPET S.A. ;
  - the analysis of CONPET S.A.'s Revenues and Expenditure Budget for 2021 (including estimates for the period 2022 - 2023);
  - analysis of the financial statements as of the date and for the financial year concluded on 31.12.2020, accompanied by the report of the financial auditor BDO Audit SRL, material to the O.G.M.S.;
  - analysis of the Annual Report of the administrators of CONPET S.A. for the financial year concluded on 31.12.2020, accompanied by annexes, with the recommendation for its approval by the Board of Directors, the material to be presented to the O.G.M.S. as part of the Annual Financial Report for 2020;
  - analysis of proposals to the O.G.M.S. regarding the net profit distribution for the financial year 2020 and the distribution of the retained earnings, the establishment of the gross dividend per share, the proposal to the Board of Directors regarding the establishment of 08.06.2021 as registration date and 24.06.2021 as date of payment of dividends to the shareholders;
  - analysis of the Annual Report of the mandate contract directors on the activity for the period concluded on 31.12.2020, elaborated in accordance with the provisions of art. 54 of the no. 109/2011 G.E.O. regarding the corporate governance of public enterprises and with the provisions of the mandate contract and the recommendation for its approval by the Board of Directors;
  - analysis of the final form of the Report of the Board of Directors regarding the administration activity in 2020, drafted in accordance with the provisions of art. 55 of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and with the provisions of the mandate contract;
  - analysis of the Report elaborated by the mandate contract directors regarding the total degree of fulfillment of the key financial and non-financial performance indicators (KPI) for 2020, for the company's administrators;
  - analysis of the Report of the Board of Directors on monitoring the classification of the key performance indicators (KPI) of the administrators for 2020 within the limits approved by the O.G.M.S.;
  - endorsement of the Report of the mandate contract Directors regarding the activity for the period concluded on March 31, 2021, in accordance with the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and with the provisions of the mandate contract;;
  - endorsement of the Quarterly Report regarding the financial-economic activity of CONPET S.A. on March 31, 2021 (period 01.01.2021 - 31.03.2021);
  - endorsement of the Financial Statements on the date and for the period of 3 months concluded on 31.03.2021, elaborated in accordance with the no. 2844/2016 Order of the M.F.P. and with the international accounting standard no. 34 "Interim financial reporting";
  - endorsing the Report of the mandate contract Directors regarding the activity for the period concluded on June 30, 2021, in accordance with the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and with the provisions of the mandate contract;
  - endorsing the Report of the administrators regarding the activity for the first semester of 2021 (period January - June 2021), drafted in accordance with the provisions of art. 223 of the no.

5/2018 F.S.A. Regulation and art. 55 of the no. 109/2011 G.E.O., accompanied by: The financial statements as of the date and for the six-month period concluded on June 30, 2021 elaborated in accordance with the no. 2844/2016 O.M.F.P. and with the International Accounting Standard no. 34 "Interim Financial Reporting", the Statement of responsible people and the Independent Practitioner Review Report on the interim financial statements for the first semester of 2021, elaborated by the financial auditor BDO Audit S.R.L. ;

- endorsing the information regarding the policy applicable to investments in bank deposits;
- endorsing the Revenue and Expenditure Budget - rectified for 2021;
- approving the memo to the Ordinary General Meeting of Shareholders regarding the prescription of the shareholders' right to the dividends related to the 2017 financial year, unclaimed till 28.06.2021;
- endorsing the Directors' Report with the no. 37694 / 09.11.2021 mandate contract on the activity for the period concluded on September 30, 2021, in accordance with the provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises and with the provisions of the mandate contract;
- endorsing of the Quarterly Report on the financial-economic activity of CONPET S.A. on September 30, 2021 (period 01.01.2021 - 30.09.2021), elaborated in accordance with art. 125 of the no. 5/2018 F.S.A. Regulation, alongside the Financial Statements on and for the nine-month period concluded on September 30, 2021 elaborated in accordance with no. 2844/2016 O.M.F.P. and with the International Accounting Standard no. 34 "Interim Financial Reporting";
- approving the Annual Public Internal Audit Plan Draft for 2022;
- endorsing the rectification of Annexes no. 1, 2 and 4 of the Revenue and Expenditure Budget, rectified for 2021;
- endorsing of the preliminary projection of the B.V.C. for 2022.

At the same time, in the meetings of the Audit Committee, information was analyzed regarding the total degree of fulfillment of the key financial and non-financial performance indicators (KPI) of the administrators and directors with a mandate contract (preliminary and audited data 2020 and quarterly analysis 2021), information regarding monitoring the performance of the internal management control system and risk management at Conpet, in 2020, periodical reports on the activity of CONPET S.A.

## **COMMITTEE ON THE DEVELOPMENT AND RELATIONS WITH INVESTORS AND AUTHORITIES**

During the analyzed period, 7 meetings of the Committee on the Development and Relations with Investors and Authorities took place, resulting in the 7 reports.

The activity of the Committee on the Development and Relations with Investors and Authorities during the 01.01.2021 - 31.12.2021 period included the following topics:

- analysis of the Report accompanied by the Evaluation Report whose main focus are the auction prices for 3 tanks belonging to the private domain of the state, included in the no. 952/2014 G.D.
- analysis of the information regarding the necessity and the opportunity of the objectives / works included in the Investment Program for 2021, namely Annex no. 1 "Detailed structure by objectives including estimates for 2022 and 2023" and Annex no. 2 "List of Independent equipment and machinery for 2021".



- analysis of the Investment Program for 2021, namely Annex no. 1 - The detailed structure by objectives that includes estimates for 2022 and 2023 and Annex no. 2 - List of independent equipment and machinery for 2021.
- analysis of the current Repair Program for 2021.
- analysis of the Annual Procurement Program for 2021.
- analysis of the executive management's for the decommissioning of fixed assets and their capitalization by auction, based on a starting price established in accordance with internal procedures and approved by the executive management.
- analysis of the memo on the implementation stage of the Investment Program for 2020.
- analysis of the 2021 Annual Procurement Program - Revision 10
- analysis of the memorandum including measures to improve the achievement degree of the indicator Investments financed from the Modernization Quota on 30.06.2021.
- endorsing of the Report whose focus is the decommissioning of 10 fixed assets (means of auto transport) belonging to the patrimony of the company, proposed for scrapping and of the suggested capitalization method for these goods.
- endorsing of the Investment Program for 2021 and estimates for 2022 - 2023, rectified in September 2021.
- analysis of the Internal Procurement Procedural Norms - revision 4, with its subsequent addition and amendments.
- endorsing of the Report on the approval by the Board of Directors of the auction prices for 10 means of transport, which represent the market prices established in the Evaluation Report prepared by the authorized auditor.
- approving of the Investment Program for 2021 - rectified in December and estimates for 2022 - 2023.
- endorsing of the Annual Procurement Program for 2021 - December revision.
- endorsing the Annual Procurement Program Draft for 2022.
- analysis of the Information on the need and opportunity of the objectives / works included in the Investment Program of 2022 and estimated 2023 - 2024.

At the same time, in the meetings of the Committee on the Development and Relations with Investors and Authorities, activity reports were analyzed for monthly and cumulative reporting periods regarding the acquisitions and periodical informing activity and memos on the fulfillment stage of the Investment Program.

***OTHER INFORMATION REGARDING THE FULFILLMENT OF RESPONSIBILITIES AS PER ARTICLE 5 OF the NO.722 / 2016 G.D.***

***Corporate governance***

Corporate governance in CONPET is organized and carried out in accordance with the legislative framework in Romania, namely the no. 31/1990 Companies Law and the no. 109/2011 Governmental Emergency Ordinance on the corporate governance of public enterprises.

CONPET's corporate governance system is constantly being improved to ensure compliance with the rules and recommendations applicable to a company listed on the B.V.B.



The Board of Directors took upon themselves, via the Corporate Governance Regulation, the principles of corporate governance provided in the Corporate Governance Code of the Bucharest Stock Exchange.

The regulation is published on the company's website, under the following link:

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

The annual report of the directors for the financial year concluded on 31 December 2021 included a chapter on corporate governance which refers, inter alia, to: information related to the Board of Directors and consultative committees; information regarding risks and internal control; information on the remuneration policy. The chapter on governance also includes the Declaration on compliance with the provisions of the Governance Code of the B.V.B.

The Board of Directors and the consultative committees carry out their activities in accordance with their own rules of organization and operation. The delimitation of the Board of Directors' responsibilities from those of the Director General is provided by the Corporate Governance Regulation.

The Functioning and Organizational Rules of the Board of Directors and the Rules of Internal Procedure of the Consultative Committees are published on the company's website.

<https://www.conpet.ro/guvernanta-corporativa/consiliul-de-administratie/>

### ***Transparency, information and communication***

The Board of Directors monitored the thorough and accurate information of all the shareholders and investors by including on the website the statements addressed to the participants in the capital market, the half-yearly and quarterly financial statements, the annual reports and the procedures to be followed for access and participation in the G.M.S.

As a company listed on the Bucharest Stock Exchange, all reporting obligations to shareholders and investors and to the capital market institutions have been complied with, by elaborating and submitting the periodical and current reports required by the stock exchange regulations. The company has also implemented a communication strategy to other stakeholders (local authorities and communities, the press, etc.).

As a company operating in a competitive environment of great importance to the economy in general, CONPET seeks to achieve the right balance between confidential and public interest information. Internal regulations have been adopted on the dissemination of information and the observance of confidentiality.

In accordance with the Corporate Governance Regulation, at the beginning of 2021, the company published the calendar of quarterly and half-yearly financial reports and announced the calendar of meetings with analysts and investors.

The quarterly financial reports have been prepared for 2021 and have been published according to the data in the financial calendar. With each financial reporting, a summary presentation

material was sent to the financial analysts, and a conference call was organized with financial analysts from the capital market, in order to analyze the published report. The presentation materials prepared for the conference call were published on the company's website.

Particular importance was also given to the relationship with shareholders and investors, showing increased transparency. The company's representatives responded positively to all requests from the capital market participants. During 2021, CONPET was represented at events organized in the capital market, showing openness to both institutional and individual investors.

For an effective communication with investors, the company has provided a contact number and an email address (infoinvestitori@conpet.ro), through which they can clarify certain issues or address various questions, thus coming into direct contact with the company's investor relations team.

The evolution of CONPET S.A.'s shares is monitored by the departments in charge with analysing the main financial investment service companies in the Romanian capital market. At the same time, the entity that manages the relationship with investors maintains a permanent connection with all financial analysts in the capital market.

### ***Managing conflicts of interest***

Throughout 2021, in CONPET S.A., no conflicts of interest were registered, as is evident from the declarations of interests submitted by the management staff and members of the Board of Directors, in the application of Law no. 176/2010 on integrity in exercising public positions and dignities, for the additions and amendments of the no. 144/2007 Law on the establishment, organization and functioning of the National Integrity Agency, as well as for the additions and amendments of other normative acts.

In order to implement the National Anticorruption Strategy 2016 - 2020, to which CONPET S.A. has adhered, the Integrity Plan was approved in 2017. It is a document updated in 2021 by decision of CONPET S.A.'s Director General, minutiously detailing the measures applicable to CONPET S.A., subject to the general and specific objectives set out in the S.N.A., in order to identify specific risks, vulnerabilities and intervention needs.

Measures / actions related to the development of anti-corruption training, awareness and education programs for the staff have been implemented in 2021.

The periodical staff awareness activity was comprehensive throughout the company in the field of integrity, via the actions taken during 2021 regarding the training of the staff on the provisions of the Ethics and Integrity Code (May 2021) and the training, evaluation and testing of the staff on conflicts of interest and incompatibilities (September - December 2021).

Therefore, the anti-corruption awareness and education program on the provisions of the legislation in force and the internal rules on conflicts of interest and incompatibilities, that took place between 20.09.2021 - 20.12.2021, was completed by obtaining high scores for the employees, namely:

- 99.61% of the total staff were trained at the start of the program;

- the degree of knowledge of the rules on conflicts of interest and incompatibilities is 99.80% (the number of employees that obtained the grade VERY GOOD and GOOD / number of employees tested \* 100).

Subsequent to the education and awareness tasks of CONPET S.A. staff on the issues of integrity and anti-corruption, employee informative activities were conducted, by developing, presenting and disseminating informative materials on the provisions of the National Anticorruption Strategy 2016-2020 and of the Integrity Plan adopted by the company, as well as those on corruption offenses provided for in the Criminal Code. Corruption prevention materials have been elaborated, including information material on conflicts of interest and incompatibilities (staff training thematic for the training, evaluation and testing of the employees).

CONPET has developed its own Ethics and Integrity Code, based on clear principles regarding compliance with the legal framework and internal rules, a quality-driven orientation, confidentiality, avoidance of conflicts of interest, respect and trust, responsibility towards the local community and the environment, transparency and loyalty.

The company's employees were informed through various means of communication (email, posts on the company's website, direct communication from their superiors) about: the implementation of the National Anticorruption Strategy (SNA), the provisions of the Integrity Plan and the provisions of the Ethics and Integrity Code.

The administrator or Director General that has a direct or indirect interest in a particular transaction, contrary to the interests of the company, must notify the other administrators and the internal auditor of this and not take part in any deliberation regarding this operation. The administrator or the Director General has the same obligation if, in a certain operation, he knows that his spouse, relatives or in-laws up to and including the 4th degree are interested.

The members of the Board of Directors shall maintain the confidentiality of any facts, data or information of which they have become aware of during the exercise of their responsibilities and understand that they are banned from using or disclosing them during or after the activity.

In order to avoid conflicts of interest, the company has established a series of deontological rules both for the members of the Board of Directors and for the Director General and employees of the company, in accordance with the applicable legal provisions.

Both in the Functioning and Organizational Rules of CONPET S.A.'s Board of Directors, as well as in the Corporate Governance Regulation, there are clear provisions regarding the management of conflicts of interest. In practice, any member of the Board shall inform the Board of Directors in plenary of any conflict of interest which has arisen or is likely to arise and shall consequently abstain from participating in the discussions and from voting on the decision giving rise to the conflict of interests.

### ***Social and corporate responsibility***

Social and corporate responsibility is an integral part of the CONPET strategy. The respect for people, responsibility for the environment and involvement in community life are key values and major priorities for CONPET.

The company has undertaken firm commitments regarding the environmental protection by optimizing its performance in the environmental protection, pollution prevention, efficient use of energy, natural resources and raw materials activities, as well as by informing and raising awareness of its employees and of the community on the importance and necessity of complying with regulations and recommendations aimed at protecting the environment.

Consistent with the principles of sustainable development, CONPET uses the tools specific to a modern economy, tools provided by maintaining and continuously improving the efficiency of the Integrated Management System: Quality, Environment, Health and Occupational Security, Energy Management System standards included in the Internal Audit/Management Code, as well as the maintenance and improvement of the Railway Safety Management System in accordance with national and European Union regulations.

The company has committed itself to maintaining high standards in all aspects of its business, as well as to continue to have a positive impact on all the communities where it operates. Particular attention has been paid to the educational side, sports activities, cultural activities and humanitarian spirit.

The company's human resource policy aims to simultaneously train and improve the current staff, in new or traditional fields, one of the most important competitive advantages of CONPET being the unity and experience of its staff.

### ***Business ethics and integrity, fighting corruption***

CONPET S.A. promotes fair business relationships and monitors compliance for all business transactions and activities it engages in, discouraging, preventing and fighting against corruption.

The Ethics and Integrity Code established the norms of conduct that regulate corporate values, responsibilities, obligations and business conduct, mandatory norms, applicable to all employees, from all organizational structures of CONPET S.A.

The Ethics and Integrity Code defines honest conduct and behavior, prohibits employee participation in the decision-making process in situations where there is a conflict of interest, imposes restrictions on offering/accepting gifts, favors or services, establishes obligations for employees on protecting the company's assets and resources, specifies how to deal with the authorities based on the principles of fairness, transparency and good cooperation and mentions the rules of conduct during domestic and external travel. It also establishes clear rules for dealing with shareholders regarding equal treatment and inside information, as well as the use of honest and legal practices in dealing with business partners.

In 2021, no cases of conflicts of interest or integrity warnings were reported.

### ***Policy regarding the Quality, Environment, Occupational Health and Safety***

In accordance with the strategic development direction of CONPET S.A., the Policy in the field of quality, environment, occupational health and safety has been developed. It is aimed at meeting the requirements of customers and other relevant stakeholders, complying with the

legal requirements for the transport of crude oil, rich gas, ethane and condensate and ensuring a healthy working environment for all the staff.

The management of the company consistently pursues the performances related to quality, environment, occupational health and safety by implementing, maintaining and continuously improving an Integrated Management System in accordance with the provisions of the reference standards for these fields.

The Integrated Management system quality-environment-labor health and safety-energy is certified by the company DNV-GL Business Assurance Romania.

In 2021, the company was subjected to the external supervision audit, performed by DNV Business Assurance Romania, according to the requirements of the standards SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR ISO 45001:2018. Following this audit, the certifications of CONPET S.A., obtained as early as 2007, are maintained in the fields of quality, environment, occupational health and safety.

### ***Quality of the transport services***

CONPET aims at fully satisfying the requirements and expectations of customers, fulfilling its obligations under the Oil Concession Agreement, as well as constantly complying with legal regulations and provisions.

The main objectives tracked by the company regarding the quality of its services are:

- ✓ permanent consolidation and development of the National Transport System by implementing state-of-the art technologies for the rehabilitation and modernization of the oil transport infrastructure, so as to ensure the current and future conditions of continuity and the quality of transport services;
- ✓ increasing operational safety and reducing technological consumption;
- ✓ the continuous improvement of the operational to ensure a high level of customer satisfaction the prompt, timely and cost-effective execution of transport services.
- ✓ Maintaining the certifications of the Integrated Management System in accordance with the reference standards

The main lines of actions regarding the quality of the services are:

- ✓ ensuring the availability and expedience of the transport services.
- ✓ the operative resolution of interventions at the transport installations without affecting the interest of the clients and other stakeholders.
- ✓ optimization of the technological consumption of transported product.

The risks identified in this regard are the following:

- ✓ tear and wear of the National Transport System, decrease of the transport throughput, delays in delivery, decrease in customer satisfaction complaints.
- ✓ Identification of major non-conformities following the certification or supervision audits 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 aforementioned risks have been maintained at a low level of impact. Effective risk control has been achieved via:

- ✓ measures for documenting activities and implementing procedures;
- ✓ management analyses and internal audits of the integrated management system;
- ✓ planning and execution of investment and repairs works to the National Transport System.
- ✓ provision of human resources with adequate skills to carry out the main processes.

No major incompliances were identified following the external surveillance audits of the integrated management system.

The indicators related to the quality specific objectives, referring to the increase of customer satisfaction and swiftness in ensuring the transport services are:

- ✓ ensuring the completion of the transport program, whilst staying within the contracted technological consumptions.
- ✓ observance of the delivery time of transported products.
- ✓ the number of client complaints related to the transport services conformity, over the course of an year, with zero as the target value.

In 2021 the indicators met the target values, as follows:

- ✓ the transport program was achieved, within the contractual limits of the technological consumptions;
- ✓ the delivery of the transported products was made according to the contractual provisions;
- ✓ customers did not file any complaints.

## ***Environment***

In the environmental protection domain, the company's management has adopted an environmental policy integrated with the policy regarding labor quality, workspace health and security, specific to the company's activity, size and environmental impact, meant to offer the framework for establishing and assessing the general and specific environmental objectives.

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

Considering that the responsibilities towards the environment and the community in which it operates are inextricably linked to the performance it wishes to achieve in its activity and in accordance with the principles of sustainable development, CONPET has committed itself, through its environmental policy, to:

- ✓ ensuring compliance with the legal requirements and other applicable environmental requirements.



- ✓ continuous performance improvement in environmental protection, particularly by adopting measures to prevent pollution, technological risks and accidents that may have negative repercussions on the environment.
- ✓ the permanent evaluation of the risks / opportunities generated by the context in which the organization evolves and of the risks / opportunities related to the internal processes and the initiation of actions to remedy them.
- ✓ raising awareness of its own staff and those working on behalf of the organization and improving communication in order to ensure an active participation in achieving the objectives and environmental management program.

Considering the environmental protection and water management, CONPET's activity is authorized in compliance with the provisions of the no.195/2005 G.E.O. on environmental protection, with subsequent additions and amendments and the no. 107/1996 Water Law with subsequent additions and amendments. As per Order no.1798/2007 of the Minister of Environment and Sustainable Development for the approval of the procedure resulting in the issuance of the environmental permit, the activity carried out by CONPET is one that has significant impact on the environment. The environmental permits obtained by CONPET have retained their validity throughout the entire period in which the company has obtained the annual visa - amendment stemming from the no. 1150/2020 Ministerial Order.

The identification of the environmental aspects and the evaluation of the impact associated with them, in the company, is performed for:

- ✓ all activities included in the application domain of the environmental management system;
- ✓ goods, assets and services that can generate environmental impacts and which are supplied/executed by suppliers/providers.
- ✓ new development projects/modernizations;
- ✓ installations/equipment within a working point whose operation has been partially or permanently stopped as a result of the conservation, namely decommissioning of the working site and which have impacted the environment or may still do so.

Following the identification of the environmental aspects for the activities, products and services within the company, the significant environmental aspects which constitute input data for the environmental management program were noted.

The lists of environmental aspects and their associated impacts are updated, their centralization as well whenever changes such as the following occur:

- ✓ technological change;
- ✓ modernization or introduction of new installations, equipment, use of other materials, raw or otherwise;
- ✓ the emergence of new requirements, environmental regulations or changes to current ones;
- ✓ the decommissioning of some installations, equipment;
- ✓ the conservation / restart, closing down of working points after the completion of the actions ordered to address the significant environmental issues.



During 2021, the environmental aspects at the locations were reanalyzed, the significant ones being included in the "List of significant environmental aspects and associated impacts".

Considering the significant environmental issues identified within the company, the measures in the inspection reports/authority – minutes, regarding the compliance with the legal and other applicable requirements, etc. during 2021 were revised:

- ✓ Environmental Management Program
- ✓ The Action Plan for the fulfillment of the environmental objectives within company.

The stage of accomplishment of the set out objectives and targets and the degree of fulfillment of the actions established for the achievement of the environmental objectives are annually analyzed by the executive management, within the management analysis.

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

Nowadays, ensuring occupational safety and health represents the field of conjugated concerns of the technical and engineering disciplines, interested in finding the most appropriate methods and means of optimizing human integration in the system of professional requirements.

Care of the Board of Directors, the main aspects regarding operational health and safety are:

- ✓ ensuring the organizational framework adequate for establishing the objectives of the integrated management system quality-environment-occupational and operational security;
- ✓ monitoring the permanent evaluation of the risks/opportunities generated by the context in which the organization evolves and the risks/opportunities related to the processes and settlement of actions for the treatment thereof.

The company permanently assumes its legal obligations via its policy in this field, for:

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

CONPET S.A.'s policy in the field of occupational health and security - an integral part of the policy in the field of quality, environment, occupational health and safety, is compatible with the strategic direction and context of the organization, with the other policies defined by the management and is focused on ensuring a healthy working environment for the entire staff.

### ***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 concerning 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 energy-efficient products and services.

The company carries out staff awareness actions and improves communication in order to ensure an active participation in the achievement of energy-related objectives and targets. To achieve the objectives of this policy, the company is fully committed to maintaining and improving the energy management system, in accordance with the provisions of the SR EN ISO 50001:2019 standard. Thus, the energy management system was implemented, oriented towards the continuous improvement of the organization's energy performance and compliance with the legal requirements regarding energy efficiency, a system certified by DNV Business Assurance Romania. Following the audit that took place in September 2021, the certification of the energy management system implemented in CONPET S.A. has been maintained.

### ***Employment and Social Policy***

In the monthly and quarterly reports, the mandate contract directors present information on compliance with the relevant legislation and internal regulations on the organization of the activity within the company and the efficient allocation of the necessary resources to carry out the activity.

When risks associated with the social and personnel field are identified, risks that could have a significant impact on future work, the executive management shall report them to the Board of Directors.

Within the company, the legal requirements in the fields of human resources and OHS (Ro.SSM) are also complied with via the implementation and certification of the integrated management system. Also, certain requirements are included in the Internal Regulations and in the Ethics and Integrity Code.

CONPET S.A. promotes a transparent business climate, communication and cooperation with all parties involved in its business, while respecting the community and the environment. The company has supported, through sponsorship actions, projects with tradition or with a significant and lasting impact on the community, but also smaller requests for ideas, actions or individual performance.

### ***Dividend policy***

In the last 5 years, CONPET has fulfilled its commitment to provide a return to its shareholders through a sustainable dividend policy and has distributed dividends at a rate of 88% and up to 93% of net accounting profit.

Even if the effective distribution rate in recent years has been relatively constant, through the dividend policy the shareholders will know the dividend distribution rate.

The dividend policy of CONPET S.A. was approved by the Board of Directors on 28.01.2021.

The decisions regarding the distribution of the net profit target the company's options between the partial or full reinvestment of the net profit and / or the distribution as dividends.

**The dividend profit distribution rate**, provided in the dividend policy, which the Board of Directors will take into account in formulating the proposal to the General Meeting of

Shareholders of CONPET S.A. will range between 85% and 100% of the net accounting profit.

The gross dividend per share is the part of the Company's net profit that is calculated and paid to shareholders for each share held.

### ***Remuneration policy***

CONPET has developed and published on its website the remuneration policy for administrators and mandate contract directors.

In the Annual Report of the Directors for the financial year concluded on 31 December 2021, a chapter has been included which refers to information on the remuneration policy.

### ***Railway safety policy***

Starting with 2010, the Railway Safety Management System is implemented and maintained within CONPET S.A. The scope of this system includes the CF ramps where CONPET performs shunting operations.

Through the railway safety policy, CONPET S.A. states its will and firm commitment to maintain and improve a railway safety management system in accordance with the requirements established by national and European Union regulations.

The Romanian Railway Authority (Ro.AFER) has granted the company the License to perform railway transport services (railway maneuvering) and the Unique Safety Certificate for the railway safety management system implemented within CONPET S.A.

### ***Anti-bribery policy***

CONPET S.A. is a company for which being able to conduct business and processes in accordance with the highest standards of ethics and integrity it is a constant concern.

As the operator of the national pipeline system for crude oil, rich gas, condensate and ethane, CONPET S.A. adhered to the national anti-corruption strategy and implemented appropriate integrity plans.

Through anti-bribery policy, CONPET S.A. undertakes to no tolerate any act of bribery, nor to impose any form of sanction or retaliation on any employee or relevant third party for refusing to take part in an act of bribery and to comply with the anti-bribery legislation applicable to the organization.

### ***Development of the internal management control system. Risk management***

The company CONPET S.A., defined as a public entity in accordance with the provisions of the no. 600/2018 Order of the Secretary General of the Government, applies the Internal Management Audit Code of public entities, approved by the aforementioned regulation.

CONPET S.A. annually self-assesses the degree of implementation of the internal management audit standards and reports in accordance with the legal requirements.

The "Code of Ethics and Integrity of Conpet S.A." is in force, within the company, since May 2021 and an Ethics and Integrity Adviser has been appointed by decision of the Director General. The organization's staff signed an individual commitment to comply with the rules of ethical conduct and integrity contained in the Ethics and Integrity Code of CONPET S.A., and the ethics advisor monitored the organization's compliance with the principles and rules of conduct and provided advice and assistance in the field of ethics, according to the Regulation on the activity of the ethics and integrity advisor, in force, within CONPET S.A.

According to the provisions of the no. 600/2018 O.S.G.G. for the approval of the Code of Internal Management Control of Public Entities, the Commission for monitoring the internal management control system is appointed by decision of the Director General, a decision that was updated during 2021, taking into account the changes in organizational structure.

The Commission shall cooperate with all organizational entities so as to implement and develop the internal management control system. Each member of the Monitoring Committee is responsible for the fulfillment of the tasks within the development program of the management control system and for the compliance with the established terms.

The Public Internal Audit Office advises the Monitoring Commission and participates in its meetings. The Public Internal Audit Office oversees the activities of the Monitoring Commission and systematically informs the Director General on the activity of said commission and on the problems it faces and which may affect the process of implementation and development of the internal management control system.

The Monitoring Commission has developed a Program for the development of the internal management control system at CONPET S.A. which is analyzed annually, after the self-assessment of the degree of implementation, according to the provisions of the no. 600/2018 O.S.G.G.

All actions in the program for the development of the internal management control system at CONPET S.A. for 2021 were achieved within the deadlines established in the program.

Following the self-assessment of the internal management control system in accordance with the provisions of the no. 600/2018 O.S.G.G., it was declared compliant on 31.12.2021, with all the 16 implemented standards.

The report on the internal management control system on 31.12.2021 was elaborated in January 2022.

The self-assessment results are submitted annually to the guardianship authority.

### ***Integrated Management System***

The certification of the quality - environment – occupational health and safety integrated management system took place, for the first time, in September 2007, with recertifications every three years. Supervisory audits are carried out annually by the auditors of the certification body DET NORSKE VERITAS-GERMANISCHER LLOYD.

Energy targets and objectives have been updated throughout 2021.

Following the external audit of September 2021, the following certificates have remained in force:

- ✓ 179568-2015-AQ-ROU-RvA, for the quality management system;
- ✓ 179569-2015-AE-ROU-RvA, for the environmental management system;
- ✓ 179565-2015-AHSO-ROU-RvA, for the occupational health and safety management system;
- ✓ 207619-2016-AE-ROU-RvA, for the energy management system.

In order to determine the effectiveness of the quality - environment – occupational health and safety integrated management system and of the railway safety management system, the Management Review was conducted in June 2021 (A.E.M. No. 29).

Throughout 2021, the energy targets and objectives have been updated. The document "List of energy targets and objectives for 2021" included the following targets and objectives:

- ✓ O1: Maintaining energetic efficiency for electricity uses;
- ✓ O2: Increasing energetic performance for natural gas uses;;
- ✓ O3: Increasing energetic efficiency for diesel uses;
- ✓ O4: Increasing energetic performance for car fuel use.

In order to meet these targets, the document "Action Plan for Achieving Energy Objectives and Targets" was elaborated and approved.

The internal audit of the quality - environment – occupational health and safety integrated management system and the railway safety management system provides information on the compliance with the reference requirements and applicable legal requirements. Also, the internal audits aim at evaluating the effectiveness and continuous improvement of the implemented management systems.

The internal audits were performed in accordance with the program approved for 2021 and the audit criteria established in the audit plans. The results were communicated to the auditors through the dissemination of the Audit Reports, to which the Non-compliance and corrective action Reports, opened during the audits, were attached. The company annually provides resources in order to carry out the internal audit under good conditions, a mandatory requirement of the reference standards SR EN ISO 9001:2015, SR EN ISO 14001:2015, SR ISO 45001:2018 and SR EN ISO 50001:2019, as well as the railway safety regulations.

The Program for the implementation of the anti-bribery management system has been underway, in CONPET S.A., since January 2021, according to the requirements of SR ISO 37001:2017.

The first stage of this program was the participation of the staff with responsibilities in the implementation of the system, in the course "Implementer of anti-bribery management systems".

In March 2021, the Anti-Bribery Policy established by the Director General of CONPET S.A. was approved by decision of the Board of Directors.

The scope of the anti-bribery management system has been established by definition in the Integrated Management System Manual. Thus, the anti-bribery management system includes the prevention, detection and fight against bribery, which could occur in any process of the

organization, at any of the organization's locations, by any employee of the organization at the interface with stakeholders included in the Register of Stakeholders.

During 2021, SMI documents (SMI manual, flow charts, process sheets, procedures, the Register of CONPET S.A. Stakeholders) were revised to include the SR ISO 37001:2017 requirements.

### **Risk management**

A Significant Risk Register and an Annual Plan have been developed within CONPET, which include measures to control significant risks, responsibilities and deadlines for the implementation of the measures.

In the first half of 2021, the risks that may affect the achievement of the set objectives were identified, assessed and centralized. Within CONPET, a Significant Risk Register (with an exposure level greater than or equal to 9) and an Annual Plan containing measures to control significant risks, responsibilities and deadlines for carrying out the measures that have been elaborated. The risks were revised as a result of the organizational changes of 2021, and the Significant Risks Register and the Control Plan for these risks were updated / revised in October 2021.

### **Half-yearly Accounting Statements**

Within the company, there is a well-defined timetable and process regarding the elaboration of accounting and financial information in accordance with the financial-accounting and capital market reporting requirements, as well as their verification and approval by the Board of Directors, for publication.

***The quarterly and half-yearly accounting reports were prepared based on the accounting regulations compliant with the International Financial Reporting Standards (“IFRS”) approved by the no. 2844/2016 Order of the Minister of Public Finances and published within the deadlines provided by the law and financial calendar.***

### **The Internal audit**

The public internal audit activity in 2021 was carried out based on the Public Internal Audit Plan, approved by CONPET S.A.'s Director General and endorsed by the Audit Committee, comprised of three members of the Board of Directors.

In 2021, a number of 6 missions were carried out, falling within the areas corresponding to the legislative framework applicable to internal audit (budgetary field, financial accounting field, field of company specific positions and other fields of activity), resulting in 10 recommendations being formulated.

### **Auditing of the Financial Statements**

The annual financial statements were audited by the independent financial auditor BDO Audit SRL, appointed for a three year period, via the no. 5 / 30.09.2019 G.M.S. Ruling, starting with the 2019 financial year. The financial auditor also fulfilled the mission of reviewing the interim financial statements prepared for the first semester of 2021.

### Results of the operational activity

CONPET provides transport services for its customers, both through the National Transport System as well as via railway, from loading ramps to refineries, for the oil exploitation areas that are not connected to the main transport pipelines.

The comparative situation of the volume of products (crude oil, condensate and rich gas) transported through the National Transport System (SNT) and of the resulting revenues, on transport subsystems, during 2019-2021, is as follows:

Indicators	M.U.	2021	2020	2019	Variation (%)	
					2021/2020	2020/2019
Total transported quantities	thousand tons	6,651	6.85	7,124	▼ 0.5%	▼ 6.2%
Total operating revenues	mRON	410.48	402.79	402.02	▲ 1.9%	▲ 0.2%

Table 1 – Evolution of transported quantities and transport-related revenues during 2019 – 2021

The transport services provided by the company are addressed to a small number of customers; consequently, the volumes of transported crude oil is closely related to the trade policy applied by them.

OMV Petrom is the client with the largest share in the company's transport revenues (82.6%).

Indicators	M.U.	2021	2020	2019	Variation (%) 2021/2020	Variation (%) 2020/2019
Revenues from transport services Domestic Subsystem	thousand RON	296,280	299,928	295,632	▼ 1.2%	▲ 1.5%
Revenues form import transport subsystem	thousand RON	114,197	102,857	106,385	▲ 11.0%	▼ 3.3%
<b>Total revenues from transport services</b>	thousand RON	<b>410,477</b>	<b>402,785</b>	<b>402,017</b>	<b>▲ 1.9%</b>	<b>▲ 0.2%</b>
Revenues from rents	thousand RON	1,633	1,633	1,593	-	▲ 2.5%
Other revenues	thousand RON	677	2,510	4,212	▼ 73.0%	▼ 40.4%
<b>Turnover</b>	thousand RON	<b>412,787</b>	<b>406,928</b>	<b>407,822</b>	<b>▲ 1.4%</b>	<b>▼ 0.2%</b>

Table 2 – Evolution of turnover revenues during 2019-2021

## FINANCIAL RESULTS

### Statement of the Financial Standing

Indicators (thousand RON)	2021	2020	2019	Variation (%)	
				2021/2020	2020/2019

#### ASSETS

Noncurrent assets



Indicators (thousand RON)	2021	2020	2019	Variation (%)	
				2021/2020	2020/2019
Tangible assets	512,823	504,534	466,978	▲ 1.6%	▲ 8.0%
Intangible assets	6,942	4,313	2,998	▲ 61.0%	▲ 43.9%
Financial assets	411	1,112	811	▼ 63.0%	▲ 37.1%
Receivables related to deferred corporate tax	4,637	4,956	5,422	▼ 6.4%	▼ 8.6%
<b>Total noncurrent assets</b>	<b>524,813</b>	<b>514,915</b>	<b>476,209</b>	<b>▲ 1.9%</b>	<b>▲ 8.1%</b>
<b>Current assets</b>					
Stocks	5,312	5,912	8,170	▼ 10.1%	▼ 27.6%
Trade Receivables and other Receivables	48,922	40,260	42,249	▲ 21.5%	▼ 4.7%
Cash and Cash Equivalents	191,751	198,257	238,577	▼ 3.3%	▼ 16.9%
Prepaid expenses	624	603	1,862	▲ 3.5%	▼ 67.6%
<b>Total current assets</b>	<b>246,609</b>	<b>245,032</b>	<b>290,858</b>	<b>▲ 0.6%</b>	<b>▼ 15.8%</b>
<b>TOTAL ASSETS</b>	<b>771,422</b>	<b>759,947</b>	<b>767,067</b>	<b>▲ 1.5%</b>	<b>▼ 0.9%</b>
<b>EQUITIES AND DEBTS</b>					
<b>Equities</b>					
Subscribed and paid-up share capital	28,570	28,570	28,570	-	-
Legal reserves	5,714	5,714	5,714	-	-
Revaluation reserves	18,360	20,932	21,112	▼ 12.3%	▼ 0.9%
Other reserves	517,047	500,269	495,540	▲ 3.4%	▲ 1.0%
Retained earnings	46,289	40,679	43,997	▲ 13.8%	▼ 7.5%
Year's Result	51,929	60,847	58,877	▼ 14.7%	▲ 3.3%
<b>Total Equities</b>	<b>667,909</b>	<b>657,011</b>	<b>653,810</b>	<b>▲ 1.7%</b>	<b>▲ 0.5%</b>
Long-term trade liabilities	1,288	-	-	-	-
Long-term liabilities to employees	16,629	19,864	16,269	▼ 16.3%	▲ 22.1%
Other long-term liabilities	3,458	3,470	4,545	▼ 0.3%	▼ 23.7%
<b>Total long-term liabilities</b>	<b>21,375</b>	<b>23,334</b>	<b>20,814</b>	<b>▼ 8.4%</b>	<b>▲ 12.1%</b>
<b>Current liabilities</b>					
Trade liabilities	32,148	23,584	27,179	▲ 36.3%	▼ 13.2%
Current corporate tax	2,049	738	3,077	▲ 177.6%	▼ 76.0%
Other liabilities	27,106	29,893	33,053	▼ 9.3%	▼ 9.6%
Short-term liabilities to employees	12,066	14,128	14,652	▼ 14.6%	▼ 3.6%
Short-term provisions	8,769	11,259	14,482	▼ 22.1%	▼ 22.3%
<b>Total current liabilities</b>	<b>82,138</b>	<b>79,602</b>	<b>92,443</b>	<b>▲ 3.2%</b>	<b>▼ 13.9%</b>
<b>TOTAL LIABILITIES</b>	<b>103,513</b>	<b>102,936</b>	<b>113,257</b>	<b>▲ 0.6%</b>	<b>▼ 9.1%</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>771,422</b>	<b>759,947</b>	<b>767,067</b>	<b>▲ 1.5%</b>	<b>▼ 0.9%</b>

Table 3 – Statement of the Financial Standing during 2019-2021

**The total assets** of the company increased by 1.5% (11,475 thousand RON), compared to the level recorded on December 31, 2020, mainly due to the increase of the noncurrent assets.

**The noncurrent assets** recorded an increase of 1.9%, compared to December 31, 2020, generated by the inflow of fixed assets via acquisitions whose value is higher than the depreciation registered in 2021.

The input of fixed assets represent investments made for the development and modernization of the National Transport System and for ensuring the achievement of the transport operations under safe conditions.

**The current assets** increased by 0.6% (1,577 thousand RON), from 245,032 thousand RON, a value recorded on December 31, 2020, to 246,609 thousand RON, a value recorded on December 31, 2021.

In structure, as compared to December 31, 2020, the trade receivables and other receivables registered an increase of 21.5% (8,662 thousand RON), and the cash availabilities decrease by 3.3% (6,506 thousand RON).

The cash from the modernization quota existing in the bank accounts on 31.12.2021 was of 124,110 thousand RON, 7,706 RON more than on 31.12.2020 (116,404 thousand RON). The cash representing the modernization quota has a special regimen, provided by the no. 168/1998 G.D.; it is intended exclusively for financing the modernization and development of assets pertaining to the public domain.

**The equities** registered an increase of 1.7% (10,898 thousand RON) compared to December 31, 2020, reaching 667,909 thousand RON, mainly determined by the increase in reserves from the modernization quota.

**The total debts** increased by 577 thousand RON as of December 31, 2021, compared to the value registered on December 31, 2020, due to the increase of **current debts**.

**The long-term liabilities** decreased by 1,959 thousand RON compared to December 31, 2020 as a result of the decrease in provisions for employee benefits.

**The current liabilities**, amounting to 82,138 thousand RON, increased by 2,536 thousand RON, compared to December 31, 2020.

### **Profit and loss account**

The evolution of the main financial indicators from the profit and loss account, during 2019-2021, is presented below

Indicators– thousand RON	2021			Realized 2020	Variation 2021/2020
	Realized	Revenues and Expenditure Budget	Variation Realized/Budget		
Contract revenues	412,787	407,430	▲ 1.3%	406,928	▲ 1.4%
Other revenues	40,684	43,665	▼ 6.8%	40,708	▼ 0.1%
Earnings from asset disposals	4,915	6,229	▼ 21.1%	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>458,386</b>	<b>457,324</b>	<b>▲ 0.2 %</b>	<b>447,636</b>	<b>▲ 2.4%</b>
Stock expenditures	5,448	6,098	▼ 10.7%	6,106	▼ 10.8%
Energy and water expenses	16,553	12,738	▲ 29.9%	12,465	▲ 32.8%
Staff expenses	168,219	168,362	▼ 0.1%	162,559	▲ 3.5%

Indicators– thousand RON	2021			Realized 2020	Variation 2021/2020
	Realized	Revenues and Expenditure Budget	Variation Realized/Budget		
Value adjustments for fixed assets, except adjustments for usage rights resulting from leases	51,939	50,227	▲ 3.4%	47,385	▲ 9.6%
Value adjustments regarding the usage rights resulting from leases	1,673	2,154	▼ 22.3%	1,926	▼ 13.1%
Value adjustments on current assets	278	361	▼ 23.0%	(347)	-
Expenditures regarding external services	109,776	110,051	▼ 0.2%	107,482	▲ 2.1%
Asset-disposal generated losses	-	-	-	41	-
Adjustments regarding provisions	(4,144)	952	-	(2,802)	-
Other expenses	50,907	50,582	▲ 0.6%	47,805	▲ 6.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>400,649</b>	<b>401,525</b>	<b>▼ 0.2%</b>	<b>382,620</b>	<b>▲ 4.7%</b>
<b>OPERATING PROFIT</b>	<b>57,737</b>	<b>55,799</b>	<b>▲ 3.5%</b>	<b>65,016</b>	<b>▼ 11.2%</b>
Financial revenues	3,428	2,919	▲ 17.4%	6,123	▼ 44.0%
Financial expenses	330	718	▼ 54.0%	686	▼ 51.9%
<b>FINANCIAL PROFIT</b>	<b>3,098</b>	<b>2,201</b>	<b>▲ 40.8%</b>	<b>5,437</b>	<b>▼ 43.0%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>60,835</b>	<b>58,000</b>	<b>▲ 4.9%</b>	<b>70,453</b>	<b>▼ 13.7%</b>
Current income tax expenses	9,155	9,049	▲ 1.2%	9,177	▼ 0.2%
Expenses with (income from) deferred income tax	(249)	(367)	-	429	-
<b>PROFIT OF THE YEAR</b>	<b>51,929</b>	<b>49,318</b>	<b>▲ 5.3%</b>	<b>60,847</b>	<b>▼ 14.7%</b>

Table 4 – Profit and loss account statement in 2021 compared to the BVC and 2020

In 2021, the company has achieved a gross profit of 60,853 thousand RON, 4.9 % higher than the budgetary provisions.

The net profit registered an increase of 2,611 thousand in 2021, compared to the budget (from 49,318 thousand RON budgetary provision for 2021 to 52,929 thousand RON).

### The Results of the Investment Activity

The value of the investment works carried out in 2021 amounts to 63,5356 thousand RON, representing 66.2% of the 2021 investment program's total value, by 20,879 thousand RON less than in 2020.

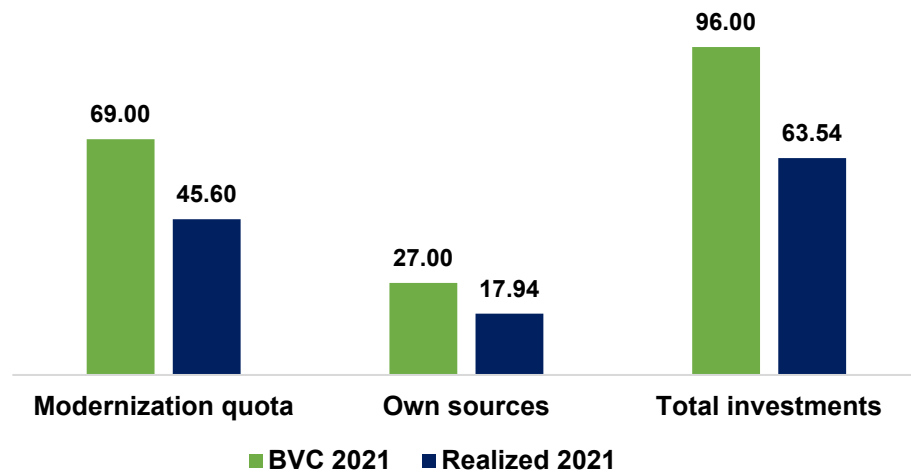
The investment projects within CONPET are primarily aimed at increasing the efficiency of the transport activity.

The investments were financed entirely from our own sources, which consist of: the modernization quota and other sources.

CONPET finances investment objectives within the rehabilitation, modernization and development programs from the modernization quota, which are agreed upon with the National Agency for Mineral Resources, according to the "Oil agreement for the concession of the national crude oil, rich gas, condensate and ethane transport system, including pipelines and ancillary facilities, equipment and endowments".

Investments thousand RON	Anul 2021		
	Realized	Revenues and Expenditure Budget/BVC	Degree of achievement
Modernization Quota	45,596	<b>96,000</b>	66.2%
Own sources	17,940	69,000	66.1%
<b>TOTAL INVESTMENTS</b>	<b>63,536</b>	27,000	<b>66.4%</b>

Table 5 – The value of investments by financing sources in 2021



Grafic 1 The evolution of investments by financing sources in 2021 compared to the 2021 BVC

### The Financial Performance of the Company

The economic and financial activity of CONPET S.A. in 2021 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 2019-2021 and the comparative statement of the values registered in 2021 compared to 2020, namely 2020 compared to 2019 reveals the following:

Indicators (mRON)	2021	2020	2019	Variation (%)	
				2021/2020	2020/2019
<b>Turnover</b>	<b>412.79</b>	<b>406.93</b>	<b>407.82</b>	▲ 1.4%	▼ 0.2%
Operating revenues, of which:	458.39	447.64	443.00	▲ 2.4%	▲ 1.0%
Transport revenues	410.48	402.79	402.02	▲ 1.9%	▲ 0.2%
Operating expenses	400.65	382.62	380.85	▲ 4.7%	▲ 0.5%
<b>EBIT (operating profit)</b>	<b>57.74</b>	<b>65.02</b>	<b>62.15</b>	▼ 11.2%	▲ 4.6%
Value adjustments for fixed assets, except adjustments for usage rights resulting from leases	51,94	47.38	46.64	▲ 9.6%	▲ 1.6%
<b>EBITDA</b>	<b>109.68</b>	<b>112.40</b>	<b>108.79</b>	▼ 2.4%	▲ 3.3%

Indicators (mRON)	2021	2020	2019	Variation (%)	
				2021/2020	2020/2019
Financial result	3.10	5.43	7.55	▼ 42.9%	▼ 28.1%
<b>EBT (gross profit)</b>	<b>60.84</b>	<b>70.45</b>	<b>69.70</b>	<b>▼ 13.6%</b>	<b>▲ 1.1%</b>
<b>NET PROFIT</b>	<b>51.93</b>	<b>60.85</b>	<b>58.88</b>	<b>▼ 14.7%</b>	<b>▲ 3.3%</b>

Table 6 - Evolution of operating and financial results during 2019 - 2021

The financial results of the company in 2021 compared to 2020 are as follows:

- The turnover achieved in 2021, of 412.79 million RON, has increased by 1.4% compared to the level achieved in 2020;
- EBITDA registered a decrease of 2.4%, from 112.40 million RON in 2020 to 109.68 million RON in 2021;
- The operating profit (EBIT) decreased by 11.2%, from 65.02 million RON in 2020 to 57.74 million RON in 2021.

The company concluded 2021 with a net profit of 51.93 million RON, 8.92 million RON less than the value registered in 2020.

### The degree of fulfillment of key financial and non-financial performance indicators

Key financial and non-financial performance indicators are defined in accordance with the provisions and criteria set out in Chapter II - Methodology for establishing key financial and non-financial performance indicators and the variable component of remuneration - from the no. 722 / 28.09.2016 G.D. for the approval of the Methodological Norms for the application of certain provisions of the no. 109/2011 G.E.O. on the corporate governance of public enterprises, with subsequent amendments and additions.

### Relevance of Selected Performance Indicators for the fulfillment of the expectations in the contents of the Letter of Expectations

The expectations of the majority shareholder, the Romanian State, through the Ministry of Economy, Energy and Business Environment, as the majority shareholder in CONPET S.A., and of the other shareholders of the company can be found in the Letter of Expectations, which represents a synthesis of financial and non-financial expectations from CONPET S.A.

The shareholders' expectations concern the following elements: clarification of the Company's patrimonial situation by increasing the company's share capital with the value of the lands for which the company obtained property attestation certificates, implementation of solutions to increase the investment / modernization / refurbishment works, the provision of crude oil and oil storage services, the streamlining of rail transport, the increase in turnover and operating profit, the decrease in operating expenses and the increase in labor productivity, the increase in human capital, the training and molding of the employees, the development of reporting, control and risk management capabilities, the development of new related and non-related activities to the basic one, limitation of the impact on the environment and compliance with the requirements of environmental permits, elaboration of a dividend policy of the company, implementation of the principles of corporate governance and of an ethics and integrity code.

In this sense, the fulfillment of the shareholders' wishes in the Letter of Expectations will be monitored and fulfilled during the 4 years of mandate by using the set of Performance Indicators which represent the instruments of quantitative and qualitative measurement of financial and non-financial performance and which, at the end of each term of office, indicates the achievement of quantifiable objectives related to specific performance targets.

### **Shareholders' expectations regarding the investment policy applicable to CONPET S.A.**

The investment program, endowments and financing sources currently developed by the company include both an annual and multi-annual planning for the medium term, namely 3 years. The final results of the shareholders' expectations regarding the investments are: the modernization of the non-modernized active pumping stations, the replacement of the unsecured pipe sections, the completion of the implementation of the pipe leak detection and location system, the modernization and monitoring of the cathodic protection system, the decrease in the number of technical failures.

The performance of the investment policy will be monitored via the non-financial KPI "Realization of investments financed from the modernization quota" with the target achievement value of at least 95%.

The shareholders' expectations regarding the provision of crude oil and oil byproducts storage services, streamlining of rail transport, increased turnover and operating profit, lower operating expenses, development of new and non-core related activities, development of the company's dividend policy will be monitored by the following key performance indicators:

- Financial KPI "Adjusted EBITDA = (Operating profit - Revenue from the modernization quota reserve + Expenditure on setting up the modernization quota + Value adjustments on intangible and tangible fixed assets, including revaluation differences)". The target value for this financial indicator during the term of office is the achievement of the goal set in the Management Plan.
- Financial KPI "Decrease in operating expenses = (Operating expenses - Value adjustments on assets and adjustments on provisions) / Turnover".

The target of this indicator is to maintain the share of operating expenses in turnover at the level assumed by the Management Plan.

The Plan of measures and actions for fulfilling the strategic objectives provided:

- Development of the storage activity / transport of crude oil and oil byproducts for third parties.
- Assessing the opportunity / feasibility of scenarios for streamlining railway transport activities.
- Assessing the feasibility of developing transports for atypical products.
- Production of electricity from renewable sources (pilot project).
- Development of consulting, engineering, operation (and maintenance) for hydrocarbures transport systems via pipeline.
- Monitoring of operational programs and priority axes in order to access European funds and other forms of non-reimbursable financing.



The shareholders' expectations regarding the increase of labor productivity, the increase of human capital, the training and molding of employees are monitored through the "Labor Productivity" KPI. This indicator is calculated as the ratio between the total operating income and the average staff number. The goal of this indicator is to achieve the value of the set by the annual BVC.

The Measures and Actions Plan provided for:

- The restructuring and permanent adaptation of the human resources in correlation with the requirements and technical-economic realities of the company.
- Development of specific skills and basic skills of human capital.
- Development of the evaluating system for the employees' results.

The shareholders' expectations regarding ethics, integrity and corporate governance. The company's shareholders want the company to continue implementing the principles of corporate governance and a code of ethics and integrity.

This goal of the shareholders will be fulfilled by monitoring the following indicators:

- Non-financial KPI "Implementation / development of the internal control/management system in accordance with the legal requirements in force".
- Non-financial KPI "Increasing institutional integrity by including measures to prevent corruption as an element of management plans", with the target value of achieving, over time, a percentage of at least 90% of the number of desired measures.
- Non-financial KPI "Timely reporting of the degree of fulfillment of the company's performance indicators", the target value being the compliance with the legal reporting deadlines to the beneficiary authorities and institutions through various declarations / reports (100% compliance).

### **Shareholders' expectations regarding other aspects of the business**

Regarding other aspects of the business, the aim is:

- avoiding overdue payments;
- reduction of specific consumption for crude oil transport;
- monitoring the average specific annual electricity consumption for technological purposes.

Performance in monitoring these aspects of the business is achieved by:

Financial KPI "Outstanding payments" (with a target value of zero RON).

- Non-financial KPIs "Included in the specific consumption of crude oil transport" (does not include the amount of crude oil lost due to damage caused or pollution damage where the owners do not allow access for repairs)". The target value of this indicator must be less than the value of the maximum technological consumption for crude oil.
- Non-financial KPI "Monitoring the average annual specific electricity consumption for technological purposes" The aim of this indicator is to maintain the annual average of the specific technological electricity consumption at a maximum level of 3.3 Kwh / to.

The targets of the key performance indicators of the administrators for 2021 were approved by the no. 7/18.12.2018 O.G.M.S. Ruling.

The total degree of fulfillment of the key performance indicators underlying the granting of the variable component, approved by the no. 7/18.12.2018 O.G.M.S. Ruling for 2021, provided in the mandate contracts of the administrators is **102.3%**.

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

Key Performance Indicators	The degree of fulfillment of the key, financial and non-financial, performance indicators		
	Mandate contract	Achieved year 2021	Variation
<b>A. Financial Key Performance Indicators</b>	<b>25.0%</b>	<b>26.8%</b>	<b>+1.8 pp</b>
<b>B. Non-Financial Key Performance Indicators</b>	<b>75.0%</b>	<b>75.5%</b>	<b>+0.5 pp</b>
B1. Operational	25.0%	25.5%	+0.5 pp
B2. Of corporate governance	50.0%	50.0%	-
<b>Total degree of fulfillment of the key performance indicators</b>	<b>100.0%</b>	<b>102.3%</b>	<b>+2.3 pp</b>

Tabel 7 – Key financial performance indicators for 2021

The total degree of achievement of the key performance indicators was exceeded by 2.3 pp, being favorably influenced by the key financial performance indicators by 1.8 pp and by the non-financial key performance indicators by 0.5 pp.

### **Actions conducted in order to achieve the strategic objectives included in the Management Plan**

The strategic objectives included in the company's Management Plan during 2018-2022 are derived from the Letter of Expectations of the majority shareholder, the Romanian state, through the Ministry of Energy and aim to increase business efficiency and improve business performance, optimize operating expenses, develop new related and non-related activities to the core one, shaping the company into a regional player, a more efficient management of human resources and the implementation and development of the principles of corporate governance.

### **Actions taken in 2021 to achieve the objectives of the Management Plan**

#### **Objective 1 Increasing the efficiency and improving business performance**

##### **Redefining the need for transport infrastructure**

A new pumping scenario for crude oil extracted from the Aricești oil field was implemented, which consisted of transporting crude oil extracted from Aricești to the Petrobrazi Refinery mixed with crude oil extracted in Băicoi Vest. This new scenario leads to a reduction in the costs incurred at the Aricești work point.

Also, in order to reduce the costs within the import transport subsystem, the activities for the reactivation of the Pietroșani-Brazi transport route through a new 14" pipeline were continued, in order to define a new pumping scenario. This pumping scenario was created in the context of the rehabilitation of the 24" Călăreți-Pietroșani pipeline, as well as of the rehabilitation project of the fixed point from Pietroșani - the 24" and 14" godevil stations. The project of the 14" Pietroșani-Brazi transport pipeline is in the stage of obtaining the Building Permit.

### **The multi-annual investment program**

The company's multi-annual investment program mainly includes investment objectives that lead to the increased efficiency of the National Transport System as well as to the safety in its operation.

The establishment of the multi-annual investment program is mainly aimed at respecting the commitment that the company has taken on via the minimum investment program communicated to the N.A.M.R., annexed to the Concession Agreement.

The Maintenance Development Department has developed a specification for the implementation of good practices and computerization of project management processes at CONPET S.A.

In September 2021, the process of procurement and signing of the contract for the implementation of good practices and computerization of project management processes within Conpet S.A. took place and the contractual stage of training the Conpet staff designated for the implementation of this project had begun.

### **The main investment projects conducted in 2021 to achieve the strategic objective**

#### *The continuation of the "Leak Detection and Detection System" (LDS) project*

In 2020, the post-implementation of the pilot project "Leak detection and location system" on the Poiana Lacului –Siliște - Ploiești route was monitored and the possibility of implementing the project on other transport relations was analyzed. Following the analysis of the implementation of an LDS system on other transport relations in the fourth quarter of 2021, the implementation on the Constanța-Ploiești section was postponed until the completion of the Danube underpass project and the Borcea arm, as well as the execution of the works "Replacement of Danube crossing wires C1-C2 and Borcea arm C3-C4".

#### *The SCADA system optimization and Hard and Soft upgrade of the Remote Transmission Units (RTUs)*

In 2021, the SCADA system optimization works and the Hard and Soft upgrade of the Remote Transmission Units (RTU) were completed and received, for a total of 29 locations.

#### *The modernization and monitoring of the Cathodic Protection System related to the National Pipeline Transport System*

The modernization and monitoring of the cathodic protection system for the crude oil transmission system aims to slow down or even stop the corrosion process that occurs on the surface of underground metal pipes.

Starting with 2013, CONPET S.A. has initiated an extensive project to modernize and monitor the cathodic protection system related to the crude oil pipeline system.

By the end of 2021, SPCs were executed in 124 locations, out of a total of 109 stage I locations and 30 stage II locations, and the work will continue in 2022 for the remaining 15 stations.

#### *The implementation of the GIS system*

The feasibility study for the implementation of a system of patrimonial geographical evidence was completed and started the acquisition process of technical assistance services for the management of the system's implementation. In August 2019, the construction work contract was signed for the management of the system implementation (technical assistance services).

In December 2020, stage 1 of the implementation of the GIS Heritage Geographic Record System was completed. At the end of 2021, 12 months of post-implementation technical assistance were completed out of the total of 36 contractual months (stage 2).

#### *ERP upgrade*

During 2020, the specifications for the analysis phase were prepared and approved in order to reconfigure the current ERP system. By purchasing these services during 2021, CONPET S.A. identified the new business requirements for ERP upgrading, the deadline being mid-2022.

#### *The rehabilitation of the pipelines that cross the Danube river and the Borcea arm*

During 2021, the procedure for the procurement of design services and the execution of works for the "Replacement of Danube C1-C2 crossing wires and Borcea C3-C4 arm" took place, the contract with the builder was concluded and the location for the execution of the works was handed over.

#### *Implementation of a system of teletransmission and remote management of electricity consumption in CONPET S.A.'s locations*

In September 2021, based on the technical project, the procurement procedure for the execution of the works had begun. On December 31, 2021, the procedure for analyzing the bids submitted by the bidders was in progress. The implementation of the remote management system will be carried out in 19 locations (Poiana Lacului, Cartojani, Videle, Lucăcești, Imeci, Moreni, Siliștea, Cireșu, Băicoi, Bărbătești, Țicleni, Orlești, Ghercești, Otești, Biled, Pecica, Marghita; Constanța Sud, C ).

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

### ***The development of the storage activity / transport of crude oil and oil byproducts for third parties***

In the context of defining and updating the legal framework regarding the procedure for delegating the storage obligation so as to ensure the storage of strategic stocks on Romanian territory, CONPET S.A. has analyzed the conditions necessary for the development of this type of activity. In this regard, information addresses on the intention of CONPET S.A. were sent to N.A.M.R. to develop the activity of storage of crude oil / oil byproducts, including the updated situation of the company's storage capacities as well as an estimation of the tariff for the provision of storage services.

In September 2020, a Collaboration Committee was organized, which included CONPET along with representatives of MAPN, MAE; ME, ANRM, Oil Terminal S.A., UPG. The purpose of the Committee is to analyze the possibilities for transport and storage for military destinations.

### ***Assessing the opportunity/feasibility of increasing the efficiency of railway transport activities***

In terms of the efficiency of the railway transport, the re-commissioning of the rail ramp from the Astra Refinery was taken into account, the decision being justified by the delays in unloading and maneuvering in the Brazi station declared a congested infrastructure.

In 2020, the feasibility study was completed, it was endorsed by the Technical-Economic Council and the Urbanism Certificate was obtained.

Another project aimed at reducing fuel consumption and maintenance and repair costs for existing locomotives is the conversion of diesel-powered locomotives into electric-powered locomotives. Consequently, the multi-annual investment programs detailed:

- the conversion of 3 hydraulic diesel locomotives (LDH 1250 HP) into electric locomotive with electric drive LEA (spread over 4 years, starting with 2019), beginning in early 2022;
- the conversion of one (1) hydraulic diesel locomotive (LDH 700 hp) into an LDE electric diesel locomotive – it was put into operation in May 2021 at the Marghita ramp.

### ***Assessing the feasibility of developing transport for atypical products***

During 2021, the executive management initiated a series of meetings and discussions with representatives of companies active in the oil, chemical and petrochemical industries. Subsequently, preliminary discussions were launched on the possibility of providing services for the transport, storage and loading of agricultural and chemical products in areas where CONPET ramps are adjacent to areas with intensive agricultural activity. Following the participation in the public consultations for the POTJ - Operational Program for Fair Transition organized by the Prahova County Council, the project proposal - conversion of oil transmission pipelines for use in the transport of natural gas / hydrogen mixture was submitted.

### ***Renewable electricity production (pilot project)***

In May 2021, the analysis regarding the possibility of implementing a photovoltaic system for the local production of electricity (photovoltaic power plant) with an installed power of 10 kw on-grid located in Tămădău Mare Commune, Călărași County - Călăreți Pumping Station was updated. The analysis includes both technical-economic elements and elements of cost-benefit analysis, the costs having been updated in May 2021. Subsequently, during the fourth quarter, the working hypotheses taken into account in the study carried out in 2017 were re-evaluated by updating some parameters for 2021 (photovoltaic plant for 5 MW electricity production).

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

In order to support the opportunities for collaboration by providing information or participating in the actions coordinated by the ministry for the work of the Joint Intergovernmental Commissions for bilateral cooperation in the field of energy, the proposal on topics of interest for discussion within the Energy Group Romania was sent to the Ministry of Energy.

In 2021, the European Commission - Directorate-General for Energy launched a consultation on the inclusion of two new thematic areas: smart grid infrastructure (electricity) and cross-border carbon dioxide transport infrastructure.

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

*Permanent resizing and adaptation of human resources in correlation with the requirements and technical-economic realities of the company*

In order to achieve this objective, the need for human resources has been continuously monitored and adapted, taking into account the specifics of CONPET's activity, namely the fluctuations of the activity volume in the work points, which determines the performance of numerous redistributions of employees from one point to another, by:

- ✓ identifying the concordance between the number of positions and the activity volume;

- ✓ the load degree with tasks, as well as that of the interaction of the activities carried out between the employees on those positions;
- ✓ the full use by said employees of the working time related to the accomplishment of the tasks;
- ✓ the option that the work-related tasks of some employees be taken over by the other employees within the respective entity, in compliance with the legal provisions regarding working time;
- ✓ the possibility of supervising the pipelines by extending some routes or by alternately following several routes by the personnel of the sectors;
- ✓ the possibility for some employees to exercise their duties in several work points with reduced activity, not being required to maintain a full-time employee.

Following this analysis process, 29 positions were identified, which were eliminated according to the decision of the Board of Directors dated 24.02.2021.

As a result, the job title list was reduced by 29 positions, resulting in the individual dismissal of 29 employees, occupants of those positions, for reasons beyond their control. The executive management has taken the necessary steps and drafted all the necessary documents (change of list of positions, notifications, dismissal decisions, etc.), so that the process of individual dismissal of employees is carried out in accordance with the legal regulations in force and compliance with the provisions of the Collective Labor Contract of Conpet SA.

In the first semester of 2021, a new organizational structure of the company was approved, applicable starting with 15.06.2021 according to the decision of the Board of Directors from 27.05.2021. For the design of the organizational structure, the following were taken into account:

- the current stage of development of the company, the results and performances obtained, the degree of visibility it has on the capital market;
- developing the principles of corporate governance within the company in order to improve the efficiency of the activity, the processes within the company and increase the confidence of investors;
- improving the coordination of the attributions of the organizational entities in accordance with the needs and complexity of the activity carried out;
- optimizing the decision-making framework and streamlining the internal communication flows (through the new organizational structure, the number of management positions has decreased from 95 to 81 positions).
- the need to increase the flexibility of the organizational structure, by components and as a whole, which corresponds to the current and future requirements of organizational development;
- the need to strengthen the commercial function.

Following the reanalysis of the functional flows by the Decision of 30.06.2021, the Board of Directors of CONPET S.A. approved the modification of the organizational structure of the company, starting with 01.07.2021. Also, following the Decision of the Board of Directors from 12.08.2021, a new modification of the organizational structure of the company was approved, applicable starting with 01.09.2021.

In July 2021, by the Decision of the Director General, it was decided to set up the commission to update the attributions, competencies and responsibilities of the organizational entities in the company's organizational chart in order to elaborate the Organization and Functioning Regulation. The commission thus designated elaborated the final form of the R.O.F., in



correlation with the amendments of the organizational structure specified above. The Organization and Functioning Regulation was approved by the Board of Directors via the Decision of 01.10.2021.

*The development of specific competencies and basic skills of human capital*

The Authorization and Vocational Training Programs were elaborated and approved for this purpose for the year 2021, as a result of identifying the training needs, respectively authorizing the staff, in correlation with the attributions from the job description, in order to maintain / develop skills, specialized knowledge and the skills required for the job.

The vocational training program, namely the Vocational Authorization Program for 2021 were revised according to the legal requirements, as well as other needs that arose throughout the year.

Vocational training is conducted through the collaboration with external partners, companies authorized in vocational training, but also internally, within the company.

Internal vocational training is organized by in-house trainers and/or specialists within the company, with a good knowledge of the field and/or relevant experience in that precise technical activity field, who support internal professional qualification sessions / training / maintenance of knowledge in various fields of activity, as well as the examination / verification of the employees participating in the respective sessions. There is a constant concern for the expansion of the body of trainers in other areas (eg ethics and integrity counseling, GDPR).

Through the trainers within the company, in 2021 the following were trained / retrained / qualified internally: recipients of fluid product handlers, employees with operating responsibilities in the field of micro SCADA.

*The development of the employee performance appraisal system*

The new evaluation criteria, the individual objectives, the performance indicators, the target values and their associated weights for the 2021 activity of the employees with management positions, were the subject of the conclusion in this respect, at the end of 2020, of the addendums to the individual labor contracts of the employees, as established within each entity.

*Negotiating the Collective Labor Contract*

Following the modification of the organizational structure starting with 15.06.2021, the Board of Directors, by Decision of 27.05.2021, mandated the Director General for the negotiation and conclusion with the Conpet Free Union of an addendum to the Collective Labor Agreement having as object the updating of the Nomenclature of functions and the Salary Schedule, in accordance with the new organizational chart.

Subsequently, in December 2021, the Board of Directors mandated the Director General of the company to negotiate and conclude with the Conpet Free Union an addendum to the C.C.M., according to the Decision of 13.12.2021.

Following the negotiations of 14.12.2021, the social partners concluded the no. 4 Addendum to the CCM which was submitted and registered at the Prahova Territorial Labor Inspectorate.

Also, in the application of CCM CONPET registered at I.T.M. Prahova, between CONPET S.A. and the Conpet Free Union, in 2021, 9 protocols were concluded.

### **Objective 5 Implementing and developing the principles of corporate governance**

#### *The development of the Ethics and Integrity Code*

According to the no. 109/30.11.2011 G.E.O on the corporate governance of public enterprises and in the Program for the development of the internal control / management system developed in accordance with OSGG 600/2018, given the need to build a culture of integrity within CONPET SA, a new Ethics and Integrity Code was developed and an Ethics Adviser was appointed.

#### *The active involvement in corporate social responsibility actions*

In 2021, 23 sponsorship contracts were concluded in a total amount of 673.05 thousand RON. The public health units in Prahova and the humanitarian organization National Society of the Red Cross were supported mainly by sponsorship actions, the sponsorships in the “medical and health” field had the highest share, namely 52%.

As of March 2020, official information on COVID-19 elaborated by the Strategic Communication Group - Ministry of Internal Affairs is distributed daily on the CONPET Facebook page, in order to correctly inform, from official sources, the employees and persons following the social media communication channel of CONPET.

#### *Developing the ability to report, control and manage risk*

The project of the development program of the internal management control system at CONPET S.A. for the year 2021 was elaborated during February 2021. In September 2021 the Program for the development of the internal management control system at CONPET S.A. for 2021 was revised, by introducing actions generated by the changes in the organizational structure. The revision of the program was carried out following the meeting of the Monitoring Commission on 02.09.2021. The program for the development of the internal management control system at CONPET S.A. for 2021 was approved by the Director General. All actions due in 2021 have been completed.

#### **Implementation of the requirements of the SR ISO 37001:2017 Anti-bribery management systems**

The action is included in the Program for the implementation of the requirements of the SR ISO 37001: 2017 anti-bribery management systems.

The program for implementing the requirements of the SR ISO 37001:2017 anti-bribery management systems has been developed, approved and disseminated to all employees that have responsibilities in its implementation. In March 2021, the ISO 37001 Requirements Implementation Program was reviewed and approved by the Director General. During 2021, various SMI documents were revised in order to include the requirements of SR ISO 37001:2017. The program for implementing the requirements of SR ISO 37001:2017 in force did not have actions due in the third and fourth quarters of 2021.

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

The mandate contracts with the directors have mainly the same clauses and include in the annex the same key performance indicators for the entire term of office.

Regarding the fulfillment of the obligations provided in the mandate contracts by the directors, we mention that there are no significant reasons or findings regarding their non-fulfillment.

The directors presented monthly and cumulatively, for the reported period, the execution of the budget of revenues and expenditures and, whenever necessary, information on the stage of investment, the stage of implementation of the measures taken, the stage of implementation of the decisions of the Board of Directors.

The directors also presented quarterly, half-yearly and annually, to the Board of Directors, an activity report, as well as the economic-financial situation of the company.

On a quarterly basis, key financial and non-financial performance indicators were evaluated and monitored for both administrators as well as mandate contract directors. The total performance of the financial and non-financial KPIs and the performance of each indicator were presented in quarterly monitoring reports.

The total degree of fulfillment of the key performance indicators for 2021, which are the basis for granting the variable component, approved by the no.7/18.12.2018 O.G.M.S. Ruling, also provided in the mandate contracts of the administrators, is 102.3%.

For 2021, the degree of fulfillment of the key performance indicators established for the mandate contract directors was 104.1%.

In order to achieve the strategic objectives included in the Management Plan of Conpet for the period 2018-2022, the directors carried out the actions included in the management component due in 2021. Details on these actions are presented in the evaluation report of the directors prepared by the Nomination and Remuneration Committee for 2021.

In accordance with Art. 9 of the no. 722/2016 G.D., the evaluation of the efficiency of the administrators' activity is made on the basis of the fulfillment of the objectives included in the management plan and of the financial and non-financial performance indicators included in the mandate contract.

The annual report of the directors for the financial year ended 31 December 2021, but also the contents of this report, presents information on the fulfillment of the objectives included in the management plan and the financial and non-financial performance indicators included in the mandate contract, such as and on the execution of the mandate contract.

The Nomination and Remuneration Committee conducted the annual evaluation of the administrators and completed the evaluation questionnaires for each member of the Board of Directors.

Approval by the O.G.M.S. of the Report of the Board of Directors on the management activity in 2021, of the Report on the administrators' discharge of administration and of the total degree of fulfillment of the key financial and non-financial performance indicators for 2021, represent the fulfillment of the legal requirements regarding corporate governance of public enterprises and confirms that the administrators have been evaluated by the shareholders in accordance with the provisions of the no.109 / 2011 G.E.O., art. 30, para. 7.

**for the Board of Directors**

**BoD Chairman**

**GHEORGHE Cristian – Florin**