

CONPET SA PLOIEȘTI

ENDORSED,

by BoD decision no. _____ from _____

Report of the Board of Directors on the monitoring of the key performance indicators classification of administrators for 2021 in the limits approved by the OGMS

CONPET is the operator of the Crude oil National Transport System via pipelines. Starting 2002, CONPET is the concessionaire of the crude oil, rich gas, condensate and ethane National Transport System operation activity, based on the oil Concession Agreement concluded with the National Agency for Mineral Resources, approved pursuant to Government Decision no. 793/25.07.2002.

Following the completion of the selection procedure provided by EGO no. 109/2011, on corporate governance of public enterprises, approved with amendments and completions by Law no. 111/2016, the OGMS, within the meeting dated 22.08.2018, following the application of cumulative voting method, have appointed administrators of the company, with a term of mandate of 4 years, i.e. starting 22.08.2018, the following: Mr. Gheorghe Cristian – Florin, Iacob Constantin – Ciprian, Popa Claudiu – Aurelian, Gavrilă Florin – Daniel, Albulescu Mihai – Adrian, Meșca Darius – Dumitru and Ms. Pavăl Karina.

On 04.07.2019, following the request to waive her mandate and the status of administrator of Ms. Pavăl Karina, the Board of Directors provisionally appointed Mr. Buică Nicușor - Marian, as administrator, starting 05.07.2019 and until the date of convening of the OGMS. The appointment of the provisional administrator was carried out in accordance with Art. 137² Para. 1 of Law no. 31/1990 on companies, republished, with subsequent amendments, Art. 19 Para. (4) of the Articles of Incorporation of CONPET SA, following the analysis of the proposal in the address submitted by the shareholder DEDEMAN S.R.L., registered with the company under no. 26647/04.07.2019.

On 30.09.2019, the OGMS appointed as administrator Mr. Buică Nicușor - Marian, with a duration of mandate starting 30.09.2019, until the date of completion of mandate of the current Board of Directors (21.08.2022, inclusive of).

On August 4th, 2021, the Ordinary General Meeting of Shareholders approved the revocation of Mr. Meșca Darius Dumitru from the capacity of administrator of the company CONPET S.A. and appointed Mrs. Kohalmi - Szabo Luminița - Doina in the capacity of provisional administrator of the company CONPET S.A., with a term of office of 4 months, respectively until 03.12.2021 (inclusive of).

On December 7th, 2021, the Ordinary General Meeting of Shareholders approved the nomination of Mrs. Kohalmi - Szabo Luminița - Doina in the capacity of provisional administrator of the Company CONPET S.A., with a term of office of 4 months, respectively until 04.06.2022 (inclusive of).

The appointed administrators have concluded with the company contracts of mandate, as approved by OGMS Resolution no. 5/22.08.2018. In the contracts of mandate, it was foreseen granting of remuneration consisting of a fixed monthly allowance and a variable component.

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

The financial and non-financial Key Performance Indicators (KPIs) for the calculation of the variable component of the remuneration are defined by the observance of the provisions and criteria provided at Chapter II - Methodology for the settlement of the financial and non-financial key performance indicators and of the variable component of the remuneration - of the GD no. 722/28.09.2016 for the approval of the Methodological Norms for the application of certain provisions of the EGO no. 109/2011 regarding the Corporate Governance of the Public Enterprises, subsequent amendments and additions.

According to OGMS Resolution no. 7/18.12.2018 the financial and non-financial performance indicators of administrators were approved (KPIs) for the administrators of the company, for the period 2018-2022, which will be used for determining and granting the variable remuneration component of administrators during the execution of the contract of mandate.

This report of monitoring the classification of the key performance indicators of the administrators was developed with the following provisions of the management agreement:

- Art. 1.7 The administrator together with the other members of the Board of Directors has the obligation to monitor the framing, within the limits mentioned in the Administration Plan, of the key performance indicators approved by the OGMS.
- Art.1.8. The administrator, together with the other members of the Board of Directors, has the obligation to prepare and submit to the OGMS an Annual Report regarding the monitoring activity mentioned at item 1.7. within the GMS, for approval of the audited annual financial statements.

The financial and non-financial key performance indicators (KPIs) for the calculation of variable component approved, are provided in the Administration Plan of CONPET, Chapter 7 "*Indicators and Performance Criteria*", for the period 2018-2022.

The performance indicators and objectives approved by the Ordinary General Meeting of Shareholders dated 18.12.2018 are defined and established as follows:

Crt.no.	Performance indicators	Performance objective
A. Financial Key Performance Indicators: 25%		
1.	Outstanding payments	Level zero
2.	The decrease of the operating expenses = (Operating expenses– Impairments of assets and impairments of provisions)/ Turnover	The maintenance of the share of operating expenses in the turnover at the level assumed by the Administration Plan
3.	Adjusted EBITDA = Operating profit - write-back of the reserve out of the modernization quota + Expenses regarding the settlement of the modernization quota + Impairments of tangible and intangible assets, here included the revaluation differences).	The realization of adjusted EBITDA target assumed by the Administration Plan
4.	Labor Productivity	Realization of the labor productivity level provided in the annual Budget, approved
B. NON-FINANCIAL KEY PERFORMANCE INDICATORS: 75%		
B1. OPERATIONAL: 25%		
5.	Framing within the specific consumptions for the crude oil transport (does not include the crude oil quantity lost during provoked breakdowns or in case of breakage resulting in contamination, where the owners do not ease access for remedy).	The target value is lower than the value of the maximal technological consumption, for crude oil
6.	Monitoring of the annual electricity average specific consumption for technological purposes	Maintenance of the annual electricity average specific technological consumption at a level of max 3.3 Kwh/to
7.	Achievement of the investments financed out of the modernization quota	Min. Realization 95% of the annual Investments Plan financed out of the modernization quota
B2. OF CORPORATE GOVERNANCE: 50%		
8.	Implementation/Development of the management control system in compliance with the legal requirements in force	100% achievement of the actions included in the program
9.	Duly reporting of the degree of achievement of the performance indicators of the company	Framing within the reporting due deadlines
10.	Boost institutional integrity by inclusion of the measures to mitigate corruption as an element of the management plans	Minimum 90% achievement of the measures assumed by the approved Integrity Plan

Monitoring the framing within the limits specified in the Administration Plan of the key performance indicators approved by the OGMS

Considering the provisions of art.1.7 and 1.8 of the Addendum no.1/2018 to the contracts of mandate, the Board of Directors monitored quarterly the compliance within the limits specified in the administration plan of the key performance indicators approved by the OGMS.

For the monitoring and reporting of key performance indicators, the Board of Directors requested the executive management the drafting of an operational procedures to that effect.

In 2019 was developed the operational procedure "Monitoring and reporting of key performance indicators", procedure that defines the methodology and responsibilities for monitoring and reporting the key performance indicators, as well as the internal control mechanisms to ensure the accuracy of their reporting.

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

The total and individual degree of achievement of the financial and non-financial key performance indicators was presented in the quarterly and annual reports of monitoring the framing of the key performance indicators in the limits approved by the OGMS.

The financial auditor BDO Audit SRL verified the achievement degree of the performance indicators established by the contracts of mandate of administrators and directors with contract of mandate.

The quarterly monitoring situation of the achievement of financial and non-financial KPIs for directors is as follows:

Key Performance Indicators	Degree of achievement of key performance indicators				
	according to the contract of mandate	Quarterly achievements 2021			
		Q I	Q II Cumulated	Cumulated Q III	Cumulated Q IV
A. Financial key performance indicators	25.0%	27.9%	26.7%	26.3%	26.8%
B. Non-financial key performance indicators	75.0%	55.4%	55.5%	55.5%	75.5%
B1. Operational	25.0%	5.4%	5.5%	5.5%	25.5%
B2. of Corporate Governance	50.0%	50.0%	50.0%	50.0%	50.0%
Total degree of achievement of the performance indicators: - quarterly	100.0%	83.3%	82.2%	81.8%	102.3%

The achieved level of **financial indicators (outstanding payments, decrease of operating expenses, adjusted EBITDA and labor productivity)** was determined using data from the interim financial statements prepared quarterly, and the fulfillment of financial indicators was established in comparison with the provisions of the approved revenues and expenditure budget.

The target values of key performance indicators approved by the OGMS for 2021, the achieved level of these indicators in 2021 and the fulfillment degree are presented in the table below:

OBJECTIVES AND FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS FOR ADMINISTRATORS BETWEEN 01.01.2021 - 31.12.2021

Crt. No.	Performance indicator	Performance objective	MU	(Period 01.01 - 31.12.2021)		Degree of achievement KPI (%)	KPI weights for the settlement of the remuneration	Degree of achievement KPI weighted	
				Approved target values	Achieved values				
A. FINANCIAL KEY PERFORMANCE INDICATORS: 25%									
1.	Outstanding payments	Level zero	kRON	0	0	100.0%	2%	2.0%	
2.	Decrease of the operating expenses = (Operating expenses – Impairments of assets and impairments of provisions)/Turnover	Maintenance of the share of the operating expenses in turnover at the level assumed by the Administration Plan	%	81.5%	85.4%	95.2%	8%	7.6%	
3.	Adjusted EBITDA = Operating profit - write-back of the reserve out of the modernization quota + Expenses regarding the settlement of the modernization quota + Impairments of tangible and intangible assets, here included the revaluation differences.	The realization of adjusted EBITDA target assumed by the Administration Plan	kRON	98,872	119,486	120.8%	10%	12.1%	
4.	Labor productivity	Achievement of the labor productivity level provided in the annual approved Budget	kRON/persons	296	303	102.4%	5%	5.1%	
B. NON-FINANCIAL KEY PERFORMANCE INDICATORS: 75%									
B1. OPERATIONAL: 25%									
5.	Framing within the specific consumptions for the crude oil transport (does not include the crude oil quantity lost during provoked breakdowns or in case of breakage resulting in contamination, where the owners do not ease access for remedy)	The target value is lower than the value of the maximal technological consumption, for crude oil	%	Domestic crude oil ≤ 0.361% Achieved=0.343% Import crude oil Lukoil ≤ 0.290% Achieved 0.180% Import crude oil Petrom ≤ 0.143% Achieved 0.140% Import crude oil Midia ≤ 0.108% Achieved 0.100%	0.296%	0.250%	115.5%	3%	3.5%
B2. OF CORPORATE GOVERNANCE: 50%									
6.	Monitoring the electricity average annual specific consumption for technological purposes	Maintenance of the electricity average annual specific technological consumption at a level of max.3.3 Kwh/to	Kwh/to	Max 3.3 Kwh/to	3.3	2.79	100.0%	2%	2.0%
7.	Achievement of the investments financed out of the modernization quota	Minimum 95% achievement of the annual Investments Plan financed out of the Modernization Quota	%	≥ 95 %	95%	96.0%	100.0%	20%	20.0%
8.	Implementation/Development of the management control system in compliance with the legal requirements in force	100% achievement of the actions included in the program	%	100%	100%	100%	100.0%	20%	20.0%
9.	Duty reporting of the degree of achievement of the performance indicators of the company	Framing within the reporting due deadlines	%	100%	100%	100%	100.0%	20%	20.0%
10.	Boost Institutional integrity by inclusion of the measures to mitigate corruption as an element of the management plans	Minimum 90% achievement of the measures assumed by the approved Integrity Plan	%	≥ 90 %	90%	100%	100.0%	10%	10.0%
Total degree of achievement of the key performance indicators									
102.3%									

*) Average technological consumption (calculated according to each type of transport)

Conclusions

The total degree of fulfillment of key performance indicators for 2021, underlying variable component granting, approved by the OGMS Resolution no. 7/18.12.2018, included in the mandate contracts of administrators is of **102.3 %**.

In structure, the degree of achievement of the performance indicators in 2021 reveals the following:

Key Performance Indicators	Degree of achievement of financial and non-financial key performance indicators		
	according to the contract of mandate	Achieved year 2021	Variation
A. Financial key performance indicators	25.0%	26.8%	+1.8 pp
B. Non-financial key performance indicators	75.0%	75.5%	+0.5 pp

Key Performance Indicators	Degree of achievement of financial and non-financial key performance indicators		
	according to the contract of mandate	Achieved year 2021	Variation
B1. Operational	25.0%	25.5%	+0.5 pp
B2. of Corporate Governance	50.0%	50.0%	0.0%
Total degree of achievement of the performance indicators	100.0%	102.3%	+2.3 pp

The total degree of achievement of the key performance indicators has been exceeded by 2.3 pp, being favorably influenced by the financial key indicators and by the non-financial key performance indicators, as follows:

- **Financial Key Performance Indicators:**
 - ✓ Adjusted **EBITDA** indicator favorably influenced by **2.1 pp** the increase of the degree of achievement of the financial indicators.
 - ✓ **Work productivity** had a positive contribution of **0.1 pp**. The increase in labor productivity by 2.4% from the target has been realized by increasing the operating revenues by 0.2 % and decreasing the average number of staff by 32 people;
- **Non-Financial Key Performance Indicators**
The addition of 0.5 p.p. of non-financial key performance indicators, in the increase of the total compliance targets was at the expense of overcoming the **operational indicator - framing within the specific transport crude oil consumption** due to lower specific consumption transport by 15.5% as compared to target.

In structure, the achievement of specific consumption of crude oil transport (on crude oil types and refineries are as follows:

Approved year 2021		Achievements year 2021	
Domestic crude oil ≤ 0.361%	0.296 %	Domestic crude oil = 0.343%	0.250%
Import crude Lukoil ≤ 0.29%		Import crude oil Lukoil = 0.180%	
Import crude oil Petrom ≤ 0.143%		Import crude oil Petrom = 0.140%	
Import crude oil Midia ≤ 0.108%		Import crude oil Midia = 0.100%	

*) Average technological consumption (calculated according to each type of transport)

Directors with contract of mandate

The situation of quarterly monitoring of the compliance level of financial and non-financial KPIs for directors with mandate contract (director general, deputy director general of economic director), is as follows:

Key Performance Indicators	Degree of achievement of financial and non-financial key performance indicators				
	according to the contract of mandate	Quarterly achievements 2021			
		Q I	Q II Cumulated	Cumulated Q III	Q IV Cumulated

Subject to analysis and endorsement in the BoD meeting dated _____ and approval in the O.G.M.S. meeting dated _____

A. Financial key performance indicators	50.0%	55.9%	53.3%	52.4%	53.3%
B. Non-financial key performance indicators	50.0%	30.7%	30.9%	30.9%	50.8%
B1. Operational	30.0%	10.7%	10.9%	10.9%	30.8%
B2. of Corporate Governance	20.0%	20.0%	20.0%	20.0%	20.0%
Total degree of achievement of the performance indicators - quarterly:	100.0%	86.6%	84.2%	83.3%	104.1%

For 2021, the degree of achievement of the performance indicators set for directors with contract of mandate was of **104.1%**.

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

Key Performance Indicators	Degree of achievement of key performance indicators		
	according to the contract of mandate	Achievements period 01.01.2021-31.12.2021	Variation
A. Financial key performance indicators	50.0%	53.3%	+3.3pp
B. Non-financial key performance indicators	50.0%	50.8%	+0.8pp
B1. Operational	30.0%	30.8%	+0.8 pp
B2. of Corporate Governance	20.0%	20.0%	0.0 pp
Total degree of achievement of key performance indicators:	100.0%	104.1%	+4.1 pp

In conclusion, given that:

- In the addendum to the contracts of mandate reference is made to the fact that financial and non-financial performance indicators (KPIs) will be the basis for establishing and paying the variable remuneration component for managers over the period of the contract of mandate.
- The provisions of Art.1.4 from Addendum no. 1/2018 to the contract of mandate, according to which: "The administrator benefits from a variable component of the remuneration in amount of 12 monthly fixed gross allowances, awarded under the law, respectively by the observance of the Income and Expenditure Budget approved in compliance with the applicable legal provisions in force and by the observance of the methodology established at Art. 1.6. to this Addendum."
- The provisions of art. 1.5. from Addendum no.1/2018 to the contract of mandate, according to which "The payment of the variable component will be made annually, in no more than 15 days as of the approval in the OGMS of the annual financial statements audited in compliance with IFRS and the presentation of the annual report of the Nomination and Remuneration Consultative Committee regarding the global result for the achievement of the financial and non-financial performance indicators approved pursuant to the OGMS Resolution no. 7/18.12.2018."

Subject to analysis and endorsement in the BoD meeting dated _____ and approval in the O.G.M.S. meeting dated _____

- The provisions of art.1.7 from Addendum no. 1/2018 to the contract of mandate, according to which “The administrator, together with the other members of the Board of Directors, has the obligation to monitor the classification within the limits specified in the Administration plan of the key performance indicators approved by the OGMS.”
- The total degree of fulfillment of key performance indicators underlying variable component granting, for 2021, approved by the OGMS Resolution no. 7/18.12.2018, included in the mandate contracts of administrators is of 102.3 %.

Considering:

- The activity carried out by the Board of Directors presented in the Activity Report for the administration activity for the year 2021.
- The Annual Financial Statements for 2021 submitted to approval to the OGMS.
- The Annual Report of the Nomination and Remuneration Committee (Ro. CNR) related to the remunerations and other benefits awarded to the administrators and the directors with contract of mandate during 2021 financial year.

The Board of Directors submits for approval to the OGMS the following proposals.

- a) Approval of the total degree of fulfillment (102.3 %) of financial and non-financial key performance indicators (KPIs) for the year 2021, approved for administrators by OGMS Resolution no. 7/18.12.2018.
- b) Approval of granting of the variable component due to administrators for the period of mandate carried out in 2021, according to the provisions of the contract of mandate.

For the Board of Directors
Chairman of the Board of Directors
Gheorghe Cristian - Florin