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CONPET S.A. POLICY REGARDING TRANSACTIONS WITH AFFILIATED PARTIES

1.1. COMPANY PRESENTATION

The company provides specialized services of oil transport via pipelines and rail tanks, ensuring the supply of refineries with crude oil and its derivatives from the domestic and import production.

CONPET S.A. is the operator of the Crude Oil, Rich Gas, Condensate and Ethane National Transport System (NTS) as defined and regulated by Law no. 238/07.06.2004 - Oil Law and the Methodological Norms for the enforcement of the Oil Law approved under GD no. 2075/2004.

The company supplies transport services for its clients both via the National Transport System conceded based on the Oil Concession Agreement regarding the operation of the Crude Oil, Rich Gas, Condensate and Ethane National Transport System, as well as by rail, from the loading ramps to the refineries, for the oil areas not connected to the major transport pipelines.

Given the natural distribution of the oil fields spread over the entire Romanian territory, the National Transport System was built as to meet the transport needs from all those fields to the refineries. The operation of the system is achieved through the local dispatchers, coordinated by the central dispatcher of the company.

The company operates a pipeline network having 3,800 km in length crossing over 24 Romanian counties.

The pipeline system that the Company manages includes pumping stations, loading - unloading ramps, rail tanks and tank farms. For the operation and maintenance of the Pipeline National Transport System (N.T.S.), the Company has a machinery and maintenance equipment park.

The main partners of the company are: OMV PETROM S.A., PETROTEL LUKOIL S.A. and ROMPETROL RAFINARE S.A.

The crude oil National Transport System (NTS) represents the ensemble of the major interconnected pipelines ensuring the collection of the oil extracted from the exploitation areas or of the imported crude and the transport thereof from the sites where it is handed over by manufacturers/importers to the processing units. As concessionaire of the N.T.S., the Company has the legal obligation to provide all applicants — authorized legal entities, with free access to the available capacity of the system, on equal terms, in a non-discriminatory and transparent manner.

The NTS is structured into four main subsystems: the domestic crude oil transport subsystem, the import crude oil transport subsystem, Rich gas and liquid ethane transport subsystem, Crude oil and rich gas rail transport subsystem.

1.2. PURPOSE

CONPET S.A. is a company whose securities are admitted to trading on a regulated market, managed by the Bucharest Stock Exchange (Ro. "BVB").

The purpose of the Affiliated Party Transactions Policy is to identify, approve, monitor and report transactions with related parties, in compliance with the applicable regulations in force, in order to ensure that all transactions with affiliated parties are managed in a way that will protect the Company from conflicts of interest, ethical misconduct and any other aspects that could harm the Company.

This policy is drawn up based on the applicable legal regulations in force, respectively:

- International Accounting Standard 24 "Presentation of affiliated party information ("IAS 24") from Commission Regulation (EC) no. 1126/2008 dated November 3rd, 2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council;
- Law no.227/2015 on the Fiscal Code, subsequent amendments and completions;
- GEO no.109/2011 *on corporate governance of the public enterprises*, subsequent amendments and completions.
- Law no. 24/2017 regarding the issuers of financial instruments and market operations, republished;
- ASF Regulation no. 5/2018 regarding the issuers of financial instruments and market operations;
- Corporate Governance Code of the Bucharest Stock Exchange;

1.3. DEFINITIONS

1.3.1. International Accounting Standard 24 "Disclosure of Affiliated Parties" (IAS 24)

IAS 24 provides the following:

- **The affiliated party** is a person or entity that is affiliated with the entity preparing its financial statements (referred to in this Standard as the "reporting entity")
 - a) A person or a close member of the person's family is affiliated with a reporting entity if that person:
 - (i) holds control or joint control of the reporting entity;
 - (ii) has a significant influence on the reporting entity; or
 - (iii) is part of the key staff in the management of the reporting entity or in the management of a parent company of the reporting entity.
 - (b) An entity is affiliated with a reporting entity if it meets any of the following conditions:
 - (i) the entity and the reporting entity are part of the same group (which means that

Affiliated party transactions Policy

each parent company, subsidiary or member subsidiary is affiliated with the other entities);

- (ii) an entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member entity of a group which the other entity is part of);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third party and the other entity is an entity associated with the third party;
- (v) the entity is a post-employment benefit plan for the benefit of the employees of the reporting entity or of an affiliated entity of the reporting entity. If the reporting entity itself is such a plan, the employers financing the plan are also affiliated with the reporting entity;
- (vi) the entity is controlled or jointly controlled by a person defined in item (a);
- (vii) a person identified in item 9 (a) (i) has significant influence over the entity or is part of the key staff in the management of the entity (or in the management of a parent company of the entity);
- (viii) The entity, or any member of a group to which it belongs, provides to the reporting entity or the parent company of the reporting entity services related to the key personnel in the management of that entity.

- **The transaction with an affiliated party** is a transfer of resources, services or obligations between a reporting entity and an affiliated party, regardless of whether a price is invoiced or not.
- **The person's immediate family members** are those family members who can be expected to influence or be influenced by that person in their relationship with the entity. These include:
 - (a) the children, wife or life partner of the person concerned;
 - (b) the children of the person's wife or life partner; and
 - (c) dependants of that person or of that person's wife or life partner.
- **The management key personnel** are those persons who have the authority and responsibility to plan, direct and control the activities of the entity, directly or indirectly, including any director (executive or not) of the entity.
- **Control**

An investor controls an investee when it is exposed or has rights to variable profitability based on its participation in the investee and could influence those returns through its authority over the investee.

Therefore, an investor controls an investee if and only if the investor fully holds the following:

- (a) authority over the investee (see items 10 –14);
- (b) exposure or rights to variable profitability based on its participation in the investee (see items 15 and 16); and
- (c) the ability to use its authority over the investee to influence the amount of the investor's return (see items 17 and 18).

- **The significant influence** is the capacity to take part in the decision-making process regarding the policies regulating the financial and operation of the entity where the investment was placed, without exercising any control or a shared control on these policies.

If any entity holds, directly or indirectly (eg, by subsidiaries), 20% or more of the voting rights of the entity benefiting from the investment, it is assumed to exercise

Affiliated party transactions Policy

significant influence, unless such an influence cannot be clearly demonstrated. On the contrary, if the entity holds, directly or indirectly (eg, by subsidiaries), less than 20% of the voting rights of the entity benefiting from the investment, it is assumed that the latter does not exercise significant influence, unless such influence can be clearly demonstrated. A substantial or majority shareholding of another investor does not necessarily exclude the possibility of an entity to exercise significant influence.

The existence of the significant influence exercised by an entity is usually reflected in one or more of the following ways:

- (a) representation in the board of directors or in the equivalent management body of the investee;
- (b) participation in the policy-making process, including participation in decision-making regarding dividends and other distributions;
- (c) significant transactions between the entity and the investee;
- (d) interchange of the management personnel; or
- (e) providing essential technical information.

• ***In the context of the standard, the following are not deemed affiliated parties:***

- (a) two entities only because they share director or other key management personnel or because a member in the key management of one of the entities has significant influence over the other entity;
- (b) two partners in a joint venture solely because they exercise joint control of a joint venture;
- (c) (i) the financiers;
- (ii) The trade unions;
- (iii) The public services, and
- (iv) The government departments and agencies that do not control, jointly control, or have significant influence over the reporting entity; only based on the usual relations they have with an entity (although these may affect the entity's freedom of action or participation to the decision-making process within the entity);
- (d) a customer, supplier, franchiser, distributor or general agent with whom the entity carries out a significant volume of transactions, solely by virtue of the resulting economic dependency.

In addition, according to art. 18 of the IAS 24 standard, if an entity has relationships with affiliated parties during the periods covered by the financial statements, it must present the nature of the relationship with the affiliated parties, as well as the information regarding transactions and due balances, including commitments, necessary for users to understand the potential effect of the relationship on financial statements. The presentation of the information must include at least:

- (a) value of transactions;
- (b) the amount of the outstanding balances, including commitments, and:
 - (i) their terms and conditions, including whether they are guaranteed, and the nature of the consideration to be settled; and
 - (ii) details regarding the guarantees given or received;
- (c) provisions for doubtful debts related to the value of due balances;
- (d) the expense recognized during the period in respect of nonrecoverable or doubtful receivables due by the affiliated parties.

1.3.2. Law no. 227/2015 regarding the Fiscal Code (“the Fiscal Code”)

The Fiscal Code mentions that a person is affiliated if their relationship with another person is defined by at least one of the following cases:

- a) a natural person is affiliated with another natural person if they are spouses or relatives up to the third degree inclusive of;
- b) a natural person is affiliated with a legal person if the natural person owns, directly or indirectly, including the holdings of affiliated persons, at least 25% of the value/number of shares or voting rights of a legal person or if it effectively controls the legal person;
- c) a legal person is affiliated with another legal person if it holds at least, directly or indirectly, including the holdings of the affiliated persons, a minimum of 25% of the value/number of equity securities or voting rights of a legal person or if it effectively controls that legal person;
- d) a legal person is affiliated with another legal person if a person holds, directly or indirectly, including the holdings of the affiliated persons, at least 25% of the value/number of equity securities or voting rights of a legal person, or effectively controls that legal person.

Between the affiliated persons, the price at which tangible or intangible goods are transferred or services are rendered is the transfer price;

1.3.3. GEO no.109/2011 on the corporate governance of the public enterprises, subsequent amendments and completions

As per Article 52 of the **GEO no. 109/2011**, the affiliated parties are:

- a) The Administrators;
- b) The Directors;
- c) The Employees;
- d) The shareholders who control the company or a company under their control;
- e) The husband or wife, relatives or affines up to the fourth degree of the persons mentioned in the letters a) - d).

According to art. 2 of the Emergency Ordinance no. 109/2011, for the purposes of this ordinance, the terms and expressions below have the following meanings:

- **Public enterprise**
 - a) Regies autonomes set up by the state or another administrative-territorial unit;
 - b) national companies and societies, companies in which the state or an administrative-territorial unit is the sole, majority shareholder or exercises control over it;
 - c) companies where one or more public enterprises provided for in letters a) and b) hold majority shareholding or a participation providing control;
- **Tutelary public authority - the institution which:**
 - a) Coordinates, has under its subordination or under its authority one or more public enterprises provided for in item 2 letter a);
 - b) exercises, on behalf of the state or the administrative-territorial unit, the capacity of shareholder in the public enterprises provided for in item 2 letter b);
 - c) coordinates the exercise by one or more public enterprises provided for in item 2 letter a) and/or letter b) of the capacity of shareholder or associate in a controlled company;

Affiliated party transactions Policy

- **Control** - the relationship between the state or the administrative-territorial unit shareholder or a public enterprise, on the one hand, and the company where:
 - a) directly or indirectly owns the majority of the voting rights; can appoint or revoke the majority of the members of the administration and control bodies;
 - b) can exercise, as a shareholder, a determining influence, by virtue of certain clauses meant to establish the management strategy of the public enterprise, included in the contracts concluded with the public enterprise or in the Articles of Association of the same;
- **Director** - the person to whom the management attributions of the company have been delegated, in accordance with the provisions of art. 143 of the Companies Law no. 31/1990, republished, with subsequent amendments and additions; the financial/economic director is assimilated to the director;

According to the Compendium of the Corporate Governance Code, **an affiliated party** is a person or entity that, by virtue of its position, authority, holdings or relationship with the company, can directly or indirectly influence the decision-making process of the company.

1.3.4. Law no. 24/2017 regarding the issuers of financial instruments and market operations, republished

Law no. 24/2017 provides at art. 94 letter g that "affiliated party - has the meaning provided in the international accounting standards adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council dated July 19, 2002 regarding the application of the international accounting standards."

- **Meaningful transaction** is defined according to art. 108 paragraph (3) of Law no. 24/2017, as any transfer of resources, services or obligations regardless of whether or not they involve the payment of a price, the individual or cumulative value of which represents more than 5% of the net assets of the issuer, according to the last individual financial reports published by the company, in compliance with art. 108 para. (12) from Law no. 24/ 2017.
- **The controlled person** is, according to art. 2 para. (2), item 26 of Law no. 24/2017 any legal person:
 - a) in which the natural person or a legal entity holds the majority of the voting rights or
 - b) in which a natural person or legal entity is entitled to appoint or revoke the majority of members of the administrative, management or supervisory bodies, being, at the same time, shareholder or associate of the person in question or
 - c) in which the natural person or legal entity is a shareholder or associate and controls alone, based on an agreement concluded with other shareholders or associates of said person, most of the voting rights of the shareholders or associates or
 - d) over which a natural person or legal entity has the power to exercise or actually exercises a dominant influence or control;

1.3.5 In conclusion, *the affiliated parties of the Company* are:

1. the administrators;
2. the directors with a mandate contract, to whom leadership and management has been delegated by the Board of Directors;
3. the shareholders who control the company or a company controlled by them;
4. the employees;
5. the husband or wife, affines or next of kin up to the fourth degree of the persons provided for in points 1 - 4;
6. the life partner of the persons referred to in items 1 - 4;
7. the children of the wife/husband or of the life partner of the persons provided for in items 1 - 4;
8. dependants of the persons referred to in items 1-4 or of the spouse or life the partner of the persons referred to in items 1 - 4;
9. an entity that is controlled or jointly controlled by the persons referred to in items 1 - 4;
10. a person who owns, directly or indirectly, including the holdings of affiliated persons, at least 25% of the value/number of equity securities or voting rights or is part of the key personnel of the company's management.

• **Kinship**

(1) Natural kinship is the connection based on the descent of one person from another person or the fact that several people have a common ancestor.

(2) Civil kinship is the bond resulting from the adoption concluded under the conditions provided by law.

Kinship is lineal (consanguineal) in the case of a person's descent from another person and can be ascending or descending.

Kinship is collateral when it results from the fact that several people have a common ancestor.

The degree of kinship is determined as follows:

Lineal, according to the number of births: thus, children and parents are relatives of the first degree, grandchildren and grandparents are relatives of the second degree;

Collaterally, according to the number of births, ascending from one of the relatives till the common ascendant and descending from them to the other relative; thus, siblings are second degree relatives, uncle or aunt and nephew, third degree, first cousins, fourth degree.

Therefore:

- Ist degree: parents and children;
- IInd degree: siblings, grandparents and grandchildren;
- IIIrd degree: uncle/aunt and nephew;
- IVth degree: first cousins.

• **Affinity**

(1) Affinity is the connection between one spouse and the relatives of the other spouse.

(2) The relatives of the husband are, in the same line and the same degree, affines of the other spouse.

Affiliated party transactions Policy

The affinity relationship occurs between one spouse and the relatives of the other spouse. The degree of affinity is calculated as follows:

- Ist degree: parents-in-law and daughter-in-law/son-in-law;
- IInd degree: sisters-in-law and brothers-in-law;
- IIIrd degree: uncle and nephew's wife;
- IVth degree: cousins, their husbands and wives.

1.4. FIELD OF APPLICATION

The policy regarding transactions with affiliated parties is applied within CONPET S.A., in the activities of identification, approval, monitoring and reporting of transactions with affiliated parties, which are carried out in accordance with the applicable legislation in force.

The provisions of this Policy do not represent derogations from the legal provisions in force, the concerned parties being bound to comply with the applicable legislation in case of inconsistency between the legal provisions and those of this policy.

1.5. POLICY PRINCIPLES

1.5.1 Identification of affiliated party transactions

- Before concluding a contract, the Company verifies whether the partner is an affiliated party;
- Within the Company, a record of identified affiliated parties and transactions with them is kept through the Register of Affiliated Parties and the Register of Transactions with Affiliated Parties;
- Transactions concluded with affiliated parties are analyzed by the Company from the point of view of the reporting obligation, approval and avoidance of conflict of interests.

1.5.2. Avoiding and preventing conflict of interest in affiliated party transactions

The company will ensure that all related party transactions are judged objectively, on their own merits in a way that ensures the independence and protection of the company's interests, respecting the restrictions contained in the legislation and fairly disclosed to shareholders and potential investors.

The administrators are required to declare any actual or potential conflict of interest at the start of all the Board meetings and not to take part in any Board deliberations regarding transactions in relation to which such conflict of interest exists.

Any member of the Board must provide the Board with information regarding any relationship with a shareholder who directly or indirectly owns shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the member's position on matters decided by the Board.

If an unavoidable transaction may present a current or potential conflict of interest for an administrator, said transaction or commercial relationship with the Company will be addressed with appropriate caution and absolute transparency.

The company Conpet S.A.

Affiliated party transactions Policy

No shareholder may be given preferential treatment over other shareholders regarding transactions and agreements concluded by the company with shareholders and their affiliates.

Administrators must notify the Board of Directors regarding any conflicts of interest that have arisen or may arise in connection with affiliated party transactions and refrain from participating in discussions (including by failure to appear, unless failure to appear would render the meeting non-quorate) and from vote for the adoption of a decision regarding the issue that gives rise to said conflict of interests.

The audit committee must evaluate conflicts of interest in connection with the company's affiliated party transactions.

At the same time, directors must notify the Board of Directors regarding any conflicts of interest that have occurred or may occur in connection with affiliated party transactions.

Any employee who is aware of the existence of transactions with affiliated parties is required to bring them to the attention of the Director General in order to be submitted for the approval of the Board of Directors.

Directors and employees who are in a conflict of interest with an affiliated party will not be part of the evaluation committee established for awarding the contract if the purchase is conducted via such a procedure, they will not participate in discussions and decisions in the decision-making process, they will not sign documents regarding the awarding of said contract.

The affiliated party cannot participate in the approval, namely in the vote of the significant transaction involving the respective affiliated party, under penalty of nullity, by court decision, of the decision taken in violation of this prohibition.

Conpet S.A. has adopted and implemented procedures dedicated to the conflict of interest and integrity warning based on the principles set out in the Ethics and Integrity Code of CONPET S.A.. Any employee, client, supplier, contractor and sub-contractor of the Company that is connected to its activity, may submit, under conditions that ensure the confidentiality of their identity, reports regarding any action by an employee or another person acting on behalf of the Company, which would violate the law or the internal rules of ethics and business integrity of the Company, including the provisions of this policy.

Conpet S.A. guarantees the protection of integrity whistleblowers and discloses, on the company's website, the "button" for integrity warnings, aiding in the elaboration of integrity alerts, which are registered by anonymizing the whistleblowers, in order to investigate and resolve the procedural and legal cases reported.

Conpet S.A.'s management under no circumstances allows repressive actions against persons who in good faith report an irregularity, even if the issues reported are not confirmed or partially confirmed.

As per article 53 of GEO no.109/ 2011



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The company Conpet S.A.

Affiliated party transactions Policy

"(1) It is deemed annulable, the legal act concluded by defrauding the interests of the public enterprise by a member of the Board of Directors or of the supervisory board, by a director or, as the case may be, by a member of the directorate with:

- a) the husband, his ascendants or descendants, with collateral relatives or with his affines relatives up to the fourth degree inclusive of;*
- b) the administrators or directors or, as the case may be, with members of the supervisory board or directorate, with employees, with shareholders who control the company or with a controlled company;*
- c) the spouse of the persons provided for in letter b), with their ascendants or descendants, with collateral relatives or with affines up to the fourth degree inclusive of theirs.*

(2) The action for annulment can be introduced by any shareholder or by the person appointed by the General Meeting of Shareholders within 6 months from the date on which they became aware of the transaction, but no more than 6 months from the date of approval by the General Meeting of the transaction, as per art. 52 Para (1) and (2) of GEO no.109/2011

1.5.3. Approval of affiliated party transactions

In order to establish the competences regarding the approval of transactions with affiliated parties, the Company considers the following criteria provided by normative acts:

- the approval by the General Meeting of Shareholders of any transaction, if it has, individually or in a series of concluded transactions, a value greater than 10% of the value of the Company's net assets or greater than 10% of the Company's turnover, according to the last audited financial statements, with the administrators or directors or, as the case may be, with the members of the supervisory board or the directorate, with the employees, with the shareholders who control the company or with a company controlled by them, according to the provisions of paragraph (1), art. 52 of GEO 109/2011;
- the Director General submits to the approval of the Company's Board of Directors any transaction in the category of those provided for in paragraph (1), if it has, individually or in a series of transactions, a value of at least the equivalent in RON of 50,000 EUR, as per the provisions of paragraph (5), art. 52 of GEO 109/2011. In order to decide on the transaction, the Board of Directors can order the performance of an independent expertise, to check if the transaction is correct in relation to similar offers on the market.
- approval by the Company's Board of Directors of significant transactions with affiliated parties in accordance with procedures that prevent an affiliated party from taking advantage of its position and that provide adequate protection to the interests of the issuer and non-related shareholders, including of minority shareholders, according to the provisions of paragraph (8), art. 108 of Law no. 24/2017 republished.

1.5.4. Notification and reporting of affiliated party transactions

- The Board of Directors will inform the shareholders during the first General Meeting of Shareholders following the conclusion of the legal act on any transaction concluded by the Company, with another public enterprise or with the tutelary public authority, if the transaction has a value, individually or in a series of transactions, of at least the equivalent in RON of 100,000 EUR (art. 52, para (3), letter b) of GEO 109/2011.



The company Conpet S.A.

Affiliated party transactions Policy

- The Board of Directors is bound to inform the shareholders, during the first General Meeting of Shareholders following the conclusion of the legal act, on any transaction concluded by the company with the persons previously listed in points 1-10, if the value of the transaction is below the level established in art. 52 para. (1) of GEO no. 109/2011, namely below the value of 10% of the value of the company's net assets or below the value of 10% of the company's turnover, according to the last audited financial statements.
- The company publicly announces, by elaborating and publishing a report, the significant transactions with related parties, following their approval by the Board of Directors and at the latest at the time of their conclusion (art. 108, paragraph 1 of Law no. 24/2017)
- The half-yearly and annual reports of the Board of Directors will mention, in a special chapter, the legal documents concluded by the Company under the conditions of article 52 paragraph (1) and (3) of GEO 109/2011, specifying the following elements: the parties that concluded the legal document, the date of conclusion and the nature of the document, the description of its scope, its total value, the mutual receivables, the established guarantees, the terms and methods of payment, as well as other essential and significant elements in relation to these legal documents. The reports will also mention any other information necessary to determine the effects of said legal documents on the company's financial situation.
- In the half-yearly and annual financial statements, the list of significant transactions with affiliated parties will be included, which contains information regarding the transactions.

1.5.5. Prior and subsequent control of transactions with affiliated parties

Prior to the conclusion of a transaction with affiliated parties, a prior control is exercised, which is conducted as follows:

- To decide on transactions whose value exceeds 50,000 EUR, the Board of Directors can order the performance of an independent expertise or the elaboration of a prior opinion by the Internal Public Audit structure, to check whether the transactions are correct in relation to similar offers existing on the market.
- The Board of Directors approves the conclusion of significant transactions with affiliated parties, defined under item 1.3.4 of this policy, based solely on a mandatory opinion issued by the Audit Committee.

The affiliated party transactions are verified after conclusion, as follows:

- The Company's financial auditor/audit company analyzes, at the end of each semester, the transactions concluded with the affiliated parties reported during that semester and issues a report in which it evaluates whether the transactions are correct and justified from the point of view of the Company and shareholders. If the transactions are not conducted at the market price, the report will specify the causes that led to that derogation and the pricing policies.

Annually, the Company elaborates the file on the transfer prices based on Order no. 442/2016 regarding the quantum of transactions, the elaboration deadlines, the



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The company Conpet S.A.

Affiliated party transactions Policy

content and conditions for requesting the transfer prices file and the transfer prices adjustment/estimation procedure, through an independent consultant.

Its preparation is mandatory for large taxpayers who conduct **transactions exceeding the significance threshold**, namely:

- 200,000 EUR in the case of interests registered with financial services;
- 250,000 EUR in the case of the provision of services;
- 350,000 EUR in case of purchases/sales of tangible or intangible assets.

Completion of the transfer prices file issuance must be made before the deadline for filing the corporate tax returns for major taxpayers' profits.

Director General
Eng. Dorin TUDORA
S.s. Illegible, stamp

Economic Director
Econ. Sanda Toader
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