



**rompetrol**

KazMunayGas  
International  
Group Member

# REMUNERATION POLICY ROMPETROL REFINERY S.A.



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## 1. GENERAL PROVISIONS

### 1.1. SCOPE AND OBJECTIVES

The purpose of the Remuneration Policy is to provide a transparent framework for the Rompetrol Refinery Managers to receive remuneration in accordance with clear principles designed to demonstrate that the interests of decision makers in the company are aligned with those of shareholders and other parties involved (such as employees or the public).

The Remuneration Policy clearly and understandably details the principles underlying the Managers' remuneration, the set of remuneration elements to which the Managers are entitled, and the rationale for the provision of those remunerations in relation to the Company's long-term goals.

The Remuneration Policy provides an adequate framework talents acquisition and developing the skills needed to achieve company goals, helping to increase talent retention.

The Policy also contributes to the successful implementation of the company's strategy in the short, medium, and long term and provides the necessary and flexible tools to reward management, including for exceptional situations and achievements.

### 1.2. APPLICABILITY

The Remuneration Policy is addressed to both members of the Management Board and Executive Officers of the Company as defined in Article 143 of the Companies Act No. 31/1990, reissued and subsequently amended, as well as Article 91<sup>^2</sup> b) of Law 24/2017. The Company Directors shall mean: General Manager, Deputy General Manager and Finance Manager.

The provisions of the Rompetrol Refinery S.A. Remuneration Policy shall be supplemented by the provisions of the Compensation and Benefits Policy of KMG International.

### 1.3. DEFINITIONS AND ABBREVIATIONS

**Manager** = member of the Management Board, and respectively Executive Officer of the Company (i.e. General Manager, Deputy General Manager and Finance Manager)

**Director** = the person who performs the company management duties

**Executive Manager** = a company manager with decision-making powers, i.e. the Managing Director, the Deputy Managing Director, and Finance Manager

**Non-Executive Manager** = member of the Management Board who does not simultaneously hold the position of Executive Officer within the company

**Company** = Romanian legal entity with the office registered in Romania and whose shares are admitted to trading on a regulated market located or operating in an EU member state, in this case Rompetrol Refinery S.A.

**Ordinary General Meeting of Shareholders (OGMS)** = ordinary general meeting of shareholders of Rompetrol Refinery S.A.



**Management Board (MB)** = the corporate body formed by the company's administrators with a supervisory and control duties within the company

**Remuneration Committee** = an advisory body consisting of members of the Management Board (of which at least one is independent) and the Company's designated Human Resources Manager.

**Agreement/agency contract**= any agreement to provide personal services in exchange for remuneration that is not an employment contract, service contract, or agency contract.

**Group** = the parent company together with its subsidiaries

**Remuneration** = the payment received by the Manager for the services provided to the company

**Fixed remuneration** = the part of the total remuneration that is not directly related to the Company's performance

**Variable remuneration** = the part of the total remuneration that depends on the company's performance and/or is discretionary

**Compensatory Payment** = payments related to the early termination of a contract at the initiative of the Company for cases not related to the wrongful non-execution of the obligations of the Manager

**Remuneration report** = document that shows the implementation of the remuneration policy for the year ended, and shows the current remuneration received by Managers.

**KPI** = key performance indicators

**Threshold** = minimum performance threshold

**Target** = target value of performance

**Challenge** = exceptional level of performance

## 2. REMUNERATION PRINCIPLES

The basic principles that Rompetrol Refinery S.A. transfers are:

- Payment for performance
- Maintaining competitiveness in the labor market
- Internal equity

## 3. REMUNERATION

To establish the level of fixed remuneration for the Company's managers, the wage scales developed at the Group level will be taken into account. They shall be calculated from market wage data, following the principle of competitiveness and with an interval between the minimum and maximum level of +/-20% compared to the average value of each level. The level of fixed remuneration for company managers shall also take into account the level of average gross remuneration of employees at the company level.

Since the underlying markets (general market, oil and gas market) may develop at different rates over time, wage scale values may vary from year to year depending on the movement of the selected markets.



### 3.1. REMUNERATION ITEMS

#### **Remuneration for Non-Executive Managers**

Non-Executive Managers are provided with a fixed remuneration consisting of a monthly cash remuneration, which may vary depending on the Manager's role (e.g., Chairman or member of the Management Board, member of the advisory committees of the Management Board).

#### **Remuneration for Executive Managers**

Rompetrol Refinery S.A. rewards executive officers using the following payment principles:

- **Fixed Remuneration**– shall be governed by the provisions of this Policy and in accordance with the provisions of the Compensation and Benefits Policy at the Group level.
- **Variable remuneration:**
  - The performance bonus, which depends on the fulfilment of strategic goals at the company level and individual goals, shall be set annually and approved by the Group's Management Board.
  - The company-level Collective Labour Agreement regulates the method of calculation and payment rules for the following items:
    - Holiday bonus
    - Social Aids
    - Compensatory payments
    - Supplementary pension
    - Overtime
- **Benefits** - presented in this policy, the vast majority being managed based on the provisions of the Collective Labour Agreement applicable at the Company level.

In the case of variable payments, the recommended percentage for Executive Officers, in accordance with specific reference markets and based on best practices, is 90/10 (fixed remuneration/variable remuneration).

The maximum amount of all remunerations shall be recommended by the Remuneration Committee, if any, proposed by the Management Board, and approved by the General Meeting of Shareholders. If no Remuneration Committee is established, its powers shall be adopted by the Management Board.

### 3.2. PERFORMANCE MEASUREMENT

Performance goals shall be set in accordance with the provisions of the Group Performance Evaluation Policy, taking into account the Company's strategy and medium- and long-term goals.

The development and approval of performance plans shall take into account the definition of Corporate and Individual key performance indicators, the establishment of Threshold, Target, and Challenge, as well as the shares of performance levels. Corporate and individual KPIs for executive directors shall be developed by cascading the Group's strategic goals, which include financial and non-financial indicators specific to the Company.



According to the schedule approved at the Group level, the following actions shall be carried out as follows:

- performance planning: until March 31
- half-yearly performance evaluation: July 15 - August 15
- Annual performance evaluation: January 15 - February 15

The final evaluation of the executive officers is validated within the Management Board at the beginning of the following year, and if the payment of a performance bonus is established, it can be paid during the year following the fulfilment of the objectives, but only in the context of the successful completion of annual evaluation.

For each KPI, the completion level shall be calculated and expressed as a completion percentage.

The following basic rules shall be used to calculate the completion level for each KPI:

Actual KPI value	KPI performance level (%)
Less than Threshold	0
Equal to Threshold	50
Between Threshold and Target	For KPIs that follow "the more the better" rule: (Actual-Threshold/ Target-Threshold)*50 + 50 For KPIs that follow "the fewer the better" rule: (Threshold-Actual /Threshold-Target)*50 + 50
Equal to Target level	100
Between Target and Challenge	For KPIs that follow "the more the better" rule: (Actual -Target/ Challenge -Target)*25+100 For KPIs that follow "the fewer the better" rule: (Target - Actual / Target - Challenge)*25+100
Equal to or more than the Challenge	125

The final result of the performance evaluation will be calculated based on the formula:

$$\text{KPI performance level} = \sum_{i=1}^n \text{Performance}_{on\_KPI_i} * \text{Weight}_{KPI_i}$$

Where: n= KPI number;  
i= KPI period number;

For each KPI, the completion level shall be calculated and expressed as% of completion.

The level of performance completion (%) shall be calculated taking into account the share of KPIs at the Company level and individual ones as a result of the final performance.

The share of corporate and individual KPIs in the final performance of executives is 50% - 50%.

For each evaluation, a completion level shall be assigned as described below.



<b>Evaluation</b>	<b>Completion level</b>	<b>Evaluation definition</b>
Exceptional	116%-125%	Constantly and clearly exceeds expectations regarding the achievement of objectives
Exceeds expectations	101%-115%	Constantly achieves and sometimes exceeds expectations regarding the achievement of objectives
Meets expectations	50%-100%	Always achieves expected goals
Below expectations	Below 50%	Some goals / expectations are met, but overall performance is not up to standard

The performance bonus value (PBV) for each executive for the period under review shall be calculated as follows:

$$PBV = PBC * AMR * \text{performance plan completion level (\%)}$$

Where: PBC– Performance Bonus Coefficient

AMR – Average monthly remuneration / total gross remuneration calculated for the period of study (monthly average weighted by the number of months in which the officer received the relevant remuneration).

The performance bonus shall be paid based on the performance of the Company and the individual and is intended to reward the achievement of set goals and improve performance. It does not have a regular and obligatory nature.

If, at the end of a year, the Company records negative financial results, the Board of Directors may decide to grant the performance bonus only for the operational indicators, based on reaching the level of achievement.

### **3.3. CONTRACTS/AGREEMENTS WITH MANAGERS**

#### **3.3.1. Contracts duration**

If the parties have not set an explicit term by contract, the agency agreement shall be valid for no more than four (4) years from the date of conclusion thereof (if the powers are established together with the powers of the Management Board), and the powers of the Executive Officers may not exceed the powers of the administrators who had approved the appointment of the relevant directors.

#### **3.3.2. Conditions for termination of the contracts with executive officers**

The powers may be terminated by any of the following ways:

- Upon expiration of the contractual term
- By agreement of the parties
- Waiver of powers
- Revocation from office by the Management Board
- Unilateral refusal of the Executive Officer, notified in writing to the Management Board represented by its Chairman.
- Initiation of the procedure for dissolution, liquidation or bankruptcy of the Company
- Death or inability of the executive officer to fulfill his obligations



### 3.3.3. Applicable notice periods

- In case of unilateral termination by the executive officer, the contract and its validity shall terminate within 30 days from the date of receipt of the notification by the Chairman of the Management Board.
- In case of dissolution, liquidation or bankruptcy, the contract shall terminate after sending a 30-day prior notice to the other party.

### 3.3.4. Payments related to the termination of contracts

If Rompetrol Refinery terminates agency agreements with directors without making them liable for termination, the agency agreements may include clauses on the provision of gross remuneration not exceeding the gross value of all fixed fees for a maximum period of 6 months.

The situations of termination by the Company that are not attributed to the Directors may also include cases of termination of the powers as a result of a legal obstacles, ultimate impossibility to exercise powers, change of control, merger, and retirement. The Management Board may establish different values of the gross remuneration for different cases of termination, observing in all cases the maximum limit specified in 3.3.4 paragraph 1.

In case of revocation of the powers of the Director (violation of the obligations assumed by the Director), the agency agreement shall terminate without payment of interest/compensation for damages to the Director.

## 4. BENEFITS

The benefits offered by Rompetrol Refinery S.A. to its executive officers are classified into two main categories:

- Financial benefits - benefits paid directly in cash, such as:
  - ✓ first vacation\*
  - ✓ reimbursement of treatment and rest tickets
  - ✓ child bonus
  - ✓ marriage allowance\*
  - ✓ Birth allowance\*
  - ✓ pregnancy and postpartum allowance\*
  - ✓ allowance for kindergarten\*
  - ✓ retirement allowance\*
  - ✓ death benefit \*
  - ✓ funeral aid\*
- Non-financial / in-kind benefits - the benefits provided as services or products, such as:
  - ✓ Meal tickets \*
  - ✓ gift vouchers for children\*
  - ✓ life, illness, and disability insurance \*
  - ✓ health and medical care
  - ✓ days off for various occasions (birth, marriage, death, move) \*
  - ✓ additional days of rest leave, depending on length of service\*
  - ✓ transport and shuttle expenses\*





- ✓ discounts on company products
- ✓ corporate discounts for various services / products, based on agreements with third party service / product providers

Most of the benefits provided (marked \*) are included in the company-level Collective Labour Agreement, which also stipulates payment rules and eligibility criteria.

Subscriptions for medical services are classified into three types: Standard, Business, and Executive, which include various free medical services and/or discounts, offered by the selected medical service provider for Romania. The services included in each type of subscription are negotiated under the contract with the supplier at the Group level.

## **5. REMUNERATION POLICY APPROVAL AND REVIEW**

The Remuneration Committee, if established and existing, shall make recommendations to the Management Board regarding the Remuneration Policy. The policy is then reviewed by the Management Board, as part of the set of documents to be submitted to shareholders for approval. In case a Remuneration Committee is not set up, its powers shall be performed by the Management Board. The recommendations regarding the Remuneration Policy shall be made by the Management Board to the General Meeting of Shareholders.

If the Remuneration Policy is not approved by the GMS, it is mandatory to return with a revised version for approval at the subsequent GMS meeting, taking into account the feedback of shareholders and the debates within the GMS, recorded in the minutes.

The policy shall be presented to the General Meeting of Shareholders for review at least once every 4 years. However, in the event of significant changes in the structure of the company, its overall financial and/or operational performance, the sector or industry in which it operates, the revision of the Remuneration Policy may be taken into account at less than 4 years. Any significant changes to the Policy must be approved by the GMS.

In order to avoid or manage the conflict of interests, it shall be mentioned that a shareholder is not in a conflict of interests with respect to aspects related to remuneration if he also acts as a Manager. However, a Manager should abstain from voting on his/her own remuneration set and/or management contract.

## **6. REMUNERATION POLICY COMMUNICATION**

Following the vote at the Annual General Meeting of Shareholders, the Remuneration Policy and the result of the vote shall be published on the Company's website.

## **7. DEROGATIONS**

Derogations from the Remuneration Policy may occur only in exceptional cases and only if they are necessary to support the long-term interests of the company.



Remuneration items that may give rise to temporary violation include:

- Fixed remuneration;
- Performance bonus

The exceptional circumstances under which derogations are permitted may be, but are not limited to, the following

- Changes in the composition of the Management Board or Executive Officers
- Significant change in organizational structure, such as a change in business or Group level, or a significant change in the company's ownership structure
- An exceptional and unforeseen event or situation, unusual material circumstances in the operating mode, or a change in the company's strategy
- Exceptional performance of a manager, with an unprecedented positive impact on the company's performance, despite unfavourable market or economic conditions
- Amendment of legislation or change in taxation

The maximum period during which derogations may apply is usually 12 months, unless otherwise approved by the OGMS, depending on the specifics do the situations.

The reasons for temporary departures will be carefully considered but are not limited to the long-term interests of the company, such as the long-term financial success of the company, the competitiveness of the company, and the continuity of management thereof.

The derogations shall be recommended by the Remuneration Committee, if any, proposed by the Management Board, and approved by the General Meeting of Shareholders. If no Remuneration Committee is established, its powers shall be adopted by the Management Board.

## **8. FINAL PROVISIONS**

This Remuneration Policy was approved at the Ordinary General Meeting of Shareholders on April 28<sup>th</sup>, 2021.