CURRENT REPORT

In compliance with the Bucharest Stock Exchange Rulebook

Report date: **March 27, 2017**
Company name: **Societatea Nationala de Gaze Naturale ROMGAZ S.A.**
Address: **Medias, 4 Constantin I. Motas Square, Sibiu County – Romania, 551130**
Phone/fax no: **004-0269-201020 / 004-0269-846901**
Fiscal Code: **RO14056826**
Trade Register registration number: **J32/392/2001**
Subscribed and paid in share capital: **385,422,400 RON**
Regulated market where the issued securities are traded: **Bucharest Stock Exchange (BVB), London Stock Exchange (LSE)**

Significant event to be reported:

- **Compliance with the new Bucharest Stock Exchange (BSE) Code of Corporate Governance, applicable from January 4, 2016**

As company listed at Bucharest Stock Exchange, S.N.G.N. ROMGAZ S.A. applies the provisions of BSE Code of Corporate Governance since November 12, 2013.

During 2016, S.N.G.N. ROMGAZ S.A. reassessed the conformity of its internal regulations on corporate governance with the applicable legislation and with BSE Code of Corporate Governance, and proceeded to drafting or updating some regulations.

The Board of Directors approved both certain updated regulations (Board of Directors Terms of Reference and Internal Rules of the Strategy Committee) and new regulations (Dividend Policy and Policy on Forecasts). The documents are in the process of being published on the company's website.

Another series of regulations will be submitted for the approval of the Board of Directors in a subsequent meeting. After the approval, they will be also published on the company's website.

Attached:

Table of Compliance with the Bucharest Stock Exchange Code of Corporate Governance *- Annex 2 to the Board of Director's Report for 2016, as approved by the Board of Directors in the meeting on 23 March 2017.*

Director General (CEO),
Virgil - Marius METEA

Table of Compliance with the Bucharest Stock Exchange Code of Corporate Governance

(Annex 2 to the Board of Director's Report for 2016, as approved by the Board of Directors in the meeting on 23 March 2017)

Code provisions		*Complies*	*Does not comply or partially complies*	*Reason for non-compliance*
1		2	3	4
A.1	All the companies must have an Internal Regulation of BoD that includes the reference terms/ the responsibilities of the Board and the company's key management positions, and that applies, among others, the General Principles in section A.	x		The ToR of the BoD has been updated and approved by the Board of Directors.
A.2	The ToR of the BoD should include provisions on the management of conflict of interest stating that members of the Board should notify any conflicts of interest which have arisen or may arise, to the Board and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	x		Items on the conflict of interests are found in the Corporate Governance of Romgaz, as well as in the company's Code of Conduct, both documents being published on the company website. The ToR of the BoD has been updated in this respect.
A.3	The BoD has at least five members	x		
A.4	The majority of the members of the BoD is non-executive; not less than two non-executive members of the BoD are independent. Each independent member of the BoD must submit a statement at the time of his/her nomination for election or re-election, as well as whenever a change in his/her status occurs, indicating the elements on which it is deemed independent in terms of its character and his judgment.	x		
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors prior to his/her nomination and during his/her mandate.	x		
A.6	Any member of the BoD should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights. This also applies to any report which may affect the member's position on matters decided by the Council.	x		This provision is already mentioned at Art. 6, par. 15 of CCG ROMGAZ. The ToR of the BoD has been updated in this respect. Also, Romgaz has developed a *Policy on related parties* referring to this obligation; it will be submitted for the approval of the Board in a meeting subsequent to this statement. Following the approval, it will be published on the company website.

Code provisions		*Complies*	*Does not comply or partially complies*	*Reason for non-compliance*
1		2	3	4
A.7	The company should appoint a Board secretary responsible for supporting the work of the BoD	x		
A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the BoD containing the purpose, criteria and frequency of the evaluation process.		x partially	The section on *Statement on corporate governance* in the Annual Board of Directors' Report includes statements on the evaluation of the BoD. Romgaz prepared the *Policy regarding evaluation* and it will be submitted for the approval of the Board in a meeting subsequent to this statement. Following the approval it will be published on the company website.
A.9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (personally and in their absence) and a report of the Board and committees on their activities.	x		
A.10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors	x		
A.11	The BoD should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent	x		
B.1	The Board should set up an Audit Committee and at least one member should be an independent non-executive. The Audit Committee should be composed of at least three members and the majority should be independent. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee should have a proven and appropriate accounting and auditing experience.	x		
B.2	The President of the Audit Committee should be an independent non-executive member.	x		
B.3	Among its responsibilities, the Audit Committee should undertake an annual assessment of the system of internal control.		x partially	The responsibility for monitoring the effectiveness of the company's internal control systems, internal audit and risk management is specified in the ToR of the Audit Committee. Internal Rules of the Committee has been updated to clarify responsibilities, and it will be submitted for the approval of the Board in a meeting subsequent to this statement. Following the approval, it will be published on the company website, replacing the current Internal Regulation.

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B.4	The provision mentioned in section B.3 should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee of the Board, and management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and submit relevant reports to the Board.		x partially	See *Section B.3.*
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		x partially	This provision is already mentioned under Art. 8, par. 2 of CCG ROMGAZ. The ToR of the Audit Committee has been updated in order to include this provision and it will be submitted for the approval of the Board in a meeting subsequent to this statement. Also, Romgaz has developed a *Policy on related parties* and the document will be submitted for the approval of the Board in a meeting subsequent to this statement. Following the approval it will be published on the company website.
B.6	The Audit Committee should evaluate the efficiency of the internal control system and risk management system		x partially	The responsibility for monitoring the effectiveness of the company's internal control systems, internal audit and risk management systems is specified in the ToR of the Audit Committee. The ToR of the Committee has been updated to clarify responsibilities and it will be submitted for the approval of the Board in a meeting subsequent to this statement. Following the approval, it will be published on the company website, replacing the current ToR.
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing and should receive and evaluate the reports of the internal audit team.	x		
B.8	The Audit Committee should report periodically (at least annually) or adhoc to BoD with regard to the reports or analyzes undertaken by the committee.	x		
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties	x		

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B.10	The BoD should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Audit Committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		x	The provision is already mentioned under Art. 9 of CCG ROMGAZ and will be implemented by *the Policy on related parties* and it will be submitted for the approval of the BoD in a meeting subsequent to this statement. Following the approval, it will be published on the company website.
B.11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity	x		
B.12	The Internal Audit Department should report functionally to the BoD via the Audit Committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, the Internal Audit Department should report directly to the Director General.		x partially	The ToR of the BoD has been updated and approved by the BoD.
C.1	The company should publish a Remuneration Policy on its website. The Remuneration Policy must be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and of the General Manager. Any significant change occurred in the Remuneration Policy must be posted in due time on the company's website. The company must include in its Annual Report a remuneration statement on the implementation of this Policy during the annual period under review. The Report on Remuneration must submit implementation of the Remuneration Policy for persons identified in this Policy during the annual period under review.		x partially	This provision is already mentioned under Art. 11, par. 5 of CCG ROMGAZ, and it will be implemented by *the Remuneration Policy*, and it will be submitted for the approval of the BoD in a meeting subsequent to this statement. Following the approval, it will be published on the company website. The section on *Statement on corporate governance* in the Annual Board of Directors' Report includes statements regarding the implementation of the Remuneration Policy and the remuneration of the Board of Directors members and the remuneration of the Director General. The Annual Report on Remuneration is presented together with the Annual Board of Directors' Report.
D.1	The company should establish an Investors Relation Department - indicating to the public the responsible person/persons or the organizational unit. Besides the information required by the legal provisions, the company should also include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all the relevant information of interest for investors, including:	x		

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D.1.1	Principal corporate regulations: the articles of incorporation, general shareholders' meeting procedure		x partially	Items on the GMS organization are presented to shareholders at each meeting. A separate document on the GMS procedure will be prepared and approved.
D.1.2	Professional CVs of the members of the company's governing bodies; Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions.	x		
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least those specified in Note D.8- including current reports with detailed information related to non-compliance with the Bucharest Stock Exchange Code of Corporate Governance	x		
D.1.4	Information related to GMS: the agenda and supporting materials; the procedure approved for the election of BoD members, the rationale for the proposal of candidates for the election to the Board together with their professional CVs; shareholders' questions related to the agenda and the company's answers, inclusively the decisions taken by the GMS	x		
D.1.5	Information on corporate events (such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder) including the deadlines and principles applied to such operations. The information will be published within a period so that investors are permitted to take investment decisions.	x		
D.1.6	The names and contact data of the persons who should be able to provide knowledgeable information on request;	x		
D.1.7	Corporate presentations (for example presentations for investors, presentations on quarterly results), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports	x		
D.2	The company will have an annual cash distribution of dividend policy or other benefits for shareholders, proposed by the Director General and adopted by the BoD as the company's Guideline on net profits distribution. The principles of the annual distribution of dividends policy to Shareholders will be published on the company's website.		x partially	Romgaz prepared the Dividend Policy; it will be submitted for the approval of the Board.
D.3	The company should have adopted a policy with respect to forecasts, whether they are made public or not. The Policy on forecasts will determine the forecasts' frequency, period and content and will be published on the company's website.		x	Romgaz prepared the Policy on forecast; it will be submitted for the approval of the Board.

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D.4	GSM rules should not restrict the participation of shareholders in general meetings and the exercising of their rights. The modification of rules will become effective no sooner than the following shareholders' meeting.	x		
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	x		
D.6	The BoD should present to the annual GMS a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	x		
D.7	Any professional, consultant, expert, financial analyst, may participate in the shareholders' meeting upon prior invitation from the BoD. Accredited journalists may, also, attend the GMS, unless the Chairman of the Board decides otherwise.	x		
D.8	The quarterly and semi-annual financial reports should include information in both, Romanian and English, regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	x		
D.9	The company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published on the company website in the IR section at the time of meetings/teleconferences.	x		
D.10	If the company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company is part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	x		

Legend:

ToR = Terms of Reference
BoD = Board of Directors
CV = Curriculum Vitae
GMS = General Meeting of Shareholders
CCG = Code of Corporate Governance
BSE = Bucharest Stock Exchange
CCG ROMGAZ = the Code of Corporate Governance of S.N.G.N. ROMGAZ S.A., approved on January 28, 2016.