

Societatea Națională de Gaze Naturale ROMGAZ SA
Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL

3690/06.04.2020

Evaluation report for the General Manager's Activity 2019



Evaluation report for the General Manager's Activity 2019

Through article 36, paragraph (5) of the Emergency Ordinance no. 109/2011 regarding corporative governance of state-owned companies, with the subsequent amendments and completions, the Board of Directors of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL has developed the General Manager Activity evaluation report for the year 2019, based on the General Manager Report for the year 2019, ratified through Decision no. 7 dated 10.04.2020.

Head of the Board of Directors

STĂNESCU NICOLAE BOGDAN CODRUȚ

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Document approved by the Decision of the Board of Directors no. 7 dated 10.04.2020

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1. Company presentation

The current strategic document elaboration is within the context of the relevant legislation at European and national level regarding corporate governance for state-owned companies, specifically the Emergency Ordinance no. 109/2011, approved through Regulation number 111/2016, with the subsequent amendments and completions and E.O. 722/2016 for the approval of the methodology norms for the enforcement of Government Ordinance no. 109/2011 regarding corporate governance of state-owned companies.

Who is DEPOGAZ?

SNGN. Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL ("DEPOGAZ") is the main underground storage operator in Romania, with a market share of approximately 90,23% of the total active storage capacity in Romania.

Through the Extraordinary General Stockholders Gathering Decision of SNGN Romgaz SA no. 10/19.12.2014, based on 2009/73/CE Directive of the European Parliament and of the European Union Council, adopted into domestic legislation within the Electric energy and natural gas Law no. 123/2012, with subsequent amendments and completions, the storage of natural gas activity was separated from SNGN Romgaz SA and has been undertaken by SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL (Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiesti SRL), as independent operator starting with the 1st of April 2018.

Natural gas is stored with the purpose of:

- a) Ensuring the gas supply security to final consumers;
- b) Stabilizing seasonal, daily and hourly consumption variations with the available gas sources;
- c) Continuously balancing the National Transmission System;
- d) Undertaking other commercial activities.

DEPOGAZ VISION

To modernize the existing natural gas storage capacities and to create a high degree of security and flexibility, including through alternative injection/withdrawal regime, contributing to a competitive domestic gas market and to the development of the energy markets and of regional energy security mechanisms, adhering to common European Union rules.

DEPOGAZ MISSION

- Increasing the customer and stakeholders' satisfaction;
- Ensuring the natural gas storage service availability and promptitude;
- Efficiently and operatively performing storage infrastructure works without affecting client and stakeholders' interests.
- Continuous development and improvement of the underground natural gas storage system;

- Promoting Projects of Common Interest at EU level in order to promote an integrated regional market

DEPOGAZ VALUES

- **Continuous improvement, adaptability and growth;**
- **Social responsibility and respect for the surrounding environment;**
- **Efficiency and performance.**
- **Excellence** is the target we aim for and encourage in all we do, through offering innovative solutions for problem resolution which ensure remarkable results for our partners.
- **Integrity** is the mandatory requirement for all Company employees. We promote **transparency, honesty and fairness** both within the organization, but more so in the relationship with our clients and partners.
- **Professionalism and Promptitude** define our team which promotes the importance of a correct and transparent clients with the highest importance.
- **Loyalty** lays at the foundation of building a long-term relationship with our clients and partners.

1.1. Company identification information

DEPOGAZ is a state-owned company, constituted as a subsidiary, with the legal personality of a limited responsibility company (S.R.L.), in which SNGN Romgaz S.A. is sole shareholder. The company is established within the confines of Companies law no. 31/1990, republished with its subsequent addendums and completions, Emergency Ordinance no. 109/2011 regarding corporate governance for state-owned companies, with subsequent addendums and completions and functions under Romanian legislation and the Articles of Incorporation.

Company name	SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL
Headquarters address	Str. Ghe. Gr. Cantacuzino, nr. 184, Ploiești, jud. Prahova, postal code 100492
Tel/fax no.	0374-403800 / 0374-469909
E-mail/ internet page	secretariat@depogazploiesti.ro www.depogazploiesti.ro
Unique fiscal identification number	34915261
Commerce Register number	J29/1181/21.08.2015
Main activity field	CAEN class 5210 Storage*
Secondary activity fields	CAEN class 0910 – Activities and services related to the withdrawal of oil and natural gas
	CAEN class 7022 – Consulting activities for business and management;
	CAEN class 4221 – Construction works for fluids utility projects;
	CAEN class 7112 – Engeneering works and technical consulting related to this;

	CAEN class 4321 – Electrical instalations works;
	CAEN class 7120 – Testing and technical analysis works, including for natural gas;
	CAEN class 2562 – General mechanical operations;
	CAEN class 5224 – Handling activities.

* Through Sole Associate Decision no. 1/29.01.2020 the DEPOGAZ main activity field was modified from CAEN class 5210 – „Storage” to CAEN class 0919 – „Activities and services related to the withdrawal of oil and natural gas”.

1.2. Activity field

DEPOGAZ, as storage operator is a legal entity which undertakes gas storage activities and is responsible for operating natural gas storage equipment in safe conditions.

The activity field is represented by the underground storage of natural gas more specifically all the activities and operations undertaken by the storage operator for or related to the storage capacity booking in the underground storage facilities and for the injection, storage and withdrawal from these facilities of determined quantities of natural gas.

The natural gas storage process takes place usually in 2 stages: the injection cycle from April until October and the withdrawal cycle, from November to March, but the cycles can be reversed alternatively upon specific exceptional requests from clients or from the TSO.

Injection cycle (April - October)

The gas from the National Transmission System (NTS) is measured, purified, compressed (when necessary) and injected into the underground storage facilities of natural gas operated by DEPOGAZ through injection/withdrawal wells.

Extraction cycle (November - March)

The natural gas from the injection/extraction wells in each storage facility are directed to conditioning instalations (heating, laminating, impurities' separation), drying, compression (if needed) measuring and delivery into the TSO at quality parameters according to law.

2. Objectives and key performance indicators

Measuring company performance represents an improvement process for its activity and for the use of required resources with the purpose of efficiently achieving the strategic goals by the company management and administrators through the company Administration plan, which contains the administration component, the management component and key performance indicators both financial and nonfinancial for the calculation of variable compensation.

Strategic objectives contained by the company Administration plan for the 2018-2022 period are derived from the Letter of Expectations issued by the Sole Shareholder SNGN ROMGAZ SA in order to accomplish the optimization, development goals and activity diversification for natural gas underground storage by reconsidering its importance, to ensure continuous security and supply flexibility for natural gas, identifying new growth opportunities and diversification for subsidiary activities both internally and regionally, performance growth of the subsidiary, performant management and the implementation and development of corporate governance principles.

2.1. Objectives

2.1.1. The administration component

The administration component of the Administration plan for the 2018-2022 period was elaborated in accordance with art. 30 par. (1) of EO no. 109/2011 regarding corporate governance for state-owned companies with subsequent addendums and completions and Executive Decision no. 722/2016 approving the methodology norms for some stipulations of EO no. 109/2011 regarding corporate governance of state-owned companies, by the Board of Directors of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL appointed through Sole Shareholder Decision no. 161/18.09.2018.

The administration component of the Administration plan was approved through Board of Directors Resolution no. 15/11.10.2018.

Detailed analysis of the company by its activity segments led to the proposal of strategic growth objectives, corroborated with the identification of the key performance indicators set for the mandate period.

2.1.1.1. Strategic objectives

The strategic objectives of the company for the 2018-2022 period are formulated with the purpose of capitalizing opportunities and consolidating existing company strengths:

- A. Increasing the daily withdrawal capacity from the storage facilities
To reach this objective DEPOGAZ has developed a project for Bilciuresti increase of daily withdrawal capacity
- B. Increasing the storage capacity for natural gas in existing storage facilities
To reach this objective, DEPOGAZ will update feasibility studies regarding:
 - Storage capacity increase in the Sarmasel underground storage facility from 900 mil Cm/cycle to 1.550 mil. Cm/cycle – Stage II
 - Storage capacity increase in the Ghercesti underground storage facility from 150 mil Cm/cycle la 600 mil. Cm/cycle – Stage II
- C. New underground gas storage facilities in depleted fields for
To reach this objective, DEPOGAZ will:

- Elaborate a feasibility study for the conversion to underground storage facility of a depleted field situated in North-East Romania (Moldova) with an active capacity of approx. 200 mil. Cm/cycle;
- Elaborate a feasibility study for the conversion to underground storage facility of a depleted field located in the South-West (Oltenia) of Romania with an active capacity of approx. 400 mil. Mc/cycle.

2.1.1.2. General objectives

1. Optimization, growth and diversification of the natural gas underground storage activity through reconsidering its importance, to ensure security, continuity and flexibility in the gas supply chain.
2. Increasing the storage capacity.
3. Increasing the subsidiary performance.
4. Increasing storage facilities efficiency with the purpose of increasing the natural gas withdrawal.
5. Increasing the daily withdrawal capacity from storage facilities through investments which diminish the natural gas import dependence.
6. Optimizing and improving the organizational structure of the subsidiary.
7. Extending the activity of the subsidiary to a regional level through the identification of new business opportunities.
8. Consolidating the natural gas underground storage service market position.
9. Implementing corporate governance and a new code of ethics and integrity.
10. Developing reporting capabilities, control and risk management.
11. Responsible and active involvement into corporate social responsibility actions.

2.1.2. Management component

The management component of the Administration plan for the period 2018-2022, was elaborated in accordance with art. 36 par. (1) of EO no. 109/2011 regarding corporate governance for state-owned companies with subsequent addendums and completions and Executive Decision no. 722/2016 approving the methodology norms for some stipulations of EO no. 109/2011 regarding corporate governance of state-owned companies, by The General Manager of DEPOGAZ appointed through the Board of Directors Resolution no. 17/09.11.2018.

The General Director has the attributes stated in the mandate Contract no. 228/15.11.2018, in the Board of Directors' Internal Code and in the Articles of Incorporation, amended with the subsequent applicable laws.

According to the Board of Directors' Internal Code, the General Director attributes include:

- a) Formulating the management plan submitted for approval to the Board;
- b) Meeting the objectives and performance criteria stated in the mandate contract;
- c) Overseeing the strategy development, the business plans over the long term and the annual budget as well as presenting these to the Board for examination and approval;
- d) Coordinating the executive directors' activity;
- e) Applying the the main activity and development plans of the company;

- f) Ensuring enforcement of efficient risk control and internal control systems;
- g) Informing the Board of Directors, regularly, of the operations both underway as well as the ones planned in the future, including trimestral reports over the mandate execution;
- h) Any other task delegated to him by the Board.

The General Director regularly supplies the Board of Directors with comprehensive information regarding all important aspects of the company's activity. In addition, any major event is communicated immediately to the Board of Directors. The General Director approves the content of all the material submitted to the Board, also presenting its content, the legality, and necessity or depending on the case, their opportunity, these materials constituting the foundation for decisions made by the Board of Directors.

Any member of the Board of Directors can request information from the General Director regarding the operations of the company.

The Management component of the Administration plan is based on the General Manager's vision for a strategic growth of DEPOGAZ for the period 2018-2022, considering the company natural gas storage activity performance to present time, the context and current trends in the storage service market at national and international level, as well as the forecasts and perspectives which can be anticipated in order to maintain a modern, financially viable, economically sustainable company, an operator which offers quality services to its clients and is accountable to interested parties, responsible to society and the environment while maintaining sustainable growth.

The Management component of the Administration plan was approved through the Board of Directors Resolution no. 19/04.12.2018.

The Management component of the Administration plan presents the managerial team's action plan to reach objectives and performance indicators, actions which presume designing, implementing, monitoring and evaluating the suitable managerial processes, support actions in reaching the desired goals.

The Management component of the Administration plan was elaborated based on DEPOGAZ goals and strategic objectives, as natural gas storage operator, according to the sole shareholder's expectations, SNGN Romgaz SA and in the current socio-economic context.

In the elaboration of the Management component, DEPOGAZ managers have considered priorities and key targets for SNGN Romgaz SA - Filiala de Înmagazinare DEPOGAZ Ploiești SRL activities, as well as the risks to which the subsidiary may be exposed to.

The strategic objectives of DEPOGAZ for the period 2018-2022 are formulated based on the diagnostic analysis conducted and the proposed growth perspectives with the purpose of capitalizing opportunities and consolidating key strengths which exist within the company, attributing specific actions to be taken for each objective.

2.1.2.1. Strategic actions

I. Increasing subsidiary performance

Strategic directions:

- ✓ Rational use of company financial resources through the elaboration, pursuit and analysis of the budgetary execution;

- ✓ Increasing the activity profitability through the efficient use of material, human and financial resources;
- ✓ Optimizing operating expenses and maintaining a growth level for them which is lower than the operating revenue growth;
- ✓ Improving the product, works and services acquisition process through dynamic planning and prioritization, with the purpose of ensuring in a timely manner the service and product quantities necessary for day to day operations and investments;
- ✓ Continuous growth of the labor force qualification and of its motivation in order to improve company performance and work productivity;

Action plan:

Financial management:

- ✓ Consolidating the financial management of the Subsidiary through financial, risk and performance processes management.
- ✓ Ensuring capital use efficiency through continuous monitoring of the financial effort for each decision to be made within the managed period;
- ✓ Ensuring the necessary funds for the Subsidiary, at the right time, in optimal conditions required at the lowest possible cost;
- ✓ Ensuring the financial support needed to perform on the market by the Subsidiary through:
 - Monitoring the capital use and influencing the decision factors from the other responsibility centers in the direction which ensures an efficient use of all the funds within the circuit;
 - Ensuring and maintaining financial balance both in the short and in the long run, according to the subsidiary's needs;
 - Permanent control of the economic processes for ensuring the desired financial result and allocating it to the destinations established through the subsidiary's scope and objectives.
 - Control and assessment of the results in order to identify deviations and causes which have generated them, the strengths and weaknesses of the company, as well as the measures which must be taken in order to correct and avoid such deviations in the future.

Human resources management:

- ✓ Improving human resources management at subsidiary level through continuous growth of the qualification level of the staff in order to maintain and improve the **existing technical expertise within the Subsidiary.**

- ✓ Financial and non-financial motivation of the staff in order to ensure performance improvement of the company and implicitly of the labor productivity;
- ✓ Rigorous planning of human resources necessary to ensure the natural gas storage activity continuity

At 31st of December 2019, DEPOGAZ employed 514 people.

Personnel number evolution for the company between 01 April – 31 December 2019:

Specifications	2019
Number of employees at the beginning of the period	509
Number of newly employed people	30
Number of people which ceased employment within subsidiary	25
Number of employees at the end of the period	514

Personnel structure at the end of 2019 is as follows:

a) By education

- Higher education 185
- Secondary education 178
- Other 151

b) By age

- Under 30 years old 49
- 30 – 40 years old 68
- 40 - 50 years old 173
- 50 – 60 years old 186
- Over 60 years old 38

c) By activity – gas storage 100%

Subsidiary personnel structure is presented in the table below::

Entity	Workers	Foremen	Technical, Economic, Socio-Administrative	Total
Headquarters	22	0	158	180
Craiova storage unit	48	2	6	56
Transilvania storage unit	20	1	4	25
South Storage Unit	95	5	7	107
Compression unit	119	19	8	146
TOTAL	304	27	183	514

During 2019, the professional qualification activity goal within DEPOGAZ was to adapt each employee to the requirements his/her job and work place, to perfect professional training for each of their trade, professional

conversion, obtainment of advanced knowledge, to undergo new methods and procedures necessary for their professional activities, as well as to maintain the validation of the necessary authorizations, according to applicable law, regarding the personnel's job description within the natural gas activity field.

Therefore, the following were considered:

- Qualifying employees (TESA and workers), through participation in various area programs, in close collaboration with qualification programs suppliers;
- Licensing/relicensing, according to each person's qualification and their job;

As a result, in 2019, a number of 273 employees have participated in professional qualification courses, for which the training and professional improvement expenses amounted to 191187.80 RON.

The annual professional training plan was accomplished as follows:

- 153 people participated in professional training related to their activity within the company;
- 119 people participated in licensing or relicensing courses related to their job;
- 1 person has participated in professional conversion courses.

The training activity goal was to improve adaptability to the new economic market demands based on knowledge and to ensure and update qualifications necessary for all employees. For this purpose, the professional training courses' goals were:

- Acquiring practical abilities related to auditing and interpreting data related to ethics, integrity, decisional transparency and anti-corruption;
- Learning to use SCADA systems in order to access the supervision system or the WEB Server station in case of malfunction;
- Identifying good practices for the anticorruption national strategy ANS implementation;
- Updating the GDPR legislation;
- Updating information in the accounting and public acquisitions fields;
- Increasing the methodological norms of the corporate governance principles;
- Training technical personnel which is involved in metrology;
- Training in the public audit field as per the requirements of Law no. 672/2002 regarding internal public audit, with the subsequent modifications;

Risk management:

- Designing, implementing and consolidating a performant managerial internal control by creating the 'Managerial internal control system program', which is updated annually. The Program contains the Subsidiary objectives in the managerial internal control field, structured based on the implementation and development stages and for each managerial internal control stage there are established activities, people responsible are nominated and deadlines as well as other relevant elements for the implementation and development of the managerial internal control system.

Realizing a suitable risk management policy for the Subsidiary requires:

- The prior analysis of all risk exposure, identifying the sources of risk being fundamental in evaluating the state-owned company's risks;
- Identifying major/strategic risks which can affect the effectiveness and efficiency of activities related to specific objectives, without ignoring rules and regulations; trusting financial information and management; protecting goods; prevention and discovery of fraud;
- Defining the acceptable tolerance/ level of exposure to risk;
- Evaluating the probability that the risk will materialize, assessing the impact and exposure;
- Making strategies (control procedures) to manage and monitor risk;
- Reducing the Subsidiary's vulnerability through risk management implementation according to its risk profile and creating the Risk register, the Risk profile and the Control measures implementation plan;
- Developing a risk management culture at Subsidiary level through the development and implementation of a performant risk management system as integrating part in the decision process.
-

At DEPOGAZ level, the Managerial internal control report at 31st of December 2019 - Annex 4.3 – Governmental General Secretariat Order no. 600/2018 elaborated and approved by the General Manager, which contains the following statements:

- The monitoring commission is functional;
- The Managerial internal control development plan is implemented and updated annually;
- The risk management process is organized and monitored;
- The Risks register at DEPOGAZ level is updated annually and as many times as needed;
- The documented procedures are 93,96% elaborated from the total procedural activities inventoried;
- The performance monitoring system is established and evaluated for DEPOGAZ objectives and activities through performance indicators;
- The Internal Public Audit Office is functional and composed of two people.

The report offers a clear image of the implementation and development stage of the internal control system of the Subsidiary. Based on the evaluation report at the 31st of December 2019, the managerial internal control system of SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. is in line with the standards contained by the Managerial internal control code.

Integrated management system:

- ✓ Maintaining and continuous improvement of the integrated management system, quality, health-environment and work safety according to SR EN standards ISO 9001:2015, SR EN ISO 14001:2015 and SR OHSAS 18001:2008
- ✓ Permanent monitoring the system reliability

Following the quality, environment, health and work security management system implementation within DEPOGAZ, the company management has decided:

In the quality management field

- Supplying consistently services which are in line with the customers' demands and in accordance with the legal and regulatory requirements;
- Evaluating risks and opportunities associated with its objectives;
- Giving satisfaction growth opportunities for the clients through efficient system application;
- The capacity to demonstrate compliance with the specific requirements of the integrated management system.

In the environment management field

- increasing the environment performances;
- meeting compliance requirements;
- meeting environment requirements.

In the health management and work security fields

- increasing the health and work security performances;
- aligning the health and work security objectives with the business objectives and meeting them;
- minimizing risks regarding health and work security risks.

OBJECTIVES SUPPORTED BY THE GENERAL DIRECTOR

The General Director has taken responsibility and demonstrates involvement in key integrated management activities for objective achievement.

Objectives synthesized

- The General Director has supported the "Maintaining and continuous improvement the integrated management system in line with standards, legal requirements and other requirements to which DEPOGAZ has subscribed to".

Objective realized through:

- Naming of a management Representative to the highest level of the Integrated Management System in DEPOGAZ through Decision no. 22/29.01.2019
- Updating decisions regarding IMR – Compartmental responsible persons for IMS (Integrated Management System).
- Harmonizing the integrated management system documentation through:
 - Continuing the elaboration/revision process for the whole IMS documentation within DEPOGAZ;
 - Harmonizing the IMS documents responsibilities;
 - Continuing the training process for documentation (procedures/instructions).
- Reanalyzing the strong and weak points, opportunities and threats for 2019. The DEPOGAZ leadership has elaborated, set and documented the SWOT analysis,
- Revising the environment aspects, the way in which risks and opportunities regarding this field are treated in order to prevent and limit their consequences on DEPOGAZ activity, which is realized in accordance with the PS-12 procedure – Identification and evaluation of the environment aspects.
- Analyzing the risks associated with environment aspects.

- Reviewing the risks associated with the work place in line with the new organization.
 - Reviewing the internal and external aspects regarding the changes which took place in the organizational chart, as well as the requirements of SR EN ISO 9001:2015 and SR EN ISO 14001:2015, SR OHSAS 18001:2008.
 - Providing new skills.
 - Personnel within the Prevention and Protection Department have attended and graduated the “SR ISO 45001:2018 standard requirements and its implementation in the existing system” course, hosted by Prisma Quality Systems.
 - Creating the implementation plan for the differences and new requirements in the SR EN ISO 45001:2018
 - Work health and security management systems.
 - Expansion of the management system certification for DEPOGAZ locations.
- The General Director has supported the “Planning and execution of statutory internal audit in line with the legal requirements and other requirements (IMS Audit)” objective, supervising the successful implementation of this audit plan form IMS, considered a priority within the management system,
Objective realized through:
The internal audit program of the integrated management system, approved by the General Director on 25.02.2019, the internal audit of IMS which takes place in 2 periods of 2019, according to the internal audit Plan no. 1 and the audit plans.

Internal audit conclusions

There were no disparities identified during the internal audit.

Recommendations were initiated.

MANAGEMENT ANALYSIS PERFORMED BY THE GENERAL DIRECTOR OF DEPOGAZ

The analysis performed by management is the annual evaluation of top management on the stage and adequacy of the integrated management system in line with DEPOGAZ Policy regarding quality, environment, work health and security and with the objectives which have been set.

The process has taken place under the direct guidance of the General Director, in line with 04PO-01 procedure Analysis done by management during the November 2019 meeting.

The analysis report done by management is based on the results from the monitoring processes within the integrated management system which is implemented in DEPOGAZ and the evidence supplied by the internal and external audit reports. Following this analysis, 14 measures were taken.

THE EXTERNAL OVERSIGHT AUDIT

DEPOGAZ General Director has ensured the necessary resources for maintaining and continuous improvement of the Integrated Management System efficiency – quality, environment, occupational health and security.

The oversight audit from the certifying body SRAC CERT has taken place in the 09 -13.12.2019 period, as per the audit program.

The external audit objectives:

- Evaluation of the way in which the certified management system requirements are met within the conformity and efficiency demanded by the reference standards;
- Evaluation of the management system ability to satisfy legal, regulatory and contractual requirements which apply to the company;
- Identification of the potential improvement areas of the management system.

External audit conclusions

There was no compliance breach.

DEPOGAZ IS EXPANDING ITS MANAGEMENT SYSTEM CERTIFICATION TO ALL ITS LOCATIONS.

II. Optimization, development and diversification of the underground storage activity

Strategic goals

- 1. Increasing the total storage capacity in order to offer security, continuity and flexibility in the natural gas supply through:**
 - a. Increasing of the existing storage capacity based on five-year and twenty-year investment plans, accounting for the natural gas market.
 - b. Increasing the daily extraction capacity of the storage facilities, which ensures Romania's energetic independence;
 - c. Expanding the storage capacity in order to play an important role in the S-E Europe zone.
- 2. Ensuring an increased flexibility in new services offered on the storage market through:**
 - a. Offering multicycle services;
 - b. Performing hourly extraction/injection services in order to provide DEPOGAZ clients with the necessary flexibility to supply their own clients with natural gas.
- 3. Creating new storage facilities in order to ensure supply security in areas where there is a deficiency in the natural gas supply:**
 - a. Moldova area – Supplying the N-E area of the country with natural gas, as well as Moldova Republic;
 - b. The S-W area of Romania and possibly supplying Serbia and Bulgaria with natural gas;
 - c. Decreasing Romania's dependence on natural gas imports;
 - d. Depogaz becoming an important regional actor in S-E Europe.

The investment program planned for the natural gas storage system 2018-2022

The natural gas market in Romania is a relatively mature market and one of the most developed at European level with regards to the annual demand, the available resources and the transmission infrastructure, distribution and

underground storage of natural gas. Romania is also one of the few European countries to have a reduced dependence on external natural gas sources to meet internal demand, most of the natural gas supply being covered by internal production.

DEPOGAS owns the operating License no. 1942/2014 for its 5 natural gas underground storage facilities, developed in depleted gas deposits, which represent approximately 90,23% of Romania's total storage capacity.

The capacity for the underground storage facilities operated by Depogaz, starting with the 1st of January 2019, is presented in the table below

Storage Facility	Active capacity		Extraction capacity		Injection capacity	
	Mil.St.m ³ /cycle	TWh/cycle	Mil.St.m ³ /day	GWh/day	Mil.St.m ³ /day	GWh/day
Bălăceanca	50	0.545	1.200	13.080	1.000	10.900
Bilciurești	1,310	14.214	14.000	151.900	10.000	108.500
Ghercești	150	1.602	2.000	21.360	2.000	21.360
Sărmășel	900	9.522	7.500	79.350	6.500	68.770
Urziceni	360	3.953	4.500	49.410	3.000	32.940
Total	2,770	29.836	29.200	315.100	22.500	242.470

Bălăceanca storage facility

The Bălăceanca structure is situated at approx. 4 km from Bucharest.

The fixed assets which are used for the storage process are the following:

- 24 wells of which 21 Injection/extraction wells and 3 piezometric wells;
- The surface infrastructure contains:
 - ✓ Gas compressor station Bălăceanca;
 - ✓ 8,4 km collecting pipelines;
 - ✓ 4 separators;
 - ✓ 4 gas technological measurement stations;
 - ✓ One gas drying unit;
 - ✓ 15 well gas heaters;
 - ✓ Communication and parameters acquisition optic fiber system;
 - ✓ Bidirectional fiscal measurement panel.

Bilciurești storage facility

The Bilciurești facility is situated in Dambovită county, at approx. 40 km W-NW of Bucharest.

The fixed assets used for the storage process are the following:

- 61 wells out of which 57 injection/extraction wells, 3 piezometric wells, 1 residual water injection well;

- The surface infrastructure contains:
 - ✓ Gas compression station Butimanu;
 - ✓ 7 gas drying units;
 - ✓ 26,5 km collecting pipelines corresponding to the 57 injection/extraction wells;
 - ✓ 50 well gas heaters;
 - ✓ 24 impurity separators;
 - ✓ 14 gas technological measurement stations;
 - ✓ 37,5 km collecting pipelines;
 - ✓ Bidirectional fiscal measurement panel;
 - ✓ Residual water injection station.

Ghercești storage facility

The Ghercesti storage facility is located in Dolj County, in close vicinity to Craiova city.

The fixed assets used for the storage process are the following:

- 85 wells out of which 79 injection/extraction wells and 6 piezometric wells;
- The surface infrastructure contains:
 - ✓ 135,7 km collecting pipelines connecting the 79 sonde;
 - ✓ 22,6 km collecting pipelines;
 - ✓ 13 separatoare de impurități;
 - ✓ 12 gas technological measurement stations;
 - ✓ One gas drying station;
 - ✓ Communication and parameters acquisition optic fiber system;
 - ✓ Bidirectional fiscal measurement panel.

Sarmașel storage facility

The Sarmașel storage facility is situated within the Sărmășel city perimeter, 35 km N-W of Târgu-Mureș, 35 km N of Luduș and 48 km E of Cluj-Napoca.

The fixed assets which are used for the storage process are the following:

- 63 wells;
- The surface infrastructure is composed of:
 - ✓ Gas compression station Sarmasel;
 - ✓ 3 natural gas drying modules which use triethylene glycol;
 - ✓ 26,7 km collecting pipelines connecting the 63 wells;
 - ✓ 13,8 km collecting pipelines;
 - ✓ 59 impurity separators;

- ✓ Bidirectional fiscal measurement panel.

Urziceni storage facility

The Urziceni storage facility is located in Ialomița County, at approx. 50 km NE of Bucharest city.

The fixed assets used for the storage process are the following:

- 31 wells, out of which 30 injection/extraction wells and 1 piezometric well;
- The surface infrastructure contains:
 - ✓ Gas compressor station Urziceni;
 - ✓ 19,5 km collecting pipelines which connect the 31 wells;
 - ✓ 3,3 km collecting pipelines;
 - ✓ 6 gas technological measurement stations;
 - ✓ 29 well gas heaters;
 - ✓ 1 gas drying unit;
 - ✓ Fiber optics parameter acquisition system;
 - ✓ Bidirectional fiscal measurement system.

In order to increase the natural gas storage capacity for the facilities operated by DEPOGAZ, the following projects were proposed:

No. and project name	<u>1. Gas storage facility upgrade - Bilciurești</u>
Purpose	The project's purpose is to increase the daily gas delivery rate from the Bilciurești storage facility to 20 million m ³ /day and to ensure a high level of security and exploitation.
Investments required	<ul style="list-style-type: none"> • Upgrading the separator, measurement and drying equipment; • Systemization and upgrade of the pipeline and cooling systems for the compressing station Butimănu; • Upgrade 19 injection/extraction wells; • Drilling 4 new wells; • 16" gas pipeline Bilciurești –Butimănu
Estimated completion year	2025
Total estimated value	271,15 million lei
Project stage in 2019	<p>In 2019:</p> <ul style="list-style-type: none"> • The acquisition procedure was finalized and the study works order was issued: "Analysis of the daily extraction capacity increase possibility for natural gas at Bilciurești storage Facility"; • Upgrade of wells 136, 154 and 158 Bilciurești;

	<ul style="list-style-type: none"> • Stage I deliverables for the study “Analysis of the daily extraction capacity increase possibility for natural gas at Bilciuresti storage Facility” where finalized, received and approved in the Technical-Economic Commission DEPOGAZ.
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No. and project name	<u>2. Gas storage facility upgrade - Urziceni</u>
Purpose	The project’s purpose is to increase the daily gas delivery rate from the Bilciuresti storage facility and to ensure a high level of security and exploitation
Investments required	<ul style="list-style-type: none"> • Upgrade 8 injection/extraction wells; • Drilling 2 new wells;
Estimated completion year	2022
Total estimated value	23,95 million lei
Project stage in 2019	-

No. and project name	<u>3. Gas storage facility upgrade - Balaceanca</u>
Purpose	The project’s purpose is to increase the daily gas delivery rate from the Balaceanca storage facility and to ensure a high level of security and exploitation.
Investments required	<ul style="list-style-type: none"> • Upgrading the heating, separator and measurement equipment; • Upgrading the energetic and automation installations for the compressor station Balaceanca; • Upgrading 9 injection/extraction wells; • Drilling 2 new wells;
Estimated completion year	2022
Total estimated value	32,2 million lei
Project stage in 2019	During the 4 th trimester of 2019 the Specifications where finalized and the acquisition procedure was started for “Feasibility study of storage in the underground storage facility Bălăceanca”.

No. and project name	<u>4. Underground natural gas storage at the Sarmasel storage facility</u>
Purpose	The project's purpose is to increase the storage capacity of the existing underground storage facility at Sarmasel from 900 million m3/cycle la 1550 million m3/cycle (an increase by 650 million m3/cycle), an increase in the injection capacity by 4 million m3/day, to a total of 10 million m3/day, an increase in the extraction capacity by 4 million m3/day, to a total of 12 million m3/day.
Investments required	<ul style="list-style-type: none"> • Compressor station extension; • Drying and gas measuring stations extension; • Technical equipment for injection/extraction wells; • Upgrade 46 injection/extraction wells; • Drilling 15 new wells; • Gas cushion.
Estimated completion year	2024
Total estimated value	756,350 million lei
Project stage in 2019	<p>During 2019 the following were started and finalized:</p> <ul style="list-style-type: none"> • Service contract for feasibility Study "Natural gas underground storage capacity increase for Sarmasel storage facility" was signed – Stage I of the Study is underway; • Wells no. 170, 180, 208 and 612 Sărmășel were upgraded; • Specifications and acquisition procedure were finalized for „STORAGE WELL UPGRADE: 616, 607, 605, 604, 206, 205, 203, 178, 176, 174, 96, 35 SĂRMĂȘEL STORAGE FACILITY” <p>During October 2019, the European Commission has published the Projects of Common Interest 4th list. The "Sarmasel underground storage facility Upgrade" project is included in this list (PCI 6.20.6-Sărmășel underground gas storage in Romania) for obtaining European financing. The estimated value of the whole project is 136 million Euro and is scheduled to be finalized by year 2024. The project was supported through inclusion in public documents which present the gas infrastructure development requirements.</p>

No. and project name	<u>5. Underground natural gas storage capacity increase at the Ghercesti storage facility</u>
Purpose	The project's purpose is to upgrade the underground storage infrastructure for the Ghercesti storage facility to ensure the operating capacity to 600 million m ³ /cycle.
Investments required	<ul style="list-style-type: none"> • Compressor station; • Gas drying and measuring equipment upgrade; • Upgrading 20 injection/extraction wells; • Ghercesti storage facility collecting pipeline - NTS; • Gas cushion.
Estimated completion year	2025
Total estimated value	564,45 million lei
Project stage in 2019	During 2019 the acquisition procedure was finalized and study works order was issued for the feasibility study "Underground natural gas storage capacity increase at the Ghercesti storage facility from 150 mil./cycle to 600 mil./cycle".

No. and project name	<u>6. New underground gas storage facility in Moldova (Fălticeni)</u>
Purpose	The project's purpose is to build a new underground storage facility in N-E Romania (Moldova region) with an approx. capacity of 200 million m ³ /cycle, injection capacity of approx. 1,4 million m ³ /day, extraction capacity of approx. 2 million m ³ /day, by transforming one or several depleted fields, such as Pocoleni, Comănești, Todirești and Davideni into an underground storage facility.
Investments required	<ul style="list-style-type: none"> • Compressor station; • Gas drying and measurement installations; • Technological injection/extraction well installations; • Drilling injection/extraction wells; • Storage facility gas collector - NTS; • Gas cushion.
Estimated completion year	2025
Total estimated value	405,7 million lei
Project stage in 2019	During 2019 Specifications were started and finalized for the new underground storage facility in N-E Romania.

Underground natural gas storage system development projects are contained by the natural gas National Transmission System Development Plan for the period 2019-2028, approved by ANRE through decision no. 2080 from 11.12.2019.

2.2. Key performance indicators

Key performance indicators (KPIs) financial and non-financial for the variable component of the remuneration are defined within Chapter II of the Key performance indicators both financial and non-financial and the variable component of remuneration methodology – from EO no. 722/2016 updated for the Methodology norms approval for the application of EO no. 109/2011 updated regarding corporate governance for state-owned companies, with the subsequent addendums and completions.

Key performance indicators for the annual variable component of the executive administrator remuneration – General Manager, period 2018-2022 were approved through Sole Shareholder Decision no. 4/05.02.2019.

2.2.1. Target values

Crt. No.	Key performance indicators (KPIs)	2018	2019	2020	2021	2022
Financial KPIs						
1	EBITDA [%]	3	3	40	40	40
2	Turnover (T) [thousand lei]	215.688	287.729	313.306	317.528	320.111
3	Bad debts. [thousand lei]	0	0	0	0	0
Operational KPI						
4	Injected quantity [thousand Mwh]	18.300	18.300	18.400	18.500	18.600
5	Monitoring the investment schedule stage [%]	100	100	100	100	100
Public services oriented KPIs						
6	Customer satisfaction level [%]	90-95	90-95	90-95	90-95	90-95
Corporate governance KPIs						
7	Monitoring the implementation stage for the IMCS. [%]	75	90	90	90	90

2.2.2. The key performance indicators weight coefficient

Crt. No.	Key performance indicators (KPIs)	Objective	KPIs weight
Financial KPIs			40%
1	EBITDA [%]	≥3	15%
2	Turnover (T) [thousand lei]	Reaching the target set through the Administration Plan	15%
3	Bad debts. [thousand lei]	Maintaining the level to 0	10%
Operational KPIs			30%
4	Injected quantities [Mwh]	Reaching the target set through the Administration Plan	15%
5	Monitoring the investment schedule stage [%]	Trimestral and annual reporting within the deadline	15%

	Public services oriented KPIs		10%
6	Customer satisfaction level [%]	90-95	10%
	Corporate governance KPIs		20%
7	Monitoring the implementation stage for the IMCS. [%]	Over ≥75 percent completion of the development program of the S.C.I.M.	20%

2.2.3. Key performance indicators achievement rate – General Manager

Considering the target value for the key performance indicators approved by the Sole Shareholder SNGN Romgaz S.A. in the Administration Plan for the period 2018-2022 of the Board of Directors of S.N.G.N. Romgaz S.A. – Filiala de Îmagazinare Gaze Naturale Depogaz Ploiești S.R.L., the key performance indicators which constitute an annex to the mandate contracts, the achievement rate for these in the year 2019 is detailed in the following:

Crt. No.	Key performance indicators (KPIs)	Achieved Value within year	Targeted Value within year	Achievement Rate	KPI Weight	Weight %
1	EBITDA [%]	16.47	3.00	549.00	15%	82.35
2	Turnover (T) [thousand lei]	355.713	287.729	123.63	15%	18.54
3	Bad debts [thousand lei]	0	0	100.00	10%	10.00
4	Injected quantities [Mwh]	27,978	18,300	152.89	15%	22.93
5	Monitoring the investment schedule stage [%]	100.00	100.00	100.00	15%	15.00
6	Customer satisfaction level [%]	99.81	95.00	105.06	10%	10.51
7	Monitoring the implementation stage for the IMCS. [%]	90.00	90.00	100.00	20%	20.00
						179.33

• Financial KPIs

The key performance indicators values for the year 2019 are:

- The net revenue for 2019 was 355.713 thousand lei;
- DEPOGAS has not registered bad debts in 2019.
- $EBITDA = \text{Total operational revenue} - (\text{Total operational expenses} - \text{Depreciation}) =$
 $= 355.980 - (300.247 - 2.901) = 58.634 \text{ thousand lei}$
- $EBITDA (\%) = (EBITDA / \text{Total operational revenue}) \times 100 =$
 $= (58.634/355.980) \times 100 = 16,47\%$

* for EBITDA calculation, values from the F20 "The Profit or Loss Account" and F30 "Informative data" were used"

Turnover	355.713
Operational revenue	355.980
Operational expenses	300.247

Depreciation	2.901
EBITDA	58.634
EBITDA	16.47 %

a. The financial standing at the end of the period – Balance sheet

In the table below, the financial standing as of 31st December 2019.

Indicator	(Ron)	
	31.12.2018	31.12.2019
ASSETS		
<i>Fixed assets</i>		
Property, plant and equipment	37.842.548	59.519.187
Other intangible assets	235.377	1.018.770
Other fixed assets	0	16.069
Total fixed assets	38.077.925	60.554.026
<i>Current assets</i>		
Inventory	16.080.709	14.871.498
Trade receivable and other receivables	37.321.914	47.063.773
Cash and cash equivalents	17.088.328	46.769.349
Total current assets	70.490.951	108.704.620
Prepayments	72.350	127.342
TOTAL ASSETS	108.641.226	169.385.988
OWNER'S CAPITAL AND LIABILITIES		
<i>Retained earnings</i>		
Paid-in capital	66.056.160	66.056.160
Reserves	28.073	7.507.199
Financial result (loss)	(97.396)	(857.977)
<i>Profit/Loss financial period</i>	(732.510)	47.644.117
Total owner's equity	65.226.256	112.870.373
<i>Current liabilities</i>		
Accounts payable	7.937.603	6.383.452
Debts to companies within the group	16.566.860	18.888.642
Other liabilities	10.470.036	18.338.561
Total current liabilities	34.974.499	43.610.655
<i>Accruals and bad dept provisions</i>		
Accrual for employees' benefits and other accruals	8.440.471	12.888.415
Unearned revenue		16.545
<i>Long-term liabilities</i>		
Accounts payable	0	0
Current profit tax accrual	0	0
Other liabilities	0	0
Total long-term liabilities	0	0
TOTAL liabilities & owner's equity	108.641.226	169.385.988

Out of the total assets of 169.385.988 RON, fixed assets amount to **60.554.026** RON, representing 36% and current assets in amount of **108.704.620** RON, and representing 64%.

The capital of the company is entirely paid-in at 31st December 2019.

At the company's incorporation date (2015), it had a paid-in capital in cash of 1.200.000 lei. In April, when the company started its activity, the capital was increased by 48.800.000 lei in cash, and in November 2018 it was increased again by 16.056.160 lei in materials and stocks.

Accounts receivable and other receivables are detailed below:

Receivables (Ron)	Balance as of 31 st December 2019	Liquidity term	
		under 1 year	over 1 year
Accounts receivable	38.403.204	38.403.204	
Amounts receivable from affiliated companies	7.125.083	7.125.083	
Other receivables	<u>1.535.486</u>	<u>1.535.486</u>	
TOTAL	47.063.773	47.063.773	

Accounts receivable are not interest carriers and generally have a 30-day due date.

The amounts included in "other receivables" mainly contain: medical leaves to be recuperated from FNUAS, prepaid vacation bonuses granted in December 2019 for January 2020, VAT under settlement related to invoices issued in January 2020 for services rendered in December 2019.

Cash and cash equivalent are represented by:

Cash and cash equivalent (Ron)	Balance as of 31 st December 2019
Bank accounts in lei	16.686
Bank accounts in foreign currency	110
Petty cash lei	1.679
Petty cash foreign currencies	1.471
Other amounts (bank deposits)	46.749.403
Total	46.769.349

The liabilities in the balance sheet are the following:

Liabilities (Ron)	Balance at 31 st December 2019	Maturity	
		under 1 year	over 1 year
Supplier invoices not yet received	1.692.244	1.692.244	
Supplier	4.691.208	4.691.208	
Payables to employees	3.388.801	3.388.801	
Taxes for employees' salaries	2.264.855	2.264.855	
Profit tax	4.906.632	4.906.632	
taxes -VAT	3.801.446	3.801.446	
Amounts payable to affiliated companies	18.888.642	18.888.642	
Royalty and environment fund	3.137.682	3.137.682	
Other liabilities	<u>839.145</u>	<u>839.145</u>	
Total	43.610.655	43.610.655	

b. The statement of comprehensive income - PROFIT AND LOSS ACCOUNT

Profit or loss account synthesis (Ron):

Indicator	2018	2019
<i>Total revenue from operations</i>	208.678.439	355.980.192
<i>Raw materials, materials and electric energy expenses</i>	40.640.807	75.590.649
<i>Salaries</i>	43.227.502	59.803.650
<i>Revaluation of fixed and intangible assets</i>	65.518	2.901.144
<i>Revaluation of current assets</i>		472.823
<i>Other operational expenses (external services rendered)</i>	116.002.886	157.031.218
<i>Provisions and accruals</i>	8.440.471	4.447.944
<i>Total operational expenses</i>	208.377.184	300.247.428
<i>Profit or loss from operations</i>	301.255	55.732.764
<i>Financial – interest revenue</i>	261.160	464.524
<i>Financial expenses - exchange rate loss/gain</i>	1.000	1.459
<i>Financial Profit</i>	260.160	463.065
<i>Total revenue</i>	208.939.599	356.444.716
<i>Total expenses</i>	208.378.184	300.248.887
<i>Accounting profit /loss</i>	561.415	56.195.829
<i>Profit tax</i>	1.293.925	8.551.712
<i>Loss</i>	-732.510	47.644.117

From the total of 355.980.192 RON operational revenue in 2019, 355.704.183 RON, representing 99,92%, come from gas storage services rendered.

From the total of 300.247.428 RON operational expenses, the most semnificative are:

- Raw materials and materials expenses in total value of 30.508.500 RON, of which, technological expenditures, including fules: 26.028.420 RON;
- Electric energy: 44.331.281 ron;
- Personnel expenses, including taxes: 59.803.650 ron;
- Third party services rendered expenses: 135.865.643 ron;
- Tax expenses: 18.610.982 ron.

Out of the total provisions and accruals expensed and reversed in 2019 which amount to de 4.447.944 RON, 2.877.200 RON representing personnel bonus accrual, 869.979 RON variable component of the Board of Directors and General Director compensation, 584.424 RON work contract expiry provisions.

Veniturile financiare sunt reprezentate de venituri din dobânzi la depozite în valoare de 463.967 ron.

Cash and cash equivalent at the end of the financial period	46.769.349
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c. Economic and financial indicators

We present below the main economic and financial indicators of the company for 2019:

	2019
1. Indicators of liquidity	
Current ratio	2.50
Immediate ratio	0.34
2. Risk indicator	
Indicator of indebtedness	25.69%
3. Activity indicators	
Clients 'debts rotation speed (number of times)	9.60
The rotation speed of the total assets	2.10
4. Profitability indicators	
Gross margin on sales	15.80
Economic rentability	28.15

Taxation

The company is registered with the National Agency for Fiscal Administration – Bucharest in large taxpayer's category.

The company is a tax payer. The tax calculated for 2019 was 8.551.712 RON.

• **ICP operaționali**

a. Injected / withdrawn quantities

During 2019, 1,271,756.011 thousand cm (13,641,115.032172 MWh) were extracted, representing 72.70% of the forecasted quantity to be extracted, caused by low extraction requests by clients due to high temperatures during the winter months.

In 2019, 2,620,472.535 thousand mcm (27,977,621.940755 MWh) were injected, an increase by 52,8% over the forecasted quantities, caused by a lack in demand at national level due to high temperatures during the period.

Storage facility	Extraction 2019		Injection 2019	
	[cm]	[MWh]	[cm]	[MWh]
Bilciurești	715,646,569	7,700,480.063915	1,212,856,282	12,949,717.709259
Urziceni	182,537,952	1,988,771.064822	317,715,252	3,437,596.729711
Bălăceanca	23,017,535	251,700.328723	39,500,539	432,012.931882
Ghercești	88,439,172	944,684.013566	221,426,387	2,379,455.126813
Sărmășel	262,114,783	2,755,479.561146	828,974,075	8,778,839.443090
TOTAL	1,271,756,011	13,641,115.032172	2,620,472,535	27,977,621.940755

In 2019 the total quantity for technological consumption was 16,813.102 thousand cm (179,991.303414 MWh), over the estimated quantity by 32,4% due to natural gas injected quantities compared to the quantities estimated and due to injection performed mainly in storage facilities equipped with compressor stations working on gas. The expenses recorded for natural gas used in technological purposes is as follows:

Year	Gas fuel consumption		Gas fuel value (excl. VAT)	Motor gas excise duty value (excl. VAT)	Heating gas excise duty value (excl. VAT)	TOTAL (excl. VAT)
	Thousand cm	MWh	Lei	Lei	Lei	Lei
2019	16,813.102	179,991.303414	17,293,326.21	7,739,445.31	32,528.33	25,065,299.84

b. Monitorizarea stadiului de realizare a investițiilor

For 2019, DEPOGAZ had an approved investment plan of 133.750 thousand lei, out of which 54.665 thousand lei represent the gas cushion for Sarmasel underground storage facility.

Investment financing was made exclusively through DEPOGAZ funds.

The total value of assets put-into-use was 35.618,88 thousand lei.

During 2019, DEPOGAZ had an approved investment plan of 79.085 thousand lei (excluding the gas cushion) and has realized 25.363,64 thousand lei, which represents 32% from the allocated amount, as follows:

- Thousand lei -

Crt. no.	Specifications	12-month 2019 program	12-month 2019 realized
1.	Underground storage of natural gas activities	4800,0	2276,30
3.	Modernization and technologization of installations and equipment and of the surface infrastructure of utilities	62130,0	20462,24
4.	Independent equipment and machinery	3145,0	2212,75
5.	Consulting, studies and projects, software and licenses.	9010,0	412,35
TOTAL GENERAL		79085,0	25363,64

Projects which have recorded investments in the period 01.01-31.12.2019:

- **Infrastructure upgrade at Ghercesti underground facility**– 1.767,94 thousand lei – In line with Directive no. 2012/18/EU translated into national law through Law no. 59/2016 on the control of major-accident hazards involving dangerous substances, with subsequent amendments and completions, the underground storage facility at Ghercesti has entered under SEVESO III European Directive. Works were started in 2018 and finalized in 2019 for access roads and platforms in order to ensure safety zones required by ESI (Emergency Situations Inspectorate) and to allow access to wells in unfavorable weather conditions

- **Restitutions and land acquisitions**– 508,36 thousand lei.
- **Upgrades for wells**– 19.627,91 thousand lei – Works are necessary due to low performance of wells in the injection/extraction process which affects the daily injection capacity and especially the daily extraction capacity for storage facilities. Moreover, operational security will be increased through fitting safety valves. These works are required for storage facility performance improvement and for conformity with security reports recommendations as per Law no. 59/2016 with subsequent amendments and completions.
- **Modernization for distributors 20KV, 6KV, 0,4KV and command cabinets at Bălăceanca** – 4,47 thousand lei – The work was necessary in order to replace equipment mounted in distribution cells for 20KV, 6KV and 0,4KV.
- **Upgrading the heating equipment for Butimanu** – 56,54 thousand lei – The work was necessary in order to ensure safety conditions for while discharging oil from separators and preventing it from going into the well.
- **Power supply to SC Bălăceanca** – 13,46 thousand lei – Works were necessary for safely connecting an electric generator.
- **Upgrading gas measuring system for Bălăceanca** – 218,83 thousand lei – The upgrade for this equipment was needed due to its age (15 years), and to lower DEPOGAZ financial exposure due to measuring errors of over 1%, operational safety for the gas measuring equipment Bălăceanca and in order to have a precise measurement of the gas operated.
- **Upgrading the power supply for SC Urziceni** – 89,54 thousand lei – The power supply equipment at the compressor station in Urziceni contains an electrical transformer of 1000KVA, 20/0.4 KV. The power supply needed at CS M2 Urziceni during the injection cycle is 600KW, while during the extraction period, it is 150KW. In order to reduce electricity costs at CS M2 Urziceni, an electrical transformer of 400KVA, 20/0.4 KV was installed, and modifications were made to the 0.4 KV distributor.
- **Upgrading the heating equipment for gr. 1 Urziceni** – 2,7 thousand lei – Works were necessary in order to reduce maintenance costs and utilities costs.
- **Safety power supply to (uninterruptible power source UPS) SC Sărmășel** – 239,79 thousand lei – Works were necessary in order to protect the compressor equipment from frequent power fluctuations from the electrical power supply.
- **Upgrading the heating equipment for Storage Workshop Craiova** – 34,85 thousand lei – works were necessary in order to reduce maintenance and utilities costs.
- **Upgrading the technological measuring system at Sărmășel storage facility** – 174,150 thousand lei – Works were necessary for monitoring well behavior while operating.
- **Upgrading the telecommunication system** – 867,30 thousand lei – The need to upgrade the communication network came from:
 - Age of the existing network. The existing communication and telephone systems were put-into-use in 2004 (designed 2002-2003). Although it was extended afterwards, the main structure and functions remained the same. Investments in the data infrastructure were minor, only replacement of defective equipment was made and no support services or software updates were acquired. The network equipment is outdated and worn-out, using old protocols which are no longer safe. The network traffic has increased considerably since 2004, so the equipment installed at that time no longer correspond to the current needs.
 - Insufficient level of security for the communication network. In order to ensure overall network security, encrypting, segmentation, firewalls and event logs are needed in the communication network. Checks performed on the network revealed a series of high-level security vulnerabilities. Correction measures taken are the following: replacement of

the network equipment which no longer have software security updates, partition of the networks, landline server replacement. Considering the increase in cyber-attacks in recent years, specific security mechanisms are necessary which must be rigorously inspected (managed). The landline system uses 2005 technology which is presently vulnerable to security threats and must be corrected. Moreover, the system cannot be extended further by adding new telephones or functions.

- **Uninterruptible power source** – 37,09 thousand lei – Acquisition was necessary to ensure power supply redundancy and protection against tension fluctuations.
- **Wall thickness measurement equipment** - 19 thousand lei – equipment is used by DEPOGAZ specialists to determine the corrosion thickness for the gas tubing operated by DEPOGAZ.
- **Laboratory PH – Meter** – 4,40 thousand lei – these equipments are used in routine applications and laboratory PH measurements for the oil used in electro compressors. By acquiring this equipment compressor parts wear can be avoided.
- **Furniture** – 13.07 thousand lei – Needed for the headquarter.
- **Hydrocarbon dew point analyzers** – 110 thousand lei – In line with Annex no. 5 of the ANRE president Order no. 62/24.06.2008 regarding the approval of the natural gas traded in Romania measurement Code (Official Monitor of Romanian Part I, no. 489/01.07.2008) with subsequent amendments and completions, at the commercial handover points, the natural gas must meet the minimum quality standards. In order to monitor the dew point for hydrocarbon it is necessary to implement a dew point monitoring system.
- **Burned gas analyzer** – 14 thousand lei – The equipment is used by the environment inspectors within the Environmental Protection Department in order to determine the components of the burned gas in all DEPOGAZ locations. The acquisition of this equipment was necessary because the analysis reports must be submitted to the competent authorities.
- **Gas heaters** – 499,50 thousand lei – equipment was necessary to prevent cryohydrates from forming inside the other equipment and machinery.
- **Gas chromatography system** - 517 thousand lei – Natural gas injected in the underground storage facilities, which have a low quality affect the structure and matrix of the storage facility especially there are values over the limits for dew points, hydrocarbons, oxygen, and hydrogen sulfide. For this reason, on-line monitoring of the gas composition is necessary using process chromatographs C9+ with HCDp and H2S and O2 analyzer, in order to take operative measures.
- **Methanol injection equipment** – 89,50 thousand lei – In the Urziceni and Bilciuresti storage facilities wells, since the beginning of the extraction cycle, cryohydrate deposits were found in the tubing and pipelines. To prevent the loss in production caused by a lower gas flow section a methanol pumping skid was acquired which is used to eliminate the cryohydrate deposits.
- **Debit meter CORIOLIS** – 41,9 thousand lei – Purchase was needed to replace a defective controller at gr. 1 Bălăceanca for a more precise calibration of the wells and an accurate measurement of the natural gas quantities as well as the deposit water quantities extracted.
- **Microsoft Enterprise Agreement** – 46,35 thousand lei – in order to ensure homogenous environment, with a large degree of functionality and security, the DEPOGAZ software infrastructure is supplied by Mycrosoft products, licensed based on an EA (Enterprise Agreement) agreement. This agreement allows requests and acquisitions of new licenses, so that DEPOGAZ does not breach any licensing policies or laws. For this purpose an amount was budgeted in order to cover necessary licenses for new employees.

- **Fire permit project** – 22,50 thousand lei – The project was needed to obtain the Fire Security Permit, in line with the methodology norms regarding authorizations and permits for fire Security and civil protection based on IAM Order no. 129/2016.
- **Bilciurești deposit study** – 250 thousand lei – Underground storage represents a vital part of the natural gas market in Romania. The natural gas storage process offers natural gas supply security in high demand periods by providing additional supply and represents a security measure in cases of diminished or accidental interruption of production/gas supply.
- **Other studies and projects** – 93,50 thousand lei.
- **KPI - service quality**

Customer satisfaction

In the 2019 - 2020 storage cycle, commercial activities for the 55 beneficiaries of the storage services were managed. 73 storage contracts and 211 additional acts to the contracts were signed.

The assessment of customer satisfaction was carried out based on an operational procedure that establishes how the information regarding the customer's perception on the satisfaction of its requirements is obtained and used. The process consists of three main steps:

- Data collection regarding customer satisfaction and customer perception regarding the company's performance. For this purpose, a questionnaire is sent to the clients on an annual basis, "Questionnaire to assess the degree of customer satisfaction".
- Evaluation of customer answers and interpretation of results, by the end of the first quarter, using the "Customer satisfaction assessment sheet";
- Sending the "Customer satisfaction assessment sheet" to the Integrated Management Department

On 09.01.2020 a "Questionnaire to assess the degree of customer satisfaction" was sent to storage service beneficiaries.

Following the questioner results and making the "customer satisfaction assessment sheet", we observed an overall satisfaction index of **99.81 %**, compared to the target value of **95% set**.

- **KPI – corporate governance**

Monitoring the implementation stage of the Internal Managerial Control System

The control system developed and implemented within the Company as part of the management process, targets all organizational units' activities, at all management levels and is intended to help reach the proposed objectives while identifying and managing their associated risks.

Internal control is a process carried out by companies' employees at all levels, namely the board of directors, the executive management, the entire staff. Each member of the entity is responsible for its internal control.

Internal control should be perceived as one of the management functions, and it is the responsibility of both the managers and of each individual employee to ensure the functioning of the internal management control system, so that the general framework is compliant with the legal provisions.

The implementation, development, maintenance and evaluation of the internal managerial control system in the company is carried out in compliance with the requirements of the Order of the Government Secretariat no. 600/2018 for the approval of the Code of Internal Managerial Control of Public Entities.

The managerial internal control system contains self-assessment mechanisms and measures for its efficiency increase are based on risk evaluation.

On an annual basis, at a Company level, the Managerial Internal Control Development Plan is developed, analyzed, and approved within the monitoring Commission meeting and also approved by the General Director who is the president of the Commission.

Considering the objectives contained in the Plan, through the Company's actions, the following were realized:

- The Code of conduct which approved in the DEPOGAZ BOD meeting through Decision no. 5 din data de 12.06.2018 was revised through Decision no. 8 from 29.05.2019.
- The General Director – President of the monitoring Commission has approved has approved the procedures documented, elaborated/revised, analyzed and approved by the Commission members.
- The performance monitoring system was created and evaluated the Company's objectives and activities through performance indicators.
- At Company level, specific and generic objectives were identified, as well as the risks associated with them
- The risk management process is organized and monitored.
- Risk management is a key component of decision making and prioritizing actions.
- The General Director approves the risk Register at DEPOGAZ level, updated annually or whenever required.
- According to specific system procedures, each organizational unit presents the objectives met stage as well as the objectives associated risk management process Report on trimestral and annual basis.
- The monitoring Commission has analyzed these documents. From the analysis performed, the Commission concluded that the risks associated with the identified objectives for the organizational units of DEPOGAZ are closely related to activities within the specified objectives for which realization can be affected by risk materialization.
- The General Director has approved the documented procedures and activities List within DEPOGAZ which is created/updated according to The Government Secretariat Order no. 600 from 20.04.2018 regarding the approval of the managerial internal control Code for public entities – Standard 9 – Procedures.
- System procedure PS-16: Sensitive work titles inventory was created and approved.
The General Director has decided a centralized inventory and management of the sensitive work titles to be taken at DEPOGAZ level according to system procedures mentioned above.

By order of the General Director, the inventory, centralization and management of sensitive work titles action was taken within 42 organizational units which have taken into account the functional attributes of the personnel which regularly deal with one or more risk factors. Following this action, the "Report regarding the inventory of sensitive and/or especially exposed work titles to corruption and their associated risk at SNGN ROMGAZ SA-Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL level" was elaborated and approved.

- The General Director – President of the monitoring commission has approved system procedure PS-17: The methodology of identifying corruption risks and vulnerabilities, created within DEPOGAZ, procedure which puts

to writing the methodology of identifying, analyzing and managing risks associated with possible corruption acts within organizational units of DEPOGAZ.

- The Commission for Anticorruption National Strategy implementation for the period 2016-2020 and for establishing specific necessary measures for enforcing Governmental Decision no. 583/2016 has analyzed and updated the identification and evaluation of corruption risks and vulnerabilities and remedial measures for vulnerabilities specific to DEPOGAZ.
- Through the General Director's Decision no. 232/30.09.2019, the SNGN Romgaz SA-Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL integrity Plan was approved and updated.
- The General Director – President of the monitoring Commission has approved the operational procedure 01PO-08: Delegation. The procedure was created to regulate delegation of work attributes, principles and rules applicable within DEPOGAZ.
- Self-evaluation of the managerial internal control system was started on 31st of December 2019 through General Director Decision as well as methodological guidelines containing legal and internal requirements for the managerial internal control system.

The documents on which the implementation stage report was based for the managerial internal control standards according Order no. 600/2018 from 31.12.2019 of the Government Secretariat, are the following:

- Self-evaluation questionnaire for the implementation stage of the managerial internal control standards/ 2019 (Annex 4.1 GS Order 600/2018) to which every organizational unit leader has committed according to the Company's organizational chart, regarding information accuracy and recordings inscribed based on the managerial responsibility principle;
- The summary report of the implementation stage and the managerial internal control system development from 31st of December 2019 (Annex 3 GS Order no. 600/2018), created by the technical Secretary of the monitoring Commission and approved by the monitoring Commission President;
- The synthetic analysis of the self-evaluation results (Annex 4.2 – SG Order no. 600/2018), created by the technical Secretary of the monitoring Commission and approved by the monitoring Commission President.

Based on the documents stated above, the managerial internal control system Report was created at DEPOGAZ level and approved by the General Director on 31st of December 2019 – Annex 4.3 – GS Order no. 600/2018.

The report offers a clear image of the implementation and development stages of the internal control system of the Company. Based on the self-evaluation results dated 31st of December 2019, the managerial internal control system of DEPOGAZ complies with the managerial internal control Code standards.

The National Anticorruption Strategy for 2016-2020

DEPOGAZ promotes fair business relations and follows compliance with legislation in all its activities, acting to discourage, prevent and counter acts of corruption.

Through the Code of Conduct, approved by the General Director and by the Board of Directors, clear conduct norms have been established which state corporate values, responsibilities, obligations and business conduct, norms which are mandatory for DEPOGAZ employees in every organizational unit.

The General Director has created the Adherence Declaration, through which all company employees adhere to values, principles, objectives, measures and terms set by NAS.

For NAS implementation, the Integrity Plan was approved, which states in particular cases the measures to be applied within DEPOGAZ, added to the general objectives and specifics within NAS, with the purpose of identifying risks, vulnerabilities and specific needs.

In the first quarter of the current year, the structure was changed through General Director Decision, for the National Anticorruption Strategy Commission for the 2016-2020 period within DEPOGAZ and for the necessary measures for compliance with GD no. 583/2016 regarding the approval of the national anticorruption law for the 2016-2020 period, of the performance indicators, objective associated risks, strategic measures and control sources for the institutional transparency measures and corruption prevention, the evaluation indicators, as well as the publication standards for public interest information.

At the end of September, the Integrity Plan was analyzed and revised. Please find below the implementation stage for the period 01.01.2019-30.09.2019 and for the period 01.10.2019-31.12.2019.

Implementation stage for the Integrity Plan

01.01.2019-30.09.2019

Measures	Performance indicators	Implementation stage
Objective 1: Increasing the implementation degree for the anticorruption measures at organization level		
1.1 Informing employees of the integrity plan elaboration and approval. Distributing within the Company the integrity plan as well as publishing the document on the Company's website.	Integrity plan is approved and disseminated (e-mail, informative memo, meeting, etc.) No. of employees informed by approval of the integrity plan. Ways of informing employees (ex. meeting, e-mail, informative memo etc.) Integrity plan published on Company's website.	The integrity plan was approved through Decision 160/12.09.2018 Approval and publication of the decision was communicated to all employees by e-mail. Integrity plan was approved through Decision 160/12.09.2018 and published on the Company's website
1.2 Creating a Risk Management procedure Gradually introducing, at organizational level, new unit evaluation methodology for corruption risks as a premise for developing the integrity plan.	No. of risks and vulnerabilities identified.	PS-07 Risk management Identification and evaluation report of the corruption risks and vulnerabilities and of the remedial measures for specific vulnerabilities for DEPOGAZ Ploiesti 2018, registration number 7804/24.10.2018
Identifying risks and vulnerabilities specific to the Company Creating a risk register and publishing it in the internal network – DEPOGAZ Portal.		Above mentioned report was published on the internal network – DEPOGAZ Portal
1.3 Implementing remedial measures for specific vulnerabilities identified	No. of implemented measures / No. of remedial measures	In the Report, at point 1.2. there are remedial measures for vulnerabilities

<p>1.4 Annual evaluation of the integrity plan implementation and its adaptation to new risks and vulnerabilities, as well as forwarding it to its hierarchical superior Governmental General Secretariat and Ministry of Justice.</p>	<p>Implementation degree of the integrity plan New measures introduced/revised</p>	<p>Evaluation of the integrity plan implementation was done annually in September</p>
<p>1.5 Periodic self-evaluation (annual) of the implementation degree of the institutional transparency measures and corruption prevention (NAS Annex 3 – inventory of measures)</p>	<p>Collected data and information for all indicators within the inventory</p>	<p>Self-evaluation is done annually, at the same time as the integrity plan evaluation.</p>
<p>1.6 Creating a dedicated section on the Company's website for integrity where materials will be published about: the adherence plan, integrity plan, self-evaluation reports, information, good-practice examples etc.</p>	<p>Distinct section created on the website Number of published materials</p>	<p>There is a dedicated section for integrity on the Company website https://www.depogazploiesti.ro/ro/transparenta/guvernanta-corporativa/documente-de-referinta/strategia-nationala-anticoruptie</p>
<p>1.7 Intensifying the managerial internal control system implementation activities</p>	<p>No. of sensitive work titles inventoried (of which, work titles susceptible to corruption) Conformity degree for the managerial internal control system</p>	<p>In February 2019 the managerial internal control system self-evaluation process for the period April-December 2018 has taken place within the Company. At SNGN ROMGAZ SA – Filiala de Îmagazinare Gaze Naturale DEPOGAZ Ploiești SRL level the managerial internal control system Report was elaborated and approved by the General Director on 31st of December 2018 – Annex 4.3 – GSO 600/2018. The report offers a clear image on the implementation stage and development of the internal control system for the Company. Based on the self-evaluation report at 31st of December 2018, the Company's managerial internal control system is in line with standards contained by the managerial internal control Code. The sensitive work titles inventory is performed annually.</p>
<p>1.8. Correlation between the code of conduct, internal regulations and specific fraud/corruption regulation newly elaborated within the Company</p>	<p>Code of conduct disseminated and implemented</p>	<p>Code of conduct was approved in the SNGN ROMGAZ SA - Filiala de Îmagazinare Gaze Naturale DEPOGAZ Ploiești SRL Board of Directors meeting through Decision no. 5 from 12.06.2018 and revised through Decision no. 8 from 29.05.2019.</p>

<p>1.9. Elaboration and implementation at Company level of Regulation for defining anticorruption indicators (methodology regarding decisional transparency, access to information, open data, gift declaration, avoiding conflict of interest situations and incompatibility cases, as well as managing them when they are identified, public interest warning etc.)¹</p>	<p>No. of indicators defined through internal Regulation</p> <p>No. of internal Regulation regarding specific anticorruption indicators identification implemented</p>	<p>Under development</p>
<p>1.10 Active involvement of the ethics councilor in the Company's personnel counseling activities</p>	<p>No. of counseling sessions</p> <p>No. of personnel informing activities within the Company regarding the norms of ethics</p> <p>No. of employees which have been informed through informative actions in the conduct norms</p> <p>No. of employees which have requested ethical counseling</p> <p>No. of cases which required ethical guidance</p> <p>No. of reports regarding the code of conduct</p> <p>Number of training sessions which the ethics counselor has attended in regarding activity improvement</p>	<p>The ethics counselor has processed with the employees the revised Code of Conduct stipulations. Each new employee signs the Statement taking act of the Code of Conduct.</p> <p>The ethics counselor has created the norm compliance monitoring Report for the 2nd semester of 2019.</p>
<p>1.11 Implementing a companywide warning system for irregularities and possible corruption acts (Eg: dedicated email address)</p>	<p>No. internal regulation harmonized with the legal requirements</p> <p>No. of corruption acts warnings submitted</p> <p>Type of acts over which corruption warnings were submitted.</p>	<p>Any person can signal an irregularity and or possible act of corruption at the email address info@depogazploiesti.ro</p>
<p>Objective 2: Raising the anticorruption education level of employees</p>		
<p>2.1. Organizing /developing/ ensuring participation in professional training programs on anticorruption in external courses as well as internal activities of the Company, for personnel involved in corruption risk activities, expressly in acquisitions activities (contracts, contracts follow-up, etc.)</p>	<p>No. of programs underway / training activities</p> <p>No. of participants</p> <p>No. of course modules conducted</p> <p>No. of participation certificates</p> <p>No of trained employees with</p>	<p>In the 2nd semester of 2019, at Company level there were internal training sessions of personnel regarding the National Anticorruption Strategy 2016-2020.</p> <p>Have participated in the "Ethics and integrity, Implementation of the National Anticorruption</p>

	knowledge from hierarchic superiors and/or structures with these attributes	Strategy 2016-2020", 42 employees.
2.2. Ensuring dissemination of information regarding the risks and consequences of corruption acts or integrity incidents. Providing the employees with legal guidance, guides and case studies on conflict of interest / incompatibility and corruption acts	No. of employees informed No. information sent No. of guides/brochures/flyers created	The risks and vulnerabilities identification and evaluation Report and measures to remedy DEPOGAZ Ploiești 2018 specific vulnerabilities, registration no. 7804/24.10.2018 is published in the internal network -DEPOGAZ Portal.
2.3. Organizing awareness campaigns, periodic debates regarding corruption prevention and promoting anticorruption good-practices	No. of awareness campaigns organized No of debates organized No. of good-practices disseminated	Within the Company, awareness campaigns are organized, periodic debates, regarding corruption prevention and promoting corruption prevention practices with the Company's employees.
Objective 3: Developing a culture for transparency for an open local governance		
3.1. Publishing public interest information in open format	No. of data sets published in open format. ²	The Company ensures access to public interest information according to Law no. 544/2001 with subsequent modifications and completions through the Communications, International Relations, Cooperation and European Funds Accessing Bureau. Public interest information requests are submitted after filling the form "Public information request". Any complaints regarding a delay in providing public interest information requested or refusal to supply the requested information can be submitted by filling the form "Complaints". The forms can be filled and submitted by anyone at info@depogazploiesti.ro or can be submitted directly at DEPOGAZ headquarters, according to the terms required by law no. 544/2001 with subsequent modifications and completions.
3.2. Publishing public interest information according to general standard found in Annex 4 and Annex 5 ³ of NAS	No. of public information	Part of the documents requested through the general standard found in Annex 4 and Annex 5 ³ of NAS are published on the DEPOGAZ website and a part of them are currently being elaborated.

Objective 4: Consolidating the administrative control mechanisms		
4.1. Continuing the internal control and audit structure consolidation and raising employee awareness regarding the role of managerial internal control systems.	Ratio of employees to activity volume; Material resources allocated; No. of internal control measures and recommendations created/implemented	Within the BOD there is the Audit Committee with internal audit and managerial internal control responsibilities (The Code of responsibilities for the Audit Committee). Internal audit exists and is functional. The first annual audit plan takes place in 2019. Internal control exists and is functional.
4.2. Internal auditing once every two years for the corruption prevention system/measures within the company	No. of recommendations submitted Implementation degree for anticorruption preemptive measures	
4.3. Dissuasive disciplinary sanctions for ethical standards and anticorruption conduct breach for all employees	No. of complaints received No. of complaints resolved/in process to be resolved No. and type of sanctions applied No. of disciplinary committee decisions annulled or modified in court No. of people who have repeatedly committed breaches	The ethics counselor has created the conduct norms monitoring Report.
4.4. Periodically publishing the disciplinary sanctions take through reports	No. of reports published	No instances required

**Integrity Plan implementation stage
 01.10.2019-31.12.2019**

Measures	Performance indicators	Implementation Stage
GENERAL OBJECTIVE 1: CREATING A TRANSPARENCY CULTURE FOR A DECISIONAL OPEN MANAGEMENT		
Specific objective 1.1: Raising institutional transparency and decisional process		
1.1.1. Updating the Company's website in accordance with the general standard	Functional site	There is a dedicated section on the DEPOGAZ website for integrity, https://www.depogazploiesti.ro/ro/transparenta/guvernanta-corporativa/documente-de-referinta/strategia-nationala-anticoruptie
Specific objective 1.2: Increasing the transparency process for public resources management		
1.2.1. implementing open Contracting Data Standard in the public acquisitions sector (JSON)	Data supplied in the requested format	ADDR implementation pending

GENERAL OBJECTIVE 2 – INCREASING INSTITUTIONAL INTEGRITY THROUGH APPLICATION OF CORRUPTION PREVENTION MEASURES AS MANDATORY PARTS OF THE MANAGERIAL PLANS AND THEIR PERIODIC REVIEW AS MANAGERIAL PERFORMANCE INTEGRATED PARTS		
Specific Objective 2.1 – Improving the capacity to manage management failure by correlating tools that have an impact on the early identification of institutional risks and vulnerabilities		
2.1.1 Developing a procedure to identify corruption risks	Methodology developed	“Corruption risks and vulnerabilities identification methodology”-PS-17 was developed
2.1.2 Internal audit, every two years, of the system / measures to prevent corruption at organizational level	No. of recommendations made; Degree of implementation of anticorruption preventive measures.	The ethics advisor worked with the employees on the provisions of the revised Code of Conduct. Each new employee signs the Declaration acknowledging the Code of Conduct. The ethics counselor prepared the Report for monitoring compliance with the conduct norms for 2019.
Specific objective 2.2 - Increase the effectiveness of anti-corruption preventive measures by addressing legislative gaps and inconsistencies regarding the ethics counselor, the protection whistle blowers and post-employment bans		
2.2.1. Implementing within the Company a whistle blowing system for irregularities and possible corruption acts (eg: dedicated email address)	No. of whistle blowing events regarding corruption acts submitted	An irregularity(es) warning system has been implemented at the Branch level by dedicating a specific e-mail address: avertizor@depogazploiesti.ro The procedure “Reporting Irregularities / Irregularities”
2.2.2. Periodically publishing of a report on disciplinary sanctions	No of published reports	Disciplinary sanctions report published every trimester
2.2.3. Applying disciplinary sanctions of a dissuasive nature for violating ethical standards and anti-corruption conduct for all employees	No. of complaints received No. of complaints resolved	The ethics counselor prepared the compliance monitoring Report with the norms of conduct for 2019.
GENERAL OBJECTIVE 3: STRENGTHENING INTEGRITY, REDUCING VULNERABILITY AND RISK OF CORRUPTION IWITHIN DEPOGAZ		
Specific objective 3.6.- Strengthening integrity, reducing vulnerabilities and risks of corruption in the field of sectoral acquisitions		
3.6.1. Creation of a database with companies that have not properly performed the contracts concluded with DEPOGAZ following the sectoral acquisitions procedures	Data base	Under development
GENERAL OBJECTIVE 4: INCREASE THE KNOWLEDGE AND INFORMATION OF INTEGRITY STANDARDS FOR EMPLOYEES		
Specific objective 4.1: Increase the degree of anti-corruption education of DEPOGAZ staff		
4.1.2 Training and development courses for employees on integrity, corruption and fraud	No. of courses organized No. of course participants	-
Specific objective 4.2: Increase employee awareness to the impact of corruption		
4.2.1. Introducing employee awareness campaigns on the phenomenon of fraud and corruption	No. and types of activities	Under development

GENERAL OBJECTIVE 5: STRENGTHENING CORRUPTION FIGHTING PERFORMANCE BY CRIMINAL AND ADMINISTRATIVE MEANS		
Specific objective 5.3. Strengthening administrative control mechanisms		
5.3.1 Prioritizing audit and control actions by increasing their number in areas exposed to fraud and corruption	No. of controls realized	The Annual Report was prepared by the Public Internal Audit Office
5.3.2 Intensifying the managerial internal control system activities implementation	No. of sensitive work titles inventoried (of which work titles sensitive to corruption) Degree of compliance of the internal managerial control system	The inventory of sensitive work titles is done annually. The managerial internal control system is compliant
GENERAL OBJECTIVE 6: INCREASING THE IMPLEMENTATION OF ANTI-FRAUD AND ANTI-CORRUPTION MEASURES BY APPROVING THE INTEGRITY PLAN AND PERIODIC SELF-ASSESSMENT AT COMPANY LEVEL		
Specific objective 6.1.: Strengthen institutional integrity through plans developed on the basis of risk analysis and internal control standards		
6.1.1 Informing employees about the development and approval of the integrity plan. Distributing the integrity plan within the Company, as well as publishing the document on the organization's website.	No. of employees informed about the integrity plan	The Integrity Plan was approved by Decision 232 / 30.09.2020 Approval and publication of the decision was communicated by e-mail to all employees The integrity plan was published on the organization's website
6.1.2 Annual assessment of the integrity plan and its adaptation to the newly identified risks and vulnerabilities	Integrity plan implementation stage New measures introduced / revised	The Annual Report on the Integrity Plan no. 10107 / 16.09.2019 was analyzed and approved. The Integrity Plan was fully updated and approved through decision 232 / 30.09.2019
6.1.3 Implementation stage of the integrity plan evaluation	No. of implemented standards	10 of the 14 planned measures were implemented.

Ethics

DEPOGAZ's Code of Conduct serves as a guide in day-to-day relationships and, at the same time, reflects both the company's values and principles and its expectations regarding the conduct of those conducting business in accordance with the highest ethical standards in business.

At the beginning of 2019, given the need to comply with the legislative requirements on corporate governance, internal control and the National Anticorruption Strategy (NAS) which the company has joined, a training course was held on "Ethics and Integrity - Implementation of the National Strategy Anticorruption 2016 - 2020", attended by 42 people.

During the reference period, the DEPOGAZ Code of Conduct was revised, document approved in the meeting of the Board of Directors of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL through Decision no. 5 of 12.06.2018 and revised through Decision no. 8 dated 29.05.2019.

Both the heads of the organizational units and the entire staff subordinated to them took note of the provisions of the revised Code of Conduct, by filling and signing, an Evaluation Questionnaire and a Training Report.

Throughout 2019, the norms of conduct mentioned in the Code were observed, as evidenced by the fact that two notifications were registered regarding the violation of the rules of conduct, the Internal Regulations, the Collective Labor Contract or other internal regulations.

1	Number of registered complaints regarding the violation of the norms of conduct (code of conduct, Internal Regulations, CLC, other internal regulations)	2	
2	Number of complaints in process to be resolved	-	-
3	Number of complaints resolved	2	
4	The number of complaints confirming violations of the norms of conduct	2	
5	Number / category of employees who have violated the rules of conduct (confirmed through decisions)	Management personnel	-
		Staff with no management position	2
6	Measures taken	Written warning	-
		Demotion	1
		Salary reduction and/or management increase reduction	1
		Disciplinary termination of the individual employment contract	-
		Other measures	-
7	Number of decisions annulled or modified by court, management of the company	-	-

Financial management control activity

The financial management control, component of the internal control, includes in its activity sphere the financial processes, movements of the cash flows, ways of managing the patrimony, acquisitions process. It is carried out either after the economic and financial transactions on the patrimony take place, being a postoperative control, which aims at the correct application of field regulation, rational use of the patrimony, economic analysis and efficiency of the entity's activity measurement, either in advance or as a precaution consisting in verifying the substantiation of the Revenue and Expenditure Budget and its annexes.

For 2019, based on the approved annual control Program no. 10414 / 28.12.2018, 5 (five) planned control actions were carried out and no ad hoc verifications ordered by the company's management.

As a result of the control actions, no irregularities or acts of corruption were detected, which could cause damages in management of patrimony or use of company's funds

The summary of the objectives verified within the 5 control actions carried out is presented as follows:

1) "Verification of the way of organizing the material values administration, framing and maintaining in function the administrators, establishing and updating their guarantees";

The "Findings note" no. 2944 / 17.03.2019, in which no deficiencies or irregularities were highlighted regarding the violation of the applicable legislation.

2) "Verification of the existence and compliance of the approved organizational chart, compliance of the staff remuneration with applicable regulation regarding the salary scale, bonuses, allowances, awards according to provisions of the Collective Labor Contract, Law no. 263/2010 with subsequent amendments, Government Emergency Ordinance no. 79/2017, Law no. 227/2015 on the Fiscal Code, the Regulation on the Organization and Functioning of the Company, GO no. 158/2005 with subsequent amendments".

The "Findings note" no. 8426 / 25.07.2019 in which no violation of legislation or of the applicable internal regulations were found (procedures, OFR, Internal Regulations).

3) "verification of the follow-up of the timely collection of accounts receivable, debtors, calculation and timely collection of penalties, penalty interest rates for delay, according to Decree no. 209/1976 (advances to be settled), Law no. 82/1991 republished, contracts and conventions, Fiscal Code, timely payment of amounts due to suppliers and creditors".

As a result, the "Findings Note" no. 6264 / 05.06.2019 was created.

4) verification of compliance with the legal provisions on the inventory of all assets (assets and liabilities recorded and reported in the financial statements) in accordance with PFMO no. 2861/2009, the Accounting Law no. 82/1991 republished, H.G. no. 1151/2012 and the Regulation of Organization and Functioning of the Company.

The "Findings Note" no. 11685 / 24.10.2019 was created.

5) Verification of compliance with legal provisions and / or internal regulations in making sectoral procurement.

As a result, the Findings Note no. 1223 / 29.01.2020 was created.

From the performance indicators perspective related to the objectives specific to the financial management control activity, for 2019, their achievement degree is 100%, respectively: the control program has been achieved 100%

From the financial management perspective, financial management control ensures the control and evaluation of results to identify deviations and causes that generated them and the correction and avoidance of future deviations.

Public internal audit activity

The public internal audit activity is carried out in accordance with the requirements of Law no. 672/2002 on public internal audit, with subsequent amendments and completions and with the provisions of GD no. 1086/2013 for the approval of the General Norms regarding the exercise of the public internal audit activity within the Public Internal Audit Office

In order to ensure the fulfillment of the internal audit activity' main functions within DEPOGAZ, the Public Internal Audit Office, in line with management obligations to monitor and reduce risks and for administrative purposes, reports directly to the General Director. At the same time, from a functional point of view, it also reports to the Board of Directors through the Audit Committee, which offers support in order to fulfill its control functions.

The basis of the activity carried out in 2019 is the Multiannual Audit Plan 2019-2021 no. 9402 / 29.11.2018 and the Annual Internal Audit Plan for 2019 no.10268 / 19.12.2018. The annual audit plan was revised and approved by the General Manager, endorsed by the Audit Committee and registered under number 10696 / 03.10.2019. In 2019. All audit missions included in the revised annual plan were performed in 2019. No ad hoc missions were performed.

The continuous professional training plan was fully implemented, in accordance with the training requirements prepared at Public Internal Audit Bureau level and approved by the General Director, in compliance with the requirements of Law no. 672/2002 on internal public audit, with subsequent amendments and completions.

In compliance with the Annual Internal Audit Plan and the revised Annual Plan, in 2019, 6 assurance missions were carried out in the field of human resources, company-specific activities, the managerial internal control system and governance.

Given that the activity carried out within the company is regulated, the audit missions aimed to evaluate the processes carried out in order to provide assurance to management regarding the compliance of the procedures and operations with the legal norms and to evaluate the efficiency and the effectiveness of the functioning of the component subsystems with a view to their continuous improvement and the achievement of the proposed objectives.

The auditors' recommendations aimed at improving the control environment by reviewing existing procedures or developing new procedures, in accordance with the requirements of GGSO no. 600/2018 and improving and expanding the use of the existing ERP system.

During this period there were no recommendations not adopted by the company's management.

During the missions carried out in 2019, 49 recommendations were made to the audited structures. The recommendations made by the auditors were implemented in timely manner. At the end of 2019, the number of recommendations with an implementation deadline during 2020 is 17.

In compliance with the provisions of GD no. 1086/2014, The general norms regarding exercise of the public internal audit activity were elaborated in time, in compliance with the legal requirements, approved by the General Director and approved within the Audit Committee, the multiannual (2020-2022) and annual (2020) plans, as well as the action plan on ensuring and improving the quality of internal public audit work (PAIC 2020).

The activity of the Public Internal Audit Office was reported, in accordance with the applicable regulations, within the time limit. The report on the audit activity related to 2018 (no. 561 / 15.01.2018) was approved by the General Director, submitted on a hierarchical line to the Public Internal Audit Service of SNGN Romgaz SA and the Prahova Chamber of Accounts. The activity carried out within the Public Internal Audit Office during 2019 was reported, on a hierarchical line, within the time limit, in January 2020.