

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

## **Evaluation report for the General Manager's Activity 2020**



## Evaluation report for the General Manager's Activity 2020

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 – Subsidiary Storage of Natural Gas DEPOGAZ Ploiești SRL has elaborated the General Manager Activity evaluation report for the year 2020, based on the General Manager Report for the year 2020, ratified through Decision no. 5 dated 22.04.2021.

**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. 5 dated 22.04.2021**

## Content

<b>1.</b>	<b>Company presentation.....</b>	<b>Error! Bookmark not defined.</b>
<b>1.1.</b>	<b>Company identification information.....</b>	<b>5</b>
<b>1.2.</b>	<b>Object of activity .....</b>	<b>6</b>
<b>2.</b>	<b>Objectives and key performance indicators .....</b>	<b>Error! Bookmark not defined.</b>
<b>2.1.</b>	<b>Objectives.....</b>	<b>7</b>
<b>2.1.1.</b>	<b>The administration component .....</b>	<b>7</b>
<b>2.1.1.1.</b>	<b>Strategic objectives.....</b>	<b>Error! Bookmark not defined.</b>
<b>2.1.1.2.</b>	<b>General objectives.....</b>	<b>8</b>
<b>2.1.2.</b>	<b>Management component .....</b>	<b>8</b>
<b>2.1.2.1.</b>	<b>Strategic direction of actions .....</b>	<b>10</b>
<b>2.2.</b>	<b>Key performance indicators.....</b>	<b>Error! Bookmark not defined.</b>
<b>2.3.</b>	<b>Economic-Financial indicators .....</b>	<b>Error! Bookmark not defined.</b>

## 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 SA – Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiești SRL ("DEPOGAZ" or „Subsidiary”) 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) permanent support of physical balance of SNT;
- d) realization of other commercial activities.

### DEPOGAZ VISION

To modernize the existing natural gas storage capacities and to create a higher degree of safety and flexibility, including through the multicycle use of storage capacities, thus contributing to the achievement of a competitive natural gas market, the development of energy markets and the creation of regional energy security mechanisms, according to common EU rules.

### DEPOGAZ MISSION

- Increasing the customers and stakeholders satisfaction;
- Ensuring the availability and promptness of the underground natural gas storage service;
- Managing effectively and expeditiously the storage infrastructure, without affecting the interests of customers and other stakeholders.

- Continuously developing and improving of the underground natural gas storage system;
- Promoting Projects of Common Interest at EU level so as to contribute to the achievement of an integrated market at regional level.

## DEPOGAZ VALUES

- **Continuous improvement, adaptability and continuous growth;**
- **Social responsibility and respect for the surrounding environment;**
- **Efficiency and performance;**
- **Excellence** is the target we aim and encourage in everything we do, by offering innovative problem-solving solutions that ensure outstanding results for our partners.
- **Integrity** is a mandatory requirement for all DEPOGAZ employees. We promote **transparency, honesty and fairness** both within the organization, and more so in the relationship with our clients and partners.
- **Professionalism and Promptitude** define our team. We promote the importance of a fair and transparent relationship with customers.
- **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 based on the Companies law no. 31/1990, republished, with its subsequent amendments and completions, Emergency Ordinance no. 109/2011 regarding corporate governance for state-owned companies, with subsequent amendments and completions, and functions under Romanian legislation and the Articles of Incorporation.

<b>Company name</b>	<b>SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL</b>
<b>Headquarters address</b>	Str. Ghe. Gr. Cantacuzino, no. 184, Ploiești, jud. Prahova, postal code 100492
<b>Tel/fax no.</b>	0374-403800 / 0244-515160
<b>E-mail/ internet page</b>	secretariat@depogazploiesti.ro www.depogazploiesti.ro
<b>Unique fiscal identification number</b>	34915261
<b>Commerce Register number</b>	J29/1181/21.08.2015
<b>Main activity field</b>	CAEN Class 0910 - Activities and services related to the withdrawal of oil and natural gas*
<b>Secondary activity fields</b>	CAEN Class 5210 - Storage; CAEN Class 7022 - Consulting activities for business and management; CAEN Class 4221 – Construction works for fluids utility projects;

	CAEN Class 7112 – Engineering 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 0910 – „Activities and services related to the withdrawal of oil and natural gas”.

## 1.2. Object of activity

DEPOGAZ, as a gas storage operator, is the legal entity that performs the gas storage activity and is responsible for the safe operation of natural gas storage facilities.

The object of activity is represented by the underground storage of natural gas, respectively, the set of activities and operations carried out by the storage operator for or in connection with the reservation of storage capacities in underground storage facilities, the injection, storage and withdrawal from these facilities of certain quantities of natural gas.

The natural gas storage process usually takes place in two cycles (stages): the injection cycle between April and October and the withdrawal cycle between November and March, but upon request of storage customers or of the gas transmission operator, changes in standard cycles can be made.

### **Injection cycle (April - October)**

The gases taken over by the NTS are measured, purified and compressed (if necessary) and injected into the underground storage facilities of natural gas operated by DEPOGAZ through injection/withdrawal wells.

### **Withdrawal cycle (November - March)**

The gases withdrawn from each storage facility through the injection/extraction wells are directed to the conditioning installations (heating, laminating, separation of impurities), drying, compression (if necessary), measurement and delivered in SNT, having quality parameters according to the legislation in force.

## 2. Objectives and key performance indicators

Measuring the company performance represents an process that supports the improvement of its activity and the use of required resources with the purpose of efficiently achieving the strategic goals assumed 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 included in 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 continuously reconsidering its importance, to ensure continuous security and supply flexibility for natural gas, to identify new growth opportunities and to diversify the subsidiary's activities both at national level and regionally. The strategic objectives ensure 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 period 2018-2022, was prepared in accordance with the provisions of art. 30 par. (1) of the E.O. no. 109/2011 regarding corporate governance of public companies, with subsequent amendments and completions and Government Decision no. 722/2016 for the approval of the Methodological Norms for application of some provisions of the Government Emergency Ordinance no. 109/2011 regarding corporate governance of public companies, by the Board of Directors of SNGN Romgaz SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL appointed by the Decision of the Sole Shareholder no. 161/18.09.2018.

The administration component of the Administration plan was approved through Board of Directors Resolution no. 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 period 2018-2022 are formulated in order to capitalize opportunities and to consolidate the existing company strengths.

- A. Increasing the daily withdrawal capacity of storage facilities  
To reach this objective, DEPOGAZ planned "Modernizing the infrastructure of the Bilciurești gas storage system".
- B. Increasing the storage capacity for natural gas in existing storage facilities  
In order to achieve this objective, DEPOGAZ aimed to update the feasibility studies regarding:
- Increasing the gas storage capacity in the Sărmășel underground storage facility from 900 million cubic meters/cycle to 1,550 million cubic meters/cycle - stage II
  - Increasing the gas storage capacity in the Ghercești underground storage facility from 150 million cubic meters/cycle to 600 million cubic meters/cycle - stage II

C. Transformation of new depleted gas fields into underground gas storage facilities.

To reach this objective, DEPOGAZ aims to:

- Elaborate a feasibility study for the transformation into a underground storage facility of a field located in the northeastern part of Romania (MOLDOVA) with an active capacity of approx. 200 million m<sup>3</sup>/cycle;
- Elaborate of a feasibility study for the transformation into a underground storage facility of a field located in the southwestern part of Romania (OLTENIA) with an active capacity of approx. 400 million m<sup>3</sup>/cycle.

### **2.1.1.2. General objectives**

1. Optimizing, developing and diversifying the activity of underground natural gas storage through reconsidering its importance, in order to ensure the security of continuous and flexible supply of natural gas process.
2. Increasing the storage capacity.
3. Increasing the subsidiary's performance.
4. Increasing the efficiency of underground storage facilities in order to improve natural gas withdrawal capacity.
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 position on the markets for the supply of underground natural gas storage services.
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 prepared in accordance with the provisions of art. 36 par. (1) of the E.O. no. 109/2011 regarding corporate governance of public companies, with subsequent amendments and completions and Government Decision no. 722/2016 for the approval of the Methodological Norms for application of some provisions of the Government Emergency Ordinance no. 109/2011 regarding corporate governance of public companies, by the General Manager of DEPOGAZ appointed through the Board of Directors Decision 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) The elaboration of the management plan submitted for approval to the Board;
- b) fulfilling the objectives and performance criteria of the company provided in the mandate contract;
- c) overseeing the strategy development, multi-annual business plans and the annual budget as well as presenting them to the Board for verification and approval;
- d) coordinating the executive directors' activity;
- e) applying the main activity and development plans of the company;
- f) ensuring the implementation of efficient risk management and internal control systems;
- g) Informing the Board of Directors, regularly, of the operations both underway as well as the ones planned for the future, including trimestral reports over the mandate execution;
- h) any other task delegated to him by the Board.

The General Manager provides the Board of Directors on a regular and comprehensive basis with detailed information on all important aspects of the company's business. In addition, any event of major importance shall be notified immediately to the Board of Directors. The General Manager approves the content of all the material submitted to the Board, and also presents its content, the legality and necessity or depending on the case, their opportunity, as these documents constitute the foundation for decisions made by the Board of Directors.

Also, any member of the Board of Directors can request information from the General Manager regarding the operative management of the company.

The Management Component of the Administration Plan was based on the managerial vision of the General Manager for the strategic development of DEPOGAZ in the period 2018 - 2022, based on the evolution of the natural gas storage activity, 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, so as to ensure the maintenance of a modern company, financially viable, economically sustainable, a storage operator that provides quality services to customers and meets the expectations of stakeholders, an economic operator with responsibility to society and the environment, in the conditions of a sustainable development.

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, the DEPOGAZ Management took into account the priorities and key targets of the activity of SNGN Romgaz SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL, as well as the risks to which the Subsidiary is exposed.

The strategic objectives of DEPOGAZ for the period 2018-2022 are formulated based on the diagnostic analysis performed and the proposed development directions, in order to capitalize on the opportunities and consolidate the existing strengths of the company, each objective being associated with specific actions for to be fulfilled.

### 2.1.2.1.1. *Strategic direction of action*

#### I. *Increasing subsidiary performance*

##### **Strategic directions:**

- ✓ Rational use of the company's financial resources through substantiating, monitoring and analyzing the budget 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 process of procurement products, works and services through dynamic planning and prioritization, with the purpose of ensuring on time and in optimal quantities the products and services needed for the development of current and investment activity;
- ✓ Continuous growth of labor force qualification for the personnel and of its motivation in order to improve company performances and, implicitly, of the labor productivity;

##### **Directions for action:**

##### **Financial management:**

- ✓ Consolidating the financial management of the Subsidiary through the efficient management of the financing, risk and performance processes.
- ✓ Ensuring capital use efficiency through continuous monitoring of the financial effort for each decision to be made within the managed period;
- ✓ Creating the necessary funds for the Subsidiary, at the appropriate time, in the structure and quality conditions required by the needs, at the lowest possible cost;
- ✓ Ensuring the financial support needed to perform on the market through:
  - monitoring the way of capital use and influencing the decision factors from other responsibility centers, in the direction which ensures an efficient use of all the funds attracted in the circuit;
  - ensuring and maintaining financial balance both on short and long term, in accordance with the needs of the Subsidiary;
  - permanent control of the economic processes to ensure 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 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 in order to ensure the natural gas storage activity continuity.

As of January 01, 2020, the Subsidiary had a number of 513 employees.

Evolution of the number of DEPOGAZ employees between January 01 and December 31, 2020:

Specifications	2020
Number of employees at the beginning of the period	513
Number of newly employed people	27
Number of people which ceased employment within subsidiary	24
Number of employees at the end of the period	516

Personnel structure at the end of 2020 is as follows:

a) By level of education

- Higher education 185
- Secondary education 182
- Other 149

b) By age categories

- Under 30 years old 56
- 30 – 40 years old 78
- 40 - 50 years old 172
- 50 – 60 years old 185
- Over 60 years old 25

c) By activities – gas storage 100%

Subsidiary personnel structure is presented in the table below:

Entity	Workers	Foremen	TESA	Total
Headquarters	21	0	155	176
Craiova storage unit	52	3	6	61
Transilvania storage unit	20	3	3	26
South storage unit	95	6	7	108
Compressor unit	119	17	9	145
TOTAL	307	29	180	516

Throughout 2020, the professional training activity within DEPOGAZ aimed at organizing programs according to the approved annual training plan, those initiated by the requirements arising from legislative changes, and updating the validity of compulsory authorizations according to legal requirements, for DEPOGAZ employees.

Given the state of emergency/ alert established during the year, this activity could not be carried out to its full capacity. For this reason, the expenses and implicitly the number of participants was lower than expected.

As a result, in 2020, a number of 219 employees participated in professional qualification courses, the expenses related to them being **181374.12 lei**.

The annual professional training plan was accomplished as follows:

- 89 people participated in professional training programs / courses;
- 130 people participated in courses/ monitoring/ examinations, in order to extend or obtain authorizations;

The consequences of participating in these courses were:

- acquiring advanced knowledge in view of the new tax regulations;
- updating the knowledge information for employees who work in the departments of internal audit, internal control, management control, preventive financial control, for higher performances, in accordance with the latest legislative changes;
- taking into account the SRAC policy regarding the migration of ISO 45001: 2018 from OHSAS 18001: 2007, as well as its implementation in the existing systems, the leaders of the organizational units were trained in this regard;
- acquiring communication skills for employees;
- considering the obligation of the company to hold specific authorizations/licences for our activity, but also taking into account their necessity in order to exercise the profession by certain employees in accordance with the provisions in force, courses or exams were organized to obtain or extend these authorizations.

Salary expenditures were within the limits provided in the Revenue and Expenditure Budget for 2020.

Within DEPOGAZ two trade union organizations coexist, namely: "Sindicatul Liber Romgaz", which has 174 members and "Sindicatul Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești", which has 337 members. Thus, the total number of union members within DEPOGAZ being 511 out of the total number of employees of 516, resulting in a degree of unionization of 99.03%.

**Relationships between manager and employees:** a Collective Labor Agreement negotiated with the "Romgaz Free Trade Union" is in force, agreement to which the "Depogaz Ploiești Natural Gas Storage Subsidiary Union" also adhered, its validity being until 27 March 2021.

**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 activities are established, people responsible are nominated and deadlines are set 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

- prior analysis of all risk exposures, the identification of risk sources being fundamental and decisive in the correct assessment of the risks of the public entity;
- identification of significant/strategic risks, which may affect the effectiveness and efficiency of activities related to specific objectives, without ignoring rules and regulations, trusting financial information and management, protection of assets, prevention and detection of fraud;
- defining the degree of tolerance/acceptable level of risk exposure;
- assessing the probability that the risk will materialize, establishing the impact and exposure;
- establishing the strategy (control procedures) to manage and monitor the risks;
- Reducing the Subsidiary's vulnerability through risk management implementation according to its risk profile and creating the Risk register, the Risk Profile and the Plan for the implementation of control measures;
- developing a risk management culture at Subsidiary level through the development and implementation of a performant risk management system as integrated part in the decision process.

*At DEPOGAZ level, the Report on the internal managerial control system as of December 31, 2020 - Annex 4.3 - GSO no. 600/2018, was elaborated and then approved by the General Manager and contains the following specifications:*

- *the monitoring commission is functional;*
- *the development program of the internal managerial control system is implemented and updated annually;*
- *the risk management process is organized and monitored;*
- *the risk register at DEPOGAZ level is updated annually, and whenever necessary;*
- *the documented procedures are elaborated/updated in proportion of 100% of the total inventoried procedural activities;*
- *the performance monitoring system is established and evaluated for the entity's objectives and activities, through performance indicators.*
- *the Public Internal Audit Office is functional and consists of two people.*

Based on the above mentioned documents, the Report on the internal managerial control system on December 31, 2020 - Annex 4.3 - Order SG 600 / 2018, at SNGN ROMGAZ SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL level was prepared and approved by the General Manager,.

The report provides a clear picture of the state of implementation and development of the subsidiary's internal control system. Based on the results of the self-assessment as of December 31, 2020, the internal managerial control system of SNGN ROMGAZ SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL complies with the standards contained in the Code of internal managerial control.

**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

## I. OBJECTIVES SUPPORTED BY THE GENERAL MANAGER

The new standards require the organization to establish, implement, maintain and permanently improve the management system of quality, environment, health and safety at work, including its processes.

The General Manager assumed responsibility for achieving the objectives and supported the continuous improvement of the documentation of the integrated management system in accordance with the standards, legal requirements and other requirements to which DEPOGAZ subscribed.

The General Manager ordered the Integrated Management Office to take actions to further harmonize the Integrated Management System documentation with the ever-changing standards, legal requirements and other requirements to which DEPOGAZ has subscribed, to maintain the certifications according to SR EN ISO 9001: 2015, SR EN 14001: 2015 and obtain certifications according to the SR ISO 45001: 2018 standard.

### Synthesis of objectives

- The General Manager supported the objective "Maintaining and continuously improving the integrated management system of environmental quality, health and safety at work"

Objective achieved through:

- Carrying out the measures ordered in the analysis performed by the management in 2019 corroborated with the areas of improvement recommended by "SRAC CERT SRL".
- Updating the decisions regarding the responsibilities of IMR (Compartmental responsible person of IMS - Integrated Management System);
- Nomination by decision of the members of the Board of Directors of SMI;
- Harmonization of the integrated management system documentation through:
  - continuing the elaboration/revision process for the entire IMS documentation of DEPOGAZ;
  - harmonization the IMS documents responsibilities;
  - continuing the training process for documentation (procedures/instructions).
- Revision of the documentation of the integrated management system of DEPOGAZ, adapted to the new requirements of the SR ISO 45001: 2018 standards.
- Revising the environmental aspects, the way in which risks and opportunities are treated for this area in order to prevent and limit their consequences on DEPOGAZ activity. Activity carried out in accordance with the PS-12 procedure - Identification and evaluation of the environmental aspects.
- Analysis of the risks associated with environmental aspects.
- Evaluating the performance and effectiveness of IMS and processes, in order to establish opportunities for improvement in management analysis.

All documents, in force, are posted on the web portal <http://depogaz/Regulations> by the Integrated Management Office.

The documents of the integrated management system relevant for other interested parties are posted on the DEPOGAZ website.

- The General Manager supported the objective "Obtaining the ISO-45001:2018 certificate - Occupational health and safety management systems".

Objective achieved by:

- Elaboration of a GAP analysis for the implementation of the differences and requirements recently included in the SR ISO 45001:2018 standard in order to identify the resources, actions and time period necessary for the migration and procurement of the ISO 45001:2018 standard;
- Elaboration of a Plan for the implementation of the differences and new requirements newly from the standard SR EN 45001: 2018 - Occupational health and safety management systems
- Ensuring necessary skills according to the requirements of the standard SR ISO 45001:2018 - a number of 16 people were trained;
- Revision of the commitment of the General Manager regarding the development and implementation of the Integrated Management System (IMS) quality-environment-health and safety at work. The document was approved by the General Manager on 22.09.2020 - the document was posted on the DEPOGAZ website and on the infoweb portal;
- Review of the Policy on quality, environment, health and safety at work; The document was approved by the General Manager in October and is posted on the DEPOGAZ website and the internal network;
- Revision the scope of the Integrated Management System. It was approved by the General Manager in October 2020 and is posted on the portal Infoweb/ Internal Regulations.
- Revision of the Integrated Management System Manual, code: M-SMI, Edition 2, Revision 0, Copy no. 1. It was approved by the General Manager on 26.10.2020;
- Preparation of the document "SWOT analysis for identifying risks and opportunities SM PM code 00F-18- Act0; It is posted on the portal Infoweb/Internal Regulations SWOT Analysis - DEPOGAZ;
- Elaboration of the document "SWOT analysis for identifying the risks and opportunities of the OSH management system (health, safety at work); It is posted on the portal Infoweb/ Internal Regulations SWOT Analysis - DEPOGAZ;
- Elaboration of the document "Identification and treatment of risks and opportunities related to environmental aspects, code: 00F-19- Act0; It is posted on the Infoweb portal/ Internal regulations OSH MANAGEMENT RISKS AND ENVIRONMENTAL PROTECTION;
- Elaboration of the document "Identification and treatment of risks and opportunities related to aspects of environmental compliance obligations, code: 00F-20- Act0; It is posted on the Infoweb portal/ Internal regulations OSH MANAGEMENT RISKS AND ENVIRONMENTAL PROTECTION;
- Completing a full internal audit;
- Management analysis and identifying opportunities to improve the system of integrated management.

## II. EXTERNAL SUPERVISORY AUDIT

The General Manager of DEPOGAZ has demonstrated that he supports activity of the Integrated Management Office and ensures all the necessary resources to maintain and continuously improve the effectiveness of the Integrated Management System quality - environment - health and safety at work.

The supervisory audit of the SRAC CERT certification body took place between 09 - 12.12.2020 according to the external audit program. The audit was attended by three external auditors.

The external audit objectives:

- evaluation of the way in which the obligations resulting from the certified integrated management system of DEPOGAZ are fulfilled in terms of its compliance and effectiveness with the requirements of the applicable reference standards;
- evaluation of the management system ability to satisfy legal, regulated and contractual requirements applicable within the company;
- identification of the potential improvement areas of the management system.

#### External audit conclusions

No non-conformities were identified during the external audit.

### **III. CONCLUSIONS**

DEPOGAZ maintains its certifications according to the requirements of the SR EN ISO 9001:2015 and SR EN 14001:2015 standards.

DEPOGAZ obtains certification according to standard 45001: 2018 and demonstrates that the company complies with legal norms, promotes safety and health at work and ensures a comfortable working environment by eliminating hazards, preventing trauma, reducing the risk of occupational disease and injury.

#### **//. 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 of the natural gas supply through:**
  - a. Increasing of the existing storage capacity based on five-year and twenty-year investment plans, according to the natural gas market evolution.
  - b. Increasing the daily withdrawal capacity from 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 through new services provided on the storage market through:**
  - a. Offering multicycle services;
  - b. Performing hourly withdrawal/injection services in order to provide DEPOGAZ' customers with the necessary flexibility to supply their own clients with natural gas.
- 3. Creating new storage facilities in order to ensure security of supply in areas with 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 as far as annual demand, 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 in order to meet internal demand, most of the natural gas supply being covered by internal production.

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

The storage capacity for the underground storage facilities operated by DEPOGAZ, starting with the 1<sup>st</sup> of January 2019, is presented in the table below:

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

#### ***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 facilities;
  - ✓ gas drying station;
  - ✓ 15 gas well heaters;
  - ✓ communication system and acquisition of parameters through fiber optics;
  - ✓ 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 compressor station Butimanu;
- ✓ 7 gas drying station;
- ✓ 26,5 km collecting pipelines corresponding to the 57 injection/withdrawal wells;
- ✓ 50 gas well heaters;
- ✓ 24 impurity separators;
- ✓ 14 gas technological measurement facilities;
- ✓ 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/withdrawal wells and 6 piezometric wells;
- The surface infrastructure contains:
  - ✓ 135.7 km collecting pipes related to the 79 wells;
  - ✓ 22.6 km of collecting pipes;
  - ✓ 13 impurity separators;
  - ✓ 12 gas technological measurement facilities;
  - ✓ one gas drying station;
  - ✓ communication system and acquisition of parameters through fiber optics;
  - ✓ bidirectional panel of fiscal measure.

#### ***Sărmășel storage facility***

The Sărmășel storage facility is located in the perimeter of Sărmășel locality, 35 km NW of Târgu-Mureș Municipality, 35 km N of Luduș and 48 km E of Cluj-Napoca Municipality.

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

- 63 wells;
- The surface infrastructure contains:
  - ✓ Sărmășel gas compression station;
  - ✓ 3 natural gas drying modules which use triethylene glycol;
  - ✓ 26.7 km of collecting pipes related to the 63 wells;
  - ✓ 13.8 km of collecting pipes;
  - ✓ 59 impurity separators;
  - ✓ bidirectional panel of fiscal measure.

#### ***Urziceni storage facility***

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

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

- 31 wells of which 30 injection/withdrawal wells and 1 piezometric well;
- The surface infrastructure contains:
  - ✓ Urziceni gas compressor station;

- ✓ 19.5 km of collecting pipes related to the 31 wells;
- ✓ 3.3 km of collecting pipes;
- ✓ 6 gas technological measurement facilities;
- ✓ 29 gas well heaters;
- ✓ 1 gas drying station;
- ✓ fiber optic parameters acquisition system;
- ✓ bidirectional system of fiscal measurement.

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

<b>No. and project name</b>	<b><u>1. Modernization of the gas storage facilities – Bilciurești</u></b>
<b>Purpose</b>	The project's purpose is to increase the daily gas delivery capacity from the Bilciurești storage to 20 million m <sup>3</sup> /day and to ensure a high level of safety in operation.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>• Upgrading the separator, measurement and dehydration units for Bilciurești groups;</li> <li>• Systematization and modernization of pipeline system and cooling system Butimanu Compressor Station;</li> <li>• Modernization of 19 injection/withdrawal wells;</li> <li>• Drilling 4 new wells;</li> <li>• 16" gas pipeline Bilciurești – Butimanu.</li> </ul>
<b>Estimated completion year</b>	2025
<b>Total estimated value</b>	271,15 million lei
<b>Project development stage in 2020</b>	<p>During 2020:</p> <ul style="list-style-type: none"> <li>• the study was completed and approved in CTE: "Analysis of the possibilities to increase the daily natural gas withdrawal capacity in the Bilciurești storage facility".</li> <li>• the acquisition procedure for the design services for the 4 new wells was completed according to the previously mentioned study.</li> </ul>

<b>No. and project name</b>	<b><u>2. Modernization of the gas storage facility - Urziceni</u></b>
<b>Purpose</b>	The project purpose to maintain the daily gas delivery capacity from Urziceni storage facility and ensure an increased degree of operational safety.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>• Modernization of 8 injection/extraction wells;</li> <li>• Drilling 2 new wells;</li> </ul>

Estimated completion year	2022
Total estimated value	23,95 million lei
Project development stage in 2020	-

No. and project name	<b><u>3. Modernization of the gas storage facilities – Bălăceanca</u></b>
Purpose	The project purpose to maintain the daily gas delivery capacity of the Bălăceanca storage facility and to ensure a high level of level of safety in operation.
Necessary investment works	<ul style="list-style-type: none"> <li>• Modernization the heating installations, separation, measurement of Balanceanca groups;</li> <li>• Modernization of energy installations and automation at the Bălăceanca Compression Station;</li> <li>• Modernization of 9 injection/withdrawal wells;</li> <li>• Drilling 2 new wells;</li> </ul>
Estimated completion year	2022
Total estimated value	32,2 million lei
Project development stage in 2020	During 2020, the “Feasibility study regarding the underground storage of natural gas in the Bălăceanca storage” continued to be elaborated. The development projects of the natural gas storage system are also included in the Development Plan of the National Natural Gas Transmission System for the period 2019-2028, approved by ANRE by Decision 2080 of 11.12.2019.

No. and project name	<b><u>4. Increasing the underground natural gas storage capacity at the Sărmășel storage facility (Transylvania)</u></b>
Purpose	The project aims to develop the existing underground storage facility in Sărmășel from a capacity of 900 million m <sup>3</sup> /cycle to 1550 million m <sup>3</sup> /cycle (an increase of 650 million m <sup>3</sup> /cycle), increasing the injection capacity by 4 million m <sup>3</sup> /day, to a total of 10 million m <sup>3</sup> /day, increasing the extraction capacity by 4 million m <sup>3</sup> /day, to a total of 12 million m <sup>3</sup> /day.
Necessary investments works	<ul style="list-style-type: none"> <li>• Extension of compressor station;</li> <li>• Expansion of drying and gas measurement installations;</li> <li>• Injection/extraction wells technological installations;</li> <li>• Modernization of 46 injection/extraction wells;</li> <li>• Drilling 15 new wells;</li> </ul>

	<ul style="list-style-type: none"> <li>Inactive gas storage.</li> </ul>
<b>Estimated completion year</b>	2024
<b>Total estimated value</b>	756,350 million lei
<b>Project development stage in 2020</b>	<p>During 2020, the following were started and completed:</p> <ul style="list-style-type: none"> <li>Tender books for the modernization of wells 85; 172; 173; 175; 179; 201; 204; 209; 210; 215; 600; 613 Sărmășel;</li> <li>Modernization works at wells 96, 178, 203, 205, 206, 604 and 605 Sărmășel;</li> <li>Stage III of the Feasibility Study "Increasing the underground natural gas storage capacity in the Sărmășel storage facility" was approved in CTE DEPOGAZ</li> </ul>

<b>No. and project name</b>	<b><u>5. Increase of underground storage capacity in Ghercești storage facility</u></b>
<b>Purpose</b>	The project aims to complete the infrastructure of the Ghercești gas storage system to ensure operating conditions at a capacity of 600 million m <sup>3</sup> / cycle.
<b>Necessary investments works</b>	<ul style="list-style-type: none"> <li>Compressor station ;</li> <li>Expansion of dehydration units and measurement station;</li> <li>Modernization for 20 injection / withdrawal wells;</li> <li>Gas collector Ghercești UGS - SNT;</li> <li>Cushion gas.</li> </ul>
<b>Estimated completion year</b>	2025
<b>Total estimated value</b>	564,45 million lei
<b>Project development stage in 2020</b>	Throughout 2020, the elaboration of the feasibility study regarding "The increase of underground gas storage capacity in the Ghercești UGS from 150 million cubic meters/cycle to 600 million cubic meters/cycle" continued

<b>No. and project name</b>	<b><u>6. New underground gas storage facility in Moldova (Fălticeni)</u></b>
<b>Purpose</b>	The project purpose is to develop a new underground storage facility in N-E Romania (Moldova region) with a storage capacity of approximately 200 million m <sup>3</sup> /cycle, injection capacity of approximately 1.4 million m <sup>3</sup> /day, extraction capacity of approximately 2 million m <sup>3</sup> /day, by transforming into underground storage facility one or more depleted fields from the following: Pocoleni, Comănești, Todirești and Davideni.
<b>Necessary investments works</b>	<ul style="list-style-type: none"> <li>Compressor station;</li> <li>Gas drying and measuring installations;</li> </ul>

	<ul style="list-style-type: none"> <li>• Injection/extraction wells technological installations;</li> <li>• Drilling injection/extraction wells;</li> <li>• Storage facility gas collector - SNT;</li> <li>• Gas cushion.</li> </ul>
<b>Estimated completion year</b>	2025
<b>Total estimated value</b>	405,7 million lei
<b>Project development stage in 2020</b>	-

The development projects of the natural gas storage system are also included in the **Development Plan of the National Natural Gas Transmission System for the period 2019-2028**, approved by ANRE by 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 for Methodology norms approval for the application of EO no. 109/2011 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 regarding the approval of indicators – financial and non financial key performance indicators for non executive and executive administrators – General Manager and Sole Shareholder Decision no. 8/18.05.2020 regarding the partial amendment of art. 3.5, chapter 3 “Object of the mandate” from the mandate contracts of the non-executive directors of DEPOGAZ, respectively of the target values for 2020 for the key performance indicators for calculating the annual variable component of the remuneration of non-executive and executive directors - General Manager.

### 2.2.1. Target values

- **Key performance indicators for the annual variable component of the executive administrator remuneration – General Manager – Annex to mandate Contract**

#### a. Target values

No.	Key performance indicators (KPIs)	2020
	<b>Financial KPIs</b>	
1	EBITDA [%]	20
2	Turnover (T) [thousand lei]	313,306

3	Bad debts. [thousand lei]	0
4	<b>Outstanding debts (thousand lei)</b>	1,300
	<b>Operational KPI</b>	
5	Reserved capacity [%]	80
6	<b>Achievement of investment program [%]</b>	75
	<b>Public services oriented KPIs</b>	
7	Customer satisfaction level [%]	90-95
	<b>Corporate governance KPIs</b>	
8	Monitoring the implementation stage for the IMCS. [%]	75

**b. The key performance indicators weighting coefficient**

No.	Indicatori cheie de performanță (KPI)	Obiectiv	Pondere KPI
	<b>Financial KPIs</b>		<b>45%</b>
1	EBITDA [%]	20	10%
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%
4	<b>Outstandings debts level (mii lei)</b>	<b>Maintaining the level approved through budget</b>	10%
	<b>Operational KPIs</b>		<b>25%</b>
4	Reserved capacity [%]	Reaching declared operational capacity	15%
5	<b>Achievement of investment program [%]</b>	Trimestral and annual reporting	10%
	<b>Public services oriented KPIs</b>		<b>10%</b>
6	Customer satisfaction level [%]	90-95	10%
	<b>Corporate governance KPIs</b>		<b>20%</b>
7	Monitoring the implementation stage for the IMCS. [%]	Over ≥75 percent completion of the development program of the S.C.I.M.	20%

### 2.2.2. Key performance indicators achievement rate - General Manager

No.	Key performance indicators (KPIs)	Achieved Value 31.12.2020	Targeted Value 2020	Achievement Rate	KPI Weight	Weight %
1	EBITDA [%]	21.97	20	109.84	10%	10.98
2	Turnover (T) [thousand lei]	333,939	313,306	106.59	15%	15.99
3	Bad debts [thousand lei]	0	0	100.00	10%	10.00
4	Outstanding debts level (thousand lei)	6	1,300	100.00	10%	10.00
5	Reserved capacity (%)	106.21	80	132.76	15%	19.91
6	Monitoring the investment schedule stage [%]	84.06	75	112.08	10%	11.21
7	Customer satisfaction level [%]	99.48	90-95	104.72	10%	10.47
8	Monitoring the implementation stage for the IMCS. [%]	75	75	100.00	20%	20.00
						<b>108.57</b>

The key performance indicators values for 2020:

- The net revenue for 2020 was 333.939 thousand lei;
- DEPOGAZ has not registered bad debts in 2020.
- EBITDA = Total operational revenue – (Total operational expenses - Depreciation) =  

$$= 334.011 - (266.364 - 5.726) = 73.373 \text{ thousand lei}$$
- EBITDA (%) = (EBITDA/ Total operational revenue) × 100 =  

$$= (73.373/334.011) \times 100 = 21,97\%$$

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

<b>Turnover</b>		<b>333,939</b>
<b>Operational revenue</b>		334,011
<b>Operational expenses</b>		266,364
<b>Depreciation</b>		5,726
		73,373
<b>EBITDA %</b>		<b>21,97</b>

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



The table below shows the financial standing as of 31st December 2020.

Indicator	(Ron)	
	31.12.2019	31.12.2020
<b>ASSETS</b>		
<i>Fixed assets</i>		
Property, plant and equipment	59.519.187	96.059.509
Other intangible assets	1.018.770	649.516
Other fixed assets	16.069	16.069
<b>Total fixed assets</b>	<b>60.554.026</b>	<b>96.725.094</b>
<i>Current assets</i>		
Inventory	14.871.498	14.618.532
Trade receivable and other receivables	47.063.773	43.320.210
Cash and cash equivalents	46.769.349	44.071.302
<b>Total current assets</b>	<b>108.704.620</b>	<b>102.010.044</b>
Prepayments	127.342	89.781
<b>TOTAL ASSETS</b>	<b>169.385.988</b>	<b>198.824.919</b>
<b>OWNER'S CAPITAL AND LIABILITIES</b>		
<i>Retained earnings</i>		
Paid-in capital	66.056.160	66.056.160
Reserves	7.507.199	31.767.685
Financial result (loss)	(857.977)	(274.113)
<i>Profit/Loss financial period</i>	47.644.117	59.107.140
	<b>112.870.373</b>	<b>150.589.118</b>
<i>Current liabilities</i>		
Accounts payable	6.383.452	7.904.110
Debts to companies within the group	18.888.642	13.432.164
Other liabilities	18.338.561	12.964.906
<b>Total current liabilities</b>	<b>43.610.655</b>	<b>34.301.180</b>
<i>Accruals and bad debt provisions</i>		
Accrual for employees' benefits and other accruals	12.888.415	13.925.519
Unearned revenue	16.545	9.102
<i>Long-term liabilities</i>		
Accounts payable	0	0
Current profit tax accrual	0	0
Other liabilities	0	0
<b>Total long-term liabilities</b>	<b>0</b>	<b>0</b>
<b>TOTAL liabilities &amp; owner's equity</b>	<b>169.385.988</b>	<b>198.824.919</b>

Out of the total assets of 198.824.919 ron, fixed assets amount to **96.725.094** ron, representing 48,65% and current assets in amount of **102.010.044** ron, and representing 51,31%

The capital of the company is entirely paid-in at 31st December 2020.

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 <sup>st</sup> December 2020	Liquidity term	
		under 1 year	over 1 year
Accounts receivable	33.477.863	33.477.863	
Amounts receivable from affiliated companies	8.389.050	8.389.050	
Other receivables	<u>1.453.297</u>	<u>1.453.297</u>	
<b>TOTAL</b>	<b>43.320.210</b>	<b>43.320.210</b>	

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 2020 for January 2021, VAT under settlement related to invoices issued in January 2021 for services rendered in December 2020.

Cash and cash equivalent are represented by:

Cash and cash equivalent (Ron)	Balance as of 31 <sup>st</sup> December 2020
Bank accounts in lei	807.178
Bank accounts in foreign currency	84
Petty cash lei	2.541
Petty cash foreign currencies	1.227
Other amounts (bank deposits)	43.260.272
<b>Total</b>	<b>44.071.302</b>

The liabilities in the balance sheet are the following:

Liabilities (Ron)	Balance at 31 <sup>st</sup> December 2020	Maturity	
		under 1 year	over 1 year
Supplier invoices not yet received	4.037.216	4.037.216	
Supplier	3.866.894	3.866.894	
Payables to employees	4.025.287	4.025.287	
Taxes for employees' salaries	2.524.888	2.524.888	

Profit tax	1.334.075	1.334.075	
taxes -VAT	2.181.528	2.181.528	
Amounts payable to affiliated companies	13.432.164	13.432.164	
Royalty and environmental tax	2.543.084	2.543.084	
Other liabilities	<u>356,044</u>	<u>356,044</u>	
<b>Total</b>	<b>34.301.180</b>	<b>34.301.180</b>	

**a. The statement of comprehensive income - PROFIT AND LOSS ACCOUNT**

**Profit or loss account synthesis (Ron):**

Indicator	2019	2020
<b>Total revenue from operations</b>	<b>355.980.192</b>	<b>334.010.817</b>
<i>Raw materials, materials and electric energy expenses</i>	75.590.649	43.901.573
<i>Salaries</i>	59.803.650	67.874.705
<i>Revaluation of fixed and intangible assets</i>	2.901.144	5.725.648
<i>Revaluation of current assets</i>	472.823	939.536
<i>Other operational expenses (external services rendered)</i>	157.031.218	146.885.472
<i>Provisions and accruals</i>	4.447.944	1.037.104
<b>Total operational expenses</b>	<b>300.247.428</b>	<b>266.364.038</b>
<b>Profit or loss from operations</b>	<b>55.732.764</b>	<b>67.646.779</b>
<i>Financial – interest revenue</i>	464.524	1.018.428
<i>Financial expenses - exchange rate loss/gain</i>	1.459	1.614
<b>Financial Profit</b>	<b>463.065</b>	<b>1.016.814</b>
<b>Total revenue</b>	<b>356.444.716</b>	<b>335.029.245</b>
<b>Total expenses</b>	<b>300.248.887</b>	<b>266.365.652</b>
<b>Accounting profit /loss</b>	<b>56.195.829</b>	<b>68.663.593</b>
<b>Profit tax</b>	<b>8.551.712</b>	<b>9.556.453</b>
<b>Net profit/ Loss</b>	<b>47.644.117</b>	<b>59.107.140</b>

99,98 % meaning 333.934.696 ron of the total of 334.010.817 ron operational revenue in 2020 come from gas storage services rendered.

Of the total of 266.364.038 ron operational expenses, the most significant are:

- Raw materials and materials expenses in total value of 19.270.667 ron of which, technological expenditures, including fuels: 15.709.453 ron;
- Electric energy: 24.630.906 ron;
- Personnel expenses, including taxes: 67.874.705 ron;
- Third party services rendered expenses: 143.235.885 ron;
- Tax expenses: 12.020.500 ron;
- Studies and research expenses: 3.649.587,8 ron;

Out of the total provisions and accruals expensed and reversed in 2020 which amount to 6.103.843 ron, 3.089.768 ron represent personnel bonus accrual, 1.299.372 ron variable component of the Board of Directors and General Director compensation, 1.464.688 ron work contract expiry provisions.

Financial income consists of interest incomes from deposits in the amount of 1.018.428 ron.

Cash and cash equivalent at the end of the financial period	44.071.302
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### 2.3. Economic and financial indicators

We present below the main economic and financial indicators of the company for 2020:

	2020
<b>1. Indicators of liquidity</b>	
Current ratio	2.97
Immediate ratio	2.55
<b>2. Risk indicators</b>	
Indicator if indebtedness	17.22
<b>3. Activity indicators</b>	
Clients 'debts rotation speed (number of times)	9.29
The rotation speed of the total assets	1.68
<b>4. Profitability indicators</b>	
Gross margin on sales	20.56
Economic rentability	39.25

#### 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 2020 was 9.556.453 ron.

- **Operational KPI**

- a. **Injected/ withdrawn quantities**

Throughout 2020, 1,816,717.071 thousand cm (19,468,424.466280 MWh) of natural gas were withdrawn, representing, the quantity estimated to being withdrawn being exceeded by 27.5%.

Throughout 2020, 1,115,120.519 thousand mc (12,002,980.369048 MWh) of natural gas were injected, the quantity being 17% less than the estimated quantity to be injected .

Storage facility	Withdrawal Year 2020		Injection Year 2020	
	[mc]	[MWh]	[mc]	[MWh]
<b>Bilciurești</b>	913,378,597	9,809,360.266399	611,868,225	6,605,390.618046
<b>Urziceni</b>	251,982,025	2,739,689.539002	196,760,762	2,147,112.866503
<b>Bălăceanca</b>	18,816,524	205,083.762348	24,932,111	270,354.661131
<b>Ghercești</b>	110,125,939	1,183,267.254783	56,898,557	608,781.190572
<b>Sărmășel</b>	522,413,986	5,531,023.643748	224,660,864	2,371,341.032796
<b>TOTAL</b>	<b>1,816,717,071</b>	<b>19,468,424.466280</b>	<b>1,115,120,519</b>	<b>12,002,980.369048</b>

In 2020, the total quantity for technological consumption was 9.527.095 thousand mc (102.682.084518 MWh), a decrease of approximately 41.4% compared to the estimated quantity, justified by the fact that not all the estimated amount of natural gas was injected, and during the withdrawal cycle, due to the high pressure in the Sărmășel UGS and the low pressure in the national transport system, it was possible to carry out the withdrawal service with own energy and without the use of the compressor station equipped with gas compressors.

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 mc	MWh	lei	lei	lei	lei
2020	<b>9,527.095</b>	<b>102,682.084518</b>	<b>10,571,660.49</b>	<b>4,451,024.69</b>	<b>33,281.87</b>	<b>15,055,967.06</b>

The budget allocated for 2020 for the purchase of natural gas to cover technological consumption has not been exceeded.

#### **b. Monitoring the progress of investments**

For the year 2020, DEPOGAZ had an approved investment program amounting to 42,168.00 thousand lei, structured as follows:

Chapter II: Exploitation of underground gas fields and underground storages, infrastructure and utilities in fields and storage facilities: 300.00 thousand lei

Chapter III: Activities for underground storage of natural gas: 1,100.00 thousand lei

Chapter V: Modernization and upgrading of facilities, equipment and surface infrastructure: 31,730.00 thousand lei

Chapter VI: Independent equipment and machinery: 3,131.00 thousand lei

Chapter VII: Consulting, studies and projects, software and licenses: 5,907.00 thousand lei

Throughout 2020, works amounting to 35,447.43 thousand lei were executed, representing 84.06% of the approved budget.

The following table presents all the expenses related to the Investment Program, as well as their structuring by chapters of the program and objectives:

- Thousand lei -

Program chapter	Name of objective	Planned 2020 (thousand lei)	Accomplished 2020 (thousand lei)
<b>Chapter II: Exploitation of underground gas fields and underground storages, infrastructure and utilities in fields and storage facilities</b>			
1	Surveillance and security system	300	163.38
<b>TOTAL CHAPTER II</b>		<b>300.00</b>	<b>163.38</b>
<b>Chapter III: Activities for underground storage of natural gas</b>			
2	Compensation and land acquisitions	400	256.925
3	Storage infrastructure Ghercesti	200	0.00
4	Drilling wells Bilciurești	500	0.00
<b>TOTAL CAPITOL III</b>		<b>1,100.00</b>	<b>256.93</b>
<b>Chapter V: Modernization and upgrading of facilities, equipment and surface infrastructure</b>			
5	Automating the discharge of oil separators	500	495.48
6	Modernisation of the PSI system	50	19.00
7	Modernisation of electric motor control system	401	400.27
8	Modernization of automation installations	0	0.00
9	Dehydration unit for natural gas using trienglycol – group 145 Bilciurești	1,778	1,770.14
10	Modernisation of monitoring system and grup control group 102 Bilciurești	84	83.69
11	Modernization of heating system in the mechanical-energetic unit	73	72.09
12	Modernization of monitoring and control system Bălăceanca	94	93.49
13	Modernization of the Ghercești group heating system	20	18.33
14	Modernization of the lighting system for Ghercești group	90	67.93
15	Safety power supply group 2 Ghercești	70	57.76
16	Automation installation modernization	50	0.00
17	Modernization of domestic hot water preparation plant	40	0.00
18	Compressor suction adjustment loop in the extraction cycle	500	353.70
19	Modernization of measuring panel lighting installation	50	29.95
20	Sărmășel well modernizations	25,900	24,031.70
21	Modernization of automation of natural gas drying station with triethylene glycol group 102	80	79.78
22	Systematization of intake and discharge manifolds Butimanu gas compression station and Butimanu collector - Bilciurești	1,700	1,533.18
23	Bălăceanca gas measurement panel supervision system with web server included	120	78.90

24	Modernization of technological measurement system for wells	50	25.80
25	Modernization of natural gas drying station automation with triethylene glycol Modernizare automatizare stație de uscare gaze naturale cu trietilenglicol	80	79.78
<b>TOTAL CHAPTER V</b>		<b>31,730.00</b>	<b>29,290.97</b>
<b>Chapter VI: Independent equipment and machinery</b>			
26	Vehicle	100	0.00
27	Laptops	216	176.50
28	Firewall perimeter	682	660.68
29	Virtualization server	48	47.85
30	Tape save drive	46	45.97
31	Storage solution	113	0.00
32	Infrastructure IT network - Subsidiary	1,200	942.62
33	Uninterruptible power supply Sărmășel	67	67.00
34	Hydrogen sulfide analyzer	30	29.80
35	Oxygen analyzer	80	0.00
36	Pressure indicator and pressure gauge for checking the gas measurement system	57	0.00
37	Hard communicator	35	0.00
38	EX Pyrometer	8	0.00
39	Gas heaters type II X 140 bar	400	0.00
40	Multifunction multimeter with oscilloscope	10	0.00
41	Welding generator	7	3.025
42	Air conditioning installation	24	0.00
43	Lawn mower	3	0.00
44	Submersible drainage pump	5	0.00
<b>TOTAL CHAPTER VI</b>		<b>3,131.00</b>	<b>1,973.45</b>
<b>CHAPTER VII: Consulting, studies and projects, software and licenses</b>			
45	Urziceni measurement unit	0	0.00
46	Upgrading the measurement unit Sărmășel	0	0.00
47	Replacement of cooling towers with closed circuit cooling system SC Butimanu	20	0.00
48	Adaptation of technological installations for ISCIR Urziceni tests (groups and compression station)	10	0.00
49	Other studies and projects	500	0.00
50	Software licences other	20	9.00
51	Study Bilciurești UGS	500	430.00
52	Feasibility study Ghercești UGS	600	77.28
53	Feasibility study Bălăceanca UGS	500	323.97
54	Feasibility study Sărmășel UGS	3600	2,818.33
55	Discharge automatization of SC Butimanu oil separators	35	0.00

56	Software for drawing up estimates (DOCLIB)	12	0.00
57	Microsoft Enterprise Agreement (EA)	110	104.12
<b>TOTAL CHAPTER VII</b>		<b>5,907.00</b>	<b>3,762.70</b>
<b>TOTAL GENERAL</b>		<b>42,168.00</b>	<b>35,447.43</b>

The analysis of these expenditures shows that the main objectives of the Investment Program are:

- **Well upgrades** - The works, completed in 2020, were necessary in order to improve the performance of the wells in the injection / withdrawal process. Operational safety has also been improved by equipping the wells with safety valves. These works are required to improve the performance of storage facilities but and also due to provisions of safety reports in accordance with Law 59/2016 on control of major accident hazards involving hazardous substances, as subsequently amended and supplemented.
- **Natural gas dehydrating plant with triethylene glycol at group 145 Bilciurești** – The works are necessary to ensure an increased degree in operation through modernization of existing infrastructure. In 2016, the Feasibility Study for modernization of infrastructure of the gas storage system in the Bilciurești UGS was completed. This study highlighted the possibility of increasing the daily production capacity in the Bilciurești UGS up to 20 million Stcm/day, provided that investment works are carried out. This represents a new stage of modernization of the storage facility. The works started in 2020 and will be completed at the end of 2021.
- **Systematization of intake and discharge manifolds for Butimanu gas compression station and Butimanu collector - Bilciurești** - The technical project for "Systematization of intake and discharge manifolds for Butimanu gas compression station and Butimanu collector - Bilciurești" was completed. This investment is necessary for the modernization of the technological installations at the interface between the Butimanu compression station and Bilciurești UGS. The construction of a new collector between the Bilciurești UGS and the Butimanu Compressor Station, will allow the achievement of technical conditions in order to reach a maximum daily delivery of gas of 20 million Stcm, and will also ensure operating conditions of the dehydration stations belonging to the storage facility. Planning for 2021 include public procurement procedures to be initiated and starting construction works.
- **Sărmășel UGS feasibility study** - The project aims to increase the capacity of the Sărmășel underground storage from a capacity of 900 million cubic meters / cycle to approximately 1550 million cubic meters/ cycle (an increase of 650 million cubic meters / cycle), increasing the injection capacity by 4 million cubic meters/ day, to a total of 10 million cubic meters / day and increasing the extraction capacity by 4 million cubic meters / day, to a total of 12 million cubic meters / day

The implementation stage for the development projects of the natural gas storage system proposed and included in the INVESTMENT PLAN of the natural gas storage system 2019-2023 :

### 1. Upgrade of the natural gas storage infrastructure– Bilciurești

In 2020, the study was completed and endorsed in the CTE: "Analysis of the possibilities to increase the daily natural gas extraction capacity in the Bilciurești UGS".

The procurement procedure for design services of 4 new wells was completed according to the aforementioned study.



## **2. Increase of underground storage capacity of natural gas in Ghercești UGS**

Throughout 2020 the elaboration of the feasibility study regarding “Increase of the underground gas storage capacity at Ghercești UGS from 150 million cubic meters / cycle to 600 million cubic meters / cycle” continued.

## **3. Feasibility study regarding the underground storage of natural gas in Balaceanca UGS**

In 2020 we have continued with the elaboration of the „Feasibility study regarding the underground storage of natural gas in Balaceanca UGS”.

We mention that the development projects of the natural gas storage system are also included in the Development Plan of the National Transmission System for the period 2019-2028, approved by ANRE by Decision no. 2080 of 11.12.2019

### **• KPI public oriented services : *Customer satisfaction***

In the 2020 - 2021 storage cycle, commercial activities for the 51 beneficiaries of the storage services were managed. 90 storage contracts and 222 additional acts to the contracts were signed.

- Operational procedure „CUSTOMER SATISFACTION EVALUATION“ applies to Commercial Dept.
  - The procedure establishes the way information is collected regarding the customer’s perception of the satisfaction of his requirements.
  - The assessment of customer satisfaction 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”
  - On 08.12.2020 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 99.48 %.
  - The specific objective in 2020 of the Commercial Service was "Increasing customer satisfaction".
  - The performance indicator, increasing/ maintaining customer satisfaction per year for 2020 had a target value of 95%.
- 
- **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 and 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 the measures for its efficiency increase are based on risk evaluation.

On an annual basis, at 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 achieved:

- The risk management process is organized and monitored.
- Risk management is a key component of decision making and prioritizing actions.
- The performance monitoring system was created and has evaluated the Company's objectives and activities through performance indicators.
- The hypotheses / premises considered to be the basis for setting the objectives for 2020 were analyzed, as well as the emergence of new risks to the objectives identified by the heads of the organizational units within DEPOGAZ.
- The assumptions / premises underlying the setting of objectives, the identified objectives and the risks associated with them are evaluated periodically.
- The risk management process leads to the improvement of the Subsidiary's performance by identifying, analyzing, evaluating and managing the risks that may occur at its level in order to minimize the consequences of risks.
- The risks related to the objectives identified at DEPOGAZ level are analyzed periodically, at least once a year, and a Plan for implementing control / prevention measures in case of risks to objectives has been developed in order to limit the possible consequences of these risks.
- According to the provisions of the specific system procedures in force, each organizational unit presents the stage of fulfilling the identified objectives, half-yearly and annually, as well as the Report on the development of the risk management process at the objectives.
- The Monitoring Committee reviewed these documents on the stage of achievement of the objectives and the reports on the progress of the risk management process on the objectives. The analysis showed that the risks to the objectives identified by the organizational units within the Subsidiary are closely related to the activities within the specific objectives, the achievement of which could be affected by the materialization of the risks.

- At Subsidiary level, both general and specific objectives were identified, as well as risks related to the identified objectives.
- The General Director approves the risk Register at DEPOGAZ level, updated annually or whenever required
- The General Manager approves the Centralizer with the proposed objectives at the DEPOGAZ level updated annually, and whenever necessary.
- All the significant activities carried out within the Subsidiary that have been planned to be internally regulated through internal procedures in 2020 have been described through documented procedures / instructions.
- Through decision of the General manager, the following have been amended:
  - The list of those responsible for determining and managing risks at each organizational unit level within DEPOGAZ.
  - The members of the Commission for the implementation of the National Anticorruption Strategy for the period 2016-2020 within SNGN ROMGAZ SA – Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiești SRL and for establishing the necessary measures in order to implement the provisions of H.G. no. 583/2016.
- The action of inventory, centralization and management of sensitive work titles was performed, according to the system procedure PS-16: Inventory of sensitive work titles, ed. 1, rev. 1 / 18.05.2020. The action of inventory, centralization and management of sensitive work titles, by Decision of the General Manager was carried out in 42 organizational units, which took into account the functional responsibilities of staff, which usually involve one or more risk factors. Following the inventory action an information note was elaborated and approved: "Information on the inventory of sensitive functions and / or especially exposed to corruption and the risks associated with them at the level of SNGN ROMGAZ SA - Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiești SRL" .
- Considering the obligation to report to SNGN Romgaz SA Mediaș the stage of implementation and development of the internal managerial control system at the level of SNGN Romgaz SA - Underground Storage of Natural Gas Subsidiary Depogaz Ploiești SRL for 2020, the members of the Monitoring Commission have conducted a self-assessment process for the internal managerial control system action for each organizational unit within DEPOGAZ, between 05-15.01.2021.

The documents on which the implementation stage report was based, 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 31<sup>st</sup> 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.

Pe baza documentelor mai sus menționate la nivelul SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL a fost elaborat și aprobat de Directorul General, Raportul asupra sistemului de control intern managerial la data de 31 decembrie 2020 – Anexa 4.3 – Ordin SG 600/2018.

The report gives a clear image of the implementation and development stages of the internal control system of the Company. Based on the self-assessment results dated 31<sup>st</sup> of December 2020, the managerial internal control system of DEPOGAZ complies with the managerial internal control Code standards.

### The National Anticorruption Strategy for 2016-2020

The purpose of the National Anticorruption Strategy for the period 2016-2020 is to promote integrity, through the rigorous application of the normative and institutional framework.

The objectives are subsumed to decision-making transparency and open governance, respectively to the approach of strategic intervention in the field of anti-corruption in three directions: prevention, education, combating.

DEPOGAZ has the obligation to implement the Integrity Plan, approved in September 2019, provided as a requirement of Decision no. 583/2016 on the approval of the National Anti-Corruption Strategy for 2016-2020, the sets of performance indicators, the risks associated with the objectives and the measures and verification sources included in the strategy, the inventory of institutional transparency and corruption prevention measures, the indicators of evaluation, as well as the standards for publishing information of public interest.

The integrity plan of DEPOGAZ is annexed to Decision no. 232 / 30.09.2019.

The objectives assumed by the Subsidiary for the implementation of the Integrity Plan are:

- developing a culture of transparency for open decision-making governance;
- increasing the institutional integrity by including measures to prevent corruption as mandatory elements of management plans and their periodic evaluation as an integral part of administrative performance;
- strengthening integrity, reducing vulnerabilities and risks of corruption within DEPOGAZ;
- increasing the degree of knowledge and information of integrity standards by employees;
- strengthening the performance of anti-corruption through criminal and administrative means;
- increasing the degree of implementation of anti-fraud and anti-corruption measures by approving the integrity plan and periodic self-assessment at DEPOGAZ level.

Considering all objectives mentioned above, the performance indicators, the associated risks, verification sources, deadlines, responsibilities and the necessary resources assumed in 2020, the following were achieved:

Measures	Performance indicators	Implementation stage/ measures taken
<b>GENERAL OBJECTIVE 1: DEVELOPING A CULTURE OF TRANSPARENCY FOR AN OPEN DECISION-MAKING GOVERNANCE</b>		
<b>Specific objective 1.1 – Increasing the institutional transparency and decision-making processes</b>		
<b>1.1.1. Update of the company's website according to general standard</b>	Functional site	-The company's website is functional and is updated whenever needed. -The section <a href="https://www.depogazploiesti.ro/ro/transparenta/guvernanta-corporativa/documente-de-">https://www.depogazploiesti.ro/ro/transparenta/guvernanta-corporativa/documente-de-</a>

		referinta/strategia-nationala-anticoruptie is defined on the company's website. The section is updated whenever necessary by the designated person in charge, according with the provisions of working instruction 07IL-03: Publication of WEB content.
<b>Specific objective 1.2 - Increasing transparency of public resource management processes</b>		
1.2.1. Implementation of open Contrading Data Standard in public procurement area	Information supplied in requested format	In 2020, the measure could not be implemented in Procurement Dept because the software was not implemented by the Romanian Agency for Digital Agenda (explanation provided by Procurement Dept, letter no. 12426 / 12.11.2020)
<b>GENERAL OBJECTIVE 2: INCREASING INSTITUTIONAL INTEGRITY BY INCLUDING CORRUPTION PREVENTION MEASURES AS MANDATORY ELEMENTS OF MANAGEMENT PLANS AND THEIR PERIODIC ASSESSMENT AS AN INTEGRAL PART OF ADMINISTRATIVE PERFORMANCE</b>		
<b>Specific objective 2.1 - Improving the management failure capacity by correlating the instruments that have an impact on the early identification of institutional risks and vulnerabilities</b>		
2.1.1. Developing a procedure to identify the risks of corruption	Procedure was developed/revised.	PS-17: The methodology for identifying risks and vulnerabilities to corruption has been revised as follows: ed 1, rev. 1 / 22.10.2019 subsequent ed. 2, rev. 0 / 13.11.2020. -In accordance with provisions of the PS-17 system procedure: Methodology for identifying risks and vulnerabilities to corruption, a procedure that applies to the management of corruption risks that may affect the achievement of the general objectives of the organization and the specific objectives of each organizational unit, the SNA president of the implementation committee at DEPOGAZ level sent to the organizational units within the Subsidiary the address no. 1 / 30.01.2020 on the identification and analysis of risks and vulnerabilities to corruption at the level of each organizational unit within the Subsidiary.
2.1.2. Internal audit, every two years, of the system/ measures to prevent corruption within organization	No of recommendations; Degree of implementation of anti-corruption preventive measures	Degree of implementation of anti-corruption preventive measures. According to: SNA Requirements 2016 - 2020 point 2.1 approved by GD 583/2016; UCAAPI requirements audit of the 12 measures to prevent corruption included in Annex no. 3 at SNA by carrying out audit missions every 2 years - Audit mission "Evaluation of the corruption prevention system" - year 2019 - year 2021, etc. (reply according to BAPI addresses no. 11388 / 17.11.2020 and 11645 / 24.11.2020).

<b>Specific objective 2.2 – Increasing the efficiency of anti-corruption preventive measures by addressing legislative gaps and inconsistencies on the Ethics Adviser, whistleblower protection in the public interest and post-employment ban</b>		
2.2.1. Implementing at subsidiary level a whistleblower system for irregularities (ex: dedicated email address)	No. of received alerts No. of solved alerts	- An irregularity warning system was implemented at subsidiary level through the use of a dedicated e-mail address: avertizor@depogazploiesti.ro. -In January 2020, the PS-18 system procedure was analyzed, endorsed and approved by the Monitoring Commission: Reporting of irregularities / irregularities by the whistleblower, ed. 1, rev. 0 / 27.01.2020. Through the care of the Ethics Adviser, the training process of the employees was started, according to the operational procedure 01PO-05: Staff training. -Later, the system procedure was revised as follows: PS-18: Signaling of irregularities / irregularities through whistleblower, ed. 2, rev. 0 / 13.11.2020. -Anyone can report an irregularity and / or a possible act of corruption. This is called a whistleblower
2.2.2. Periodic publication / dissemination of a report on disciplinary sanctions	No of published reports / disseminated	A report on disciplinary sanctions is published / disseminated every six months, upon request and with the approval of the General Manager. So far there has been no request in this regard
2.2.3. Application of disciplinary sanctions of a dissuasive nature for violating ethical and anti-corruption standards and conduct at the level of all employees	No of notifications received No. of notifications solved	The Ethics Adviser prepares a quarterly / half-yearly / annual report to monitor compliance with norms of conduct.
<b>GENERAL OBJECTIVE 3: STRENGTHENING INTEGRITY, REDUCING VULNERABILITY AND RISK OF CORRUPTION AT DEPOGAZ</b>		
<b>Specific objective 3.1 - Strengthening the integrity, reduce vulnerabilities and risks of corruption in procurement sector</b>		
3.1.1. Creating a database of companies that have not properly performed the contracts concluded with	Database	According to the answers received from the organizational units of DEPOGAZ, on 02.12.2020, there are no contracts improperly executed at the level of the Subsidiary (reply according to the address of the Procurement Dept. no. 12426 / 11.12.2020).

DEPOGAZ according to sectoral procurement		
<b>GENERAL OBJECTIVE 4: INCREASING THE AWARENESS LEVEL AND THE LEVEL OF INFORMATION REGARDING THE INTEGRITY STANDARDS FOR DEPOGAZ EMPLOYEES</b>		
<b>Specific objective 4.1 – Increase the anticorruption education level of employees</b>		
4.1.1 Professional training programs on integrity, corruption and fraud	No of training programs organised No of participants to training programs	-Based on the training / (re) authorization / (re) certification annual planning received from the organizational units, the Human Resources and Remuneration Dept. draws up the Annual Vocational Training Plan, which it submits for approval to the General Manager. The plan is accompanied by an explanatory report endorsed by the trade union organization. By approving the Annual Vocational Training Plan and including the expenses associated with it in the Revenue and Expenditure Budget, the management of the Subsidiary ensures the allocation of the necessary resources for the training. The annual vocational training plan can be updated (completed) during the year within the limit of the revenue and expenditure budget allocated and approved.  -In the Human Resources and Remuneration Dept, the number of participants in the training programs is recorded, as well as the expenses related to them.  -Evaluation of the effectiveness of the training actions related to the training programs is done through the Evaluation Form of the training program, filled in by the trainee, who submits the form to the Human Resources and Remuneration Dept, according to 01PO-05: Personal training.
<b>Specific objective 4.2 – Increase the education level of employees regarding the impact of the corruption phenomenon</b>		
4.2.1. Initiating employee awareness campaigns on the phenomenon of fraud and corruption	No and type of activity	DEPOGAZ employees are informed about the SNA and have access to the documents developed and approved, that are published on the InfoWEB Portal
<b>GENERAL OBJECTIVE 5: STRENGTHENING CORRUPTION FIGHTING PERFORMANCE BY CRIMINAL AND ADMINISTRATIVE MEANS</b>		
<b>Specific objective 5.1 - Strengthening administrative control mechanisms</b>		
5.1.1. Prioritizing audit and control actions by	No. of audits and controls realized	DEPOGAZ's audit strategy is found in the Multiannual Planning, resulting from the process of establishing, in

increasing their number in areas exposed to fraud and corruption		advance, the public internal audit missions that will take place over a time horizon of 3 (three) years, based on the risk analysis. The multi-annual audit plan is reviewed annually. The annual plan derives from the Multiannual Plan. The audit missions were performed in accordance with the approved Annual Plan (response according to BAPI addresses no. 11388 / 17.11.2020 and 11645 / 24.11.2020).
5.1.2. 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	<p>-The development program of the internal managerial control system within DEPOGAZ is updated annually. After analysis endorsement and approval in the Monitoring Commission, the Development Program is posted on the INFOWEB Portal and brought to the attention of DEPOGAZ employees.</p> <p>-Approved documented procedures and instructions are reviewed whenever needed. These are published on the InfoWEB Portal by the IMS Dept., and include the risks that the described activity diminishes.</p> <p>-Inventory of sensitive work titles is done annually.</p> <p>-The risk register is updated annually and whenever needed.</p> <p>-Specific reporting of the internal managerial control at subsidiary level, according to the provisions of the Order no. 600/2018 is done after performing the SCIM self-assessment for each organizational unit, keeping the deadline established by SNGN ROMGAZ SA Mediaș - Dept of Internal Management Control, but not later than 20.02 of the current year for the previous year.</p>
<b>OBIECTIV GENERAL 6: INCREASING THE IMPLEMENTATION OF ANTI-FRAUD AND ANTI-CORRUPTION MEASURES BY APPROVING THE INTEGRITY PLAN AND PERIODIC SELF-ASSESSMENT AT COMPANY LEVEL</b>		
<b>Obiectiv specific 6.1 - Strengthening institutional integrity through plans developed on the basis of risk analysis and internal control standards</b>		
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	<p>-The Integrity Plan was approved by Decision 232 / 30.09.2019.</p> <p>-The approval and publication of the decision was communicated by e-mail to the employees.</p> <p>-The integrity plan is approved by Decision no. 232 / 30.09.2019 and published on the organization's website.</p>



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 assessment of the implementation of the Integrity Plan is done periodically (quarterly, half-yearly and annually) by submitting reports on the National Anticorruption Strategy 2016-2020 by the Coordinator of Implementing the Integrity Plan, respecting the Decisions of the General Manager regarding the preparation, transmission and centralization of support materials included in the Administrators Report and the General Manager's report, that have been sent by the Board of Directors Secretariat and Corporate Governance Dept.
6.1.3. Implementation stage assessment for the integrity plan evaluation	No of implemented objectives	Assessment of of the implementation of the integrity plan is done periodically.

## 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.

The code of conduct is binding and applies directly to all persons working for DEPOGAZ: employees, directors with a mandate contract and members of the Board of Administration.

The main objectives of the Code of Conduct are to regulate the norms of professional conduct that is needed in order to create and maintain of the high prestige of the Subsidiary, and also to create a climate of trust and respect between its employees, business partners, community, etc.

Throughout 2020, the norms of conduct set out in the Code have been complied with, as evidenced by the fact that there has been only one single notification the breach of conduct, of the Internal Regulation, of the Collective Labor Agreement or of other internal regulations.

Following the notification made in 2019, the measure ordered, respectively the demotion from office, took effect in January 2020.

At DEPOGAZ, it is a priority to comply with all the legal provisions, rules and norms applicable in its field of activity.

1	<b>Number of registered complaints regarding the violation of the norms of conduct (code of conduct, Internal Regulations, CLC, other internal regulations)</b>	1	
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	1	-
		Demotion	1	-
		Salary reduction and/or management increase reduction		
		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

In 2020, the Financial Management Control actions were carried out within the legislative-normative framework specific to the financial management control activity outlined by the provisions of Law no. 107/2012 for the approval of the Emergency Ordinance no. 94/2011 on the organization and functioning of the economic-financial inspection, GD no. 1151/2012 for the approval of the Methodological Norms regarding the organization and exercise of the financial management control, the internal regulations and the approved Program.

Regarding the objectives of the control actions, carried out in 2020, the aim was to continue the verification of all issues that fall within the main objectives provided for the FMC office by specific regulations.

In 2020 five control missions were carried out, all of them being planned control actions. Of the five missions, two were of a preventive nature:

- verifying the compliance with legal and internal provisions in substantiating the Revenue and Expenditure Budget;
- verifying the compliance with legal provisions in amending the Revenue and Expenditure Budget;

and the other three missions regarded post-operational control, particularly for the verification of some economical-financial operations carried out during the current financial year, as follows:

- verification of compliance with legal provisions and/or internal regulations in making sectoral procurement;
- verification of compliance with legal provisions of Order no. 14/1982, for the approval of the normative regarding the fuel consumption for motor vehicles and of the provisions of the updated Fiscal Code, art. 25, letter I regarding the deductibility of expenses for the maintenance and operation of vehicles;
- verification of compliance with the legal provisions in the execution of the Revenue and Expenditure Budget on December 31, 2019 and June 30, 2020, in accordance with the legal provisions applicable to Order no. 3818/2019 regarding the content and format of the revenue and expenditure budget of economic operators, as well as their substantiation annexes, GO no. 26/2013 on strengthening financial discipline at the level of economic operators where the state or administrative-territorial units are unique or majority shareholders or hold directly or indirectly a majority participation; the provisions of the Fiscal Code and financial performance indicators stipulated in mandate contracts concluded with DEPOGAZ administrators

Following the mentioned control actions, control minutes and findings notes were drawn up, according to the operational procedure regulating the financial control activity. The control minutes and findings notes include recommendations and measures to be implemented and are approved the General Manager.

From the perspective of the objectives of the financial control activity identified for 2020, as well as the expectations of the Sole Shareholder, financial control is a function of the executive management as it captures the essence of DEPOGAZ processes and economic phenomena, as it identifies deviations and offers the possibility to prevent and eliminate the causes that led to their occurrence. The financial management control, component of the internal control, is oriented towards the effectiveness and efficiency of the economic phenomena within the Subsidiary. During 2020, there were no appeals against the measures ordered by the control team. The measures and recommendations, ordered by the control documents drawn up and approved, have been fully implemented.

### **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, thereby offering support in order to fulfill its control functions.

The basis of the activity carried out in 2020 is the Multiannual Audit Plan 2020-2022 no. 13229/29.11.2019 and the Annual Internal Audit Plan for 2020 no. 13230/29.11.2019. The annual audit plan was revised and approved by the General Manager, endorsed by the Audit Committee and registered under number 3942/15.04.2020. All audit missions included in the revised annual plan were performed in 2020.

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

In accordance with the Annual Internal Audit Plan and the revised Annual Plan in 2020, 6 assurance missions were carried out in the field of specific DEPOGAZ activities (3 missions), financial accounting (1 mission) and in other fields of activity (2 missions).

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 in order to continuously improve them and to achieve 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 2020, 23 recommendations were made to the audited structures, 8 of them having the implementation deadline in 2021. The recommendations made by the auditors were implemented in timely manner, in 2020. At the end of 2019 the number of recommendations with an implementation deadline during 2020 was of 17, while 3 other recommendations had the deadline extended.

In compliance with the provisions of GD no. 1086/2013, 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 (2021-2023) and annual (2021) plans, as well as the action plan on ensuring and improving the quality of internal public audit work (PAIC 2021).

The activity of the Public Internal Audit Office was reported quarterly and annually to the Audit Committee. Based on the provisions of Law no. 672/2002 at the level of the internal public audit structure, an annual report is prepared and further included in the report of the hierarchically superior entity. The report on the audit activity for 2019 (registered with number 662 / 15.01.2020) was approved by the Audit Committee, approved by the General Manager and submitted 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 2020 was reported on time, in January 2021.

### ***Evaluation of the General Manager***

During the meeting of the Nomination and Remuneration Committee on 26.02.2020, the Evaluation Policy of the Board of Administration of SNGN Romgaz SA – Underground Storage of Natural Gas Depogaz Ploiești SRL Subsidiary was approved, by Decision of the Board of Administration no. 4 / 26.02.2020

- **General Manager**

During the meeting of the Nomination and Remuneration Committee on 31.03.2021, the evaluation of the General Manager for 2020 was approved according to the evaluation questionnaire from Annex 2 of the Evaluation Policy of the Board of Administration, approved by the Decision of the Board of Administration no. 4 / 26.02.2020.

The evaluation resulted in the following conclusions:

- The key performance targets and indicators for 2020 have been met;
- The decisions of the Sole Shareholder, the Decisions of the Board of Directors as well as the key performance indicators of the directors for 2020 were fulfilled;
- The General Manager demonstrated vision while anticipating correctly the business trends, participated in establishing, coherently and consistently implementing of the mission, vision and value proposition of the company;
- The General Manager retained the strategic human resources team and facilitated teamwork in order to achieve the objectives.