

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

No.5830/17.04.2024

Assessment Report of General Manager's Activity for 2023



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Pursuant to art. 36 para. (5) of the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, the Board of Directors of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL (Gas Storage Subsidiary DEPOGAZ Ploiesti SRL) prepared the Assessment Report of the General Manager's activity for 2023, based on the Report of the General Manager for 2023, approved by HCA (Decision of the Board of Directors) no.6, dated 23.04.2024

Chair of the Board of Directors

STĂNESCU NICOLAE BOGDAN CODRUȚ

Document approved by the Decision of the Board of Directors no.6 dated 23.04.2024

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1. Company Presentation

Who is DEPOGAZ?

SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL ("DEPOGAZ" or "Subsidiary") is the main gas storage operator in Romania, with a share of approximately 90.54% of Romania's total active storage capacity.

By the Decision of the Extraordinary General Meeting of Shareholders of SNGN Romgaz SA no. 10/19.12.2014, based on Directive 2009/73/EC of the European Parliament and of the Council of the European Union, transposed into national law by the Law on Electricity and Natural Gas no. 123/2012, as subsequently amended and supplemented, the natural gas storage activity was separated from SNGN Romgaz SA and is carried out by SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL (Gas Storage Subsidiary DEPOGAZ Ploiesti SRL), as an independent operator, as of April 1, 2018.

Natural gas shall be stored for the purpose of:

- a) ensuring security in the supply of natural gas to final customers;
- b) harmonisation of changes in seasonal, daily, and hourly consumption with available gas sources;
- c) ensuring permanent physical balance of the SNT (National Transmission System);
- d) carrying out other commercial activities.

DEPOGAZ VISION

Modernising the existing gas storage capacities and increasing safety and flexibility level, inclusively through the multi-cycle use of storage capacities, will contribute to a competitive gas market and the development of energy markets and the creation of regional energy security mechanisms, in accordance with common EU rules.

DEPOGAZ MISSION

- Increasing customer and stakeholder satisfaction;
- Ensuring the availability and timeliness of the underground gas storage service;
- Efficient and effective resolution of storage facilities infrastructure interventions without affecting the interests of customers and other stakeholders;
- Continuous development and improvement of the underground gas storage service;
- Proposing projects of national interest, as well as supporting and implementing them;
- Proposal of Projects of Common Interest at European Union level so as to contribute to the achievement of an integrated market at regional level.

DEPOGAZ CORE VALUES

- ***Social responsibility and respect for the environment;***
- ***Professionalism, Efficiency and Performance.***
- ***Excellence*** is the target we seek and encourage in everything we do by offering innovative problem-solving solutions that deliver outstanding results for our partners.

- **Integrity** is the mandatory requirement for all DEPOGAZ employees.
- We promote **transparency, honesty, and fairness** both within the organization and in relation to our partners and customers.
- **Promptness** define our team that promotes at a high level the importance of a fair and transparent relationship with customers.
- **Loyalty** underpins the cultivation of a long-term relationship with our customers and partners.

1.1. Company identification data

DEPOGAZ is a public enterprise, established as a Subsidiary, having the legal status of a limited liability company (S.R.L.), having SNGN Romgaz SA as Sole Shareholder. The Company is established under the Companies Law no. 31/1990, republished, as subsequently amended, and supplemented, and carries out its activity in accordance with the Romanian legislation and the Articles of Incorporation.

Business name:	SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL (Gas Storage Subsidiary DEPOGAZ Ploiesti SRL)
Registered office:	Str. Gh. Gr. G. Cantacuzino, no. 184, Ploiesti, Prahova, postal code 100492
Tel/Fax No	0374-403800 / 0374-097420
Email/ Website	secretariat@depogazploiesti.ro www.depogazploiesti.ro
Sole registration number	34915261
Registration number in the Trade Register	J29/1181/21.08.2015
Class of the main business	NACE Class 0910 - Services activities incidental to the extraction of crude oil and natural gas;
Class of the secondary business	NACE Class 5210 - Storage; NACE Class 7022 - Business and management consultancy activities; NACE Class 4221 - Construction of utility projects for fluids; NACE Class 7112 - Engineering and related technical consultancy activities; NACE Class 4321 - Electrical installation work; NACE Class 7120 - Technical testing and analysis, including of natural gas; Class NACE 2562 - General mechanical operations; Class NACE 5224 - Handling activities.

1.2. Business purpose

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

The object of activity is the storage of natural gas, i.e. all activities and operations carried out by the storage operator for or in connection with the reservation of storage capacities in underground storage and the injection, storage, and withdrawal from these capacities of specified quantities of natural gas.

The natural gas storage process usually takes place in two cycles (phases): from April to October - injection cycle and from November to March - withdrawal cycle, but at the request of customers or the gas transmission system operator, reversals of those cycles may occur alternatively.

Injection Cycle (April - October)

The gas taken over by SNT is measured, purified, and compressed (if applicable) and injected into the natural gas storage facilities operated by DEPOGAZ via the injection/withdrawal wells.

Withdrawal cycle (November - March)

The gas taken from the injection/ withdrawal wells of each gas facility is directed to the conditioning facilities (heating, lamination, separation of impurities), drying, compression (if applicable), measurement and delivered in SNT at quality parameters according to the legislation.

2. Objectives and Key Performance Indicators

Measuring the company's performance is a process of improving the activities carried out and the use of the resources employed in order to efficiently achieve the objectives assumed by the Directors and the General Manager through the Company's Stewardship Plan, a plan that includes the stewardship component, the management component and the key financial and non-financial performance indicators for the calculation of the variable component of remuneration.

The strategic objectives included in the Company's Stewardship Plan for the timeframe 2023-2027 are derived from the Letter of Expectations of the Sole Shareholder, SNGN ROMGAZ SA and aim at optimizing, developing and dividing the underground gas storage activity by reconsidering its importance, in order to ensure continuity and flexibility in the natural gas supply, identifying new opportunities for growth and diversification of the Subsidiary's activity, both internally and regionally, increasing the performance of the Subsidiary, effectual management and implementation of corporate governance framework.

2.1. Objectives and strategic directions of action, according to the Letter of Expectations of the Sole Shareholder

Strategic directions of action, according to the Letter of Expectations of the Sole Shareholder:

1. Operational excellence for efficiency and quality;
2. Ensuring a dedicated and skilled workforce;
3. Implementation of the corporate governance framework: public governance, internal control, risk management, audit committee, internal public audit, and external audit.

Global strategic objectives desired by the Sole Shareholder for the entire activity, considering its Letter of Expectations:

- Increasing the portfolio of gas resources and reserves, by discovering new resources and by developing and improving the recovery of already discovered resources;
- Strengthening the position in the markets for the provision of underground gas storage services.
- Optimising, development, and diversification of the underground storage of natural gas by reconsidering its importance to ensure reliability, continuity, and flexibility in gas supply.
- Increasing the daily withdrawal capacity, through investments that reduce the dependence of the daily withdrawal capacity on the reservoir pressure;
- Exploring/ identifying the possibilities of storing natural gas in salt mine cavities;
- Identifying new opportunities for growth and diversification of the company's activity, both internally and regionally;
- Increasing the company's performance;
- The completion of the investment projects started and the development of the proposed projects (increasing the daily withdrawal capacity of the Bilciuresti UGS, increasing the storage capacity of the Ghercesti UGS, increasing the storage capacity of the Sarmasel UGS, upgrading the infrastructure of the Balaceanca UGS system, new Falticeni UGS).

2.2. Objectives specific to the storage activity derived from the global objectives set by the Sole Shareholder

During the term of office of the Board of Directors and the General Manager, **the main objectives** specific to the storage activity, derived from the global objectives established by the Sole Shareholder, are:

- Optimising, development, and diversification of the underground storage of natural gas by reconsidering its importance to ensure reliability, continuity, and flexibility in gas supply.
- increasing the daily injection/ withdrawal capacity, through investments;
- exploring/ identifying the possibilities of storing natural gas in salt mine cavities;
- identifying new opportunities for growth and diversification of the company's activity, both internally and regionally;
- increasing the company's performance.

The proposed **strategic directions** in the short, medium, and long term are:

1. Modernization of UGSs,
2. increasing the storage capacity,
3. increasing the flexibility of the infrastructure,
4. Increasing the degree of operational safety of wells used in the activity of injection/ withdrawal of gas from UGSs.

In addition to the strategic objectives/ directions, the Board of Directors and the incumbent General Manager aim to respond effectively to the expectations of the Sole Shareholder and the Ministry of Energy for the next 4 years, expectations mainly aimed at, but not limited to:

- *participation and development of projects, together with TSOs and other important actors in the energy and financial sector, on hydrogen /low carbon natural gas as part of the European Union Green Transition Plan and based on the EU "Fit for 55" Package;*

- *participation and development of projects, together with important actors in the energy and financial sector, on the capture and storage of CO₂ as an integral part of the European Union's effort to limit greenhouse gas emissions;*
- *implementation of a program for digital integration of all processes within DEPOGAZ, both technological processes (well, group of wells, surface installations, drying stations, compressor stations and measuring stations), as well as financial and commercial ones in line with the EU digital strategy and integrated into the Digital Decade of Europe. This program will lead to:*
 - *Simplification, digitization, and automation of processes within DEPOGAZ;*
 - *Making decisions at the right time and based on real-time data collected from the field;*
 - *Digital monitoring and supervision to increase the operational safety of the equipment;*
 - *Application of digital analysis and modelling procedures to storage-withdrawal processes.*
- *the establishment of a state natural gas reserve available to the state authorities in crisis / emergency situations, in application of the specific legislation in the field;*
- *streamlining/ reducing the company's expenses with electricity used for own consumption by implementing projects to produce it from renewable sources (photovoltaic panels);*
- *in the context of climate and environmental challenges, the European Union has proposed to member countries a new growth strategy aimed at transforming it into a fair and prosperous society with a modern, competitive, and resource-efficient economy, with no net greenhouse gas emissions in 2050 and where economic growth is decoupled from the use of resources. In this regard, the members of the Board of Directors and the General Manager propose the formation of a working group to develop a draft on the DEPOGAZ Energy Strategy including climate and environmental objectives for the period 2024-2050.*

The strategic objectives of DEPOGAZ for the period 2023-2027 are formulated based on the diagnostic analysis carried out and the proposed development directions, with the aim of capitalizing on the opportunities and strengthening the existing strengths at the level of the company, each objective being associated with specific actions to achieve.

2.3. Stewardship Plan

The Management Plan of the Board of Directors of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL reflects the vision of the management of DEPOGAZ regarding the management of activities in the interest of the company and stakeholders, in the medium and long term, based on the evolution of the natural gas storage activity so far, the current context and trends in the field of services at national and international level, as well as the forecasts and prospects that can be anticipated, so as to ensure the maintenance of a modern, financially viable, economically sustainable company, an operator that provides quality services to customers and meets the expectations of stakeholders, an economic operator responsible to society and the environment, in the conditions of sustainable development.

The Management Plan, consisting of the management component and the management component, is drawn up based on the main purpose and strategic objectives of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL, as a natural gas storage operator, in accordance with the expectations of the Sole Shareholder, SNGN Romgaz SA and in the context of the current socio-economic environment.

When developing the Stewardship Plan, the key priorities, and targets of the activity of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL (Gas Storage Subsidiary DEPOGAZ Ploiesti SRL), as well as the risks to which the Subsidiary is exposed have been considered.

The strategic objectives of DEPOGAZ for the period 2023-2027 are formulated based on the diagnostic analysis carried out and the proposed development directions, with the aim of capitalizing on the opportunities and strengthening the existing strengths at the level of the company, each objective being associated with specific actions to achieve.

The strategic vision of the DEPOGAZ directors and the General Manager refers mainly to:

- operational effectiveness and stability;
- energy safety and security;
- performance optimization;
- sustainable development of society.

The Stewardship Plan addresses three main strategic directions:

1. Operational excellence for efficiency and quality,
2. Ensuring a dedicated and skilled workforce;
3. Implementation of the corporate governance framework: public governance, internal control, risk management, audit committee, internal public audit, and external audit.

2.3.1. Stewardship Component

The Stewardship Component of the Stewardship Plan for the period 2023-2027 was prepared in accordance with the provisions of art. 30 para. (1) of GEO no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented by the Board of Directors of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL appointed by the Decision of the Sole Shareholder no. 1/19.01.2023.

The stewardship component of the Stewardship Plan was submitted for information to the Sole Shareholder on February 20, 2023.

The detailed analysis of the company on its business segments led to the proposal of the strategic development objectives, corroborated with the identification of the performance indicators proposed during the mandate.

2.3.2. Management Component

By the Decision of the Board of Directors no. 18 dated 21.11.2022, it was approved the appointment of Mr. Vasile Carstea as Interim General Manager of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL for a period of 4 months, with the possibility of extending it up to a maximum of 6 months or until the end of the selection procedure, effective 28.11.2022, concluding with him a Mandate Contract.

By the Decision of the Board of Directors no. 5 dated 06.03.2023, it was approved the appointment of Mr. Vasile Carstea as General Manager of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL for a period of 4 years starting with 06.03.2023, according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises as amended, concluding with him a Mandate Contract.

In 2023, the General Manager of the Company had the duties stipulated in the Mandate Contracts nos. 1135/25.11.2022 and 1185/06.03.2023, in the Internal Rules of the Board of Directors and in the Articles of Incorporation, supplemented by the applicable legal provisions.

According to the Internal Rules of the Board of Directors, the responsibilities of the General Manager include:

- a) elaboration of the management component of the Stewardship Plan and its submission, for approval, to the Board;
- b) fulfilling the objectives and performance criteria of the company stipulated in the mandate contract;
- c) supervising the preparation of the strategy, multi-year business plans and annual budget and submit them to the Board for verification and endorsement/approval, as applicable;
- d) coordinating the work of the Executive Directors;
- e) implementing the main directions of activity and development of the Company
- f) ensuring the implementation of effective risk management and internal managerial control systems;
- g) informing the Board of Directors on a regular basis on the operations undertaken and those envisaged to be undertaken, including drawing up quarterly reports on the implementation of the mandate;
- h) any other task delegated to him by the Board.

The General Manager shall provide 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 communicated immediately to the Board of Directors. The General Manager approves the form of all the materials subject to the analysis of the Board of Directors, supporting the content of the materials, legality, necessity or, as the case may be, their opportunity, materials that constitute the basis of the decisions adopted by the Board of Directors. At the same time, the organization of the execution and, as the case may be, the execution of the Decisions of the Board of Directors is ensured by the care of the General Manager. Thus, the measures ordered by the Decisions of the Board of Directors of the reference period have been implemented.

Any member of the Board of Directors may also request information from the General Manager regarding the operational management of the Company.

The Management Component of the Stewardship Plan for the period 2023-2027 was prepared in accordance with the provisions of art. 36 para. (1) of GEO no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented by the General Manager of DEPOGAZ appointed by the Decision no. 5/06.03.2023 issued by the Board of Directors.

The Management Component of the Stewardship Plan was based on the managerial vision of the General Manager for the strategic development of DEPOGAZ between 2023 and 2027, based on the evolution of the natural gas storage activity so far, the current context and trends in the field of services at national and international level, as well as the forecasts and prospects that can be anticipated, so as to ensure the maintenance of a modern, financially viable, economically sustainable company, an operator that provides quality services to customers, meets the expectations of stakeholders and pays special attention to the social responsibility that aims to permanently increase the company's accountability to employees, the Sole Shareholder, partners, the community and the environment.

The Management Component of the Stewardship Plan 2023 - 2027 was approved by the Decision of the Board of Directors no. 6/31.03.2023.

The Management Component of the Stewardship Plan presents the action of the management team in order to achieve the objectives and performance indicators, actions aimed at the design, implementation, monitoring and evaluation of the appropriate management processes, support actions in achieving the forecasted results. The strategic decisions adopted reflect the managerial contribution to increasing the effectiveness and efficiency of DEPOGAZ by integrating at a higher level the company's activities within the natural gas market and the national economy, based on economic criteria, by materializing resources, both at the level of the economic operator and at its level of the supra-systems.

a. Corporate Governance

According to the OCDE (Organization for Economic Cooperation and Development), "corporate governance specifies the distribution of rights and responsibilities of the various categories of persons involved in the company: directors, managers, shareholders and other categories, and sets out the rules and decision-making procedures regarding the activity of a company. "

Considering the principles of corporate governance developed by the OECD, GEO no. 109/2011 defines corporate governance of public enterprises as "the set of rules, procedures and processes for the management and management of the public enterprise, which determine the way in which the rights and obligations of the different participants are established, namely the governance structure of the public enterprise, as well as the board of directors and supervisors, directors and directors, shareholders and other interested persons, which establish the structure and functioning of the decision-making system, aiming at ensuring the compliance of the strategic direction of the public enterprise, as well as its management with the corporate governance standards contained in the Organisation for Economic Cooperation and Development (OECD) Principles of corporate governance, as well as in the OECD Guidelines on corporate governance of public enterprises".

Corporate governance within DEPOGAZ describes all the principles underlying the management framework through which the company is managed and controlled. Applied into the internal documents, these principles determine the efficiency and effectiveness of the control mechanisms adopted in order to protect and harmonise the interests of all categories of participants in the company's activity - shareholders, directors, officers, managers of the various organisational units, employees and organisations representing their interests, customers and business partners, central and local authorities, etc.

Corporate governance at DEPOGAZ level is organized and carried out in accordance with the Romanian legislative framework, namely the Companies Law no. 31/1990, republished, as subsequently amended, and supplemented and the Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented.

Corporate governance continues to be in a process of adapting to the requirements of a modern economy, to the increasingly obvious globalisation of social life and to the information needs of investors and third parties involved in the business of companies, and it is becoming increasingly apparent that good corporate governance is the condition of a company's performance.

In applying the general regulatory framework, DEPOGAZ has adopted documents that translate corporate governance into practice:

- Articles of Incorporation of DEPOGAZ, which contain provisions regarding the governing bodies (Sole Shareholder, Board of Directors, executive management), as well as their powers and operating procedures;
- Internal Rules of the Board of Directors, which details and operationalizes the manner in which this body meets, the way in which it analyses, debates, and makes decisions, the way in which it interacts with the executive management and other parties;
- Internal Regulations of Nomination and Remuneration Commissions, Strategy, Audit, and Risk Management Commissions, detailing and operationalizing how they meet, how they analyse, debate, and make decisions, how they interact with executive management and other parties;
- DEPOGAZ's Rules of Organization and Functioning, Code of Conduct, DEPOGAZ's Internal Regulations (By-law), which take over, detail, and operationalize some incidental aspects of the Company's governance framework.
- Politics existing at DEPOGAZ level, according to GEO no. 109/ 2011 on the corporate governance of public enterprises, as subsequently amended and supplemented:
 - ✓ Policy on the remuneration of the members of the Board of Directors of DEPOGAZ;
 - ✓ Policy on Remuneration of Directors with Mandate of DEPOGAZ;
 - ✓ Evaluation policy of the Board of Directors of DEPOGAZ.

Transparency and Reporting Obligations

In order to fulfil the responsibilities assumed by the members of the Board of Directors and the General Manager of SNGN Romgaz SA- Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL as a public undertaking, the actions necessary to monitor the application of the provisions of GEO no. 109/2011, as subsequently amended and supplemented, are carried out at the level of the company.

Thus, the Board of Directors monitors the observance of the principles of transparency, according to the provisions of the aforementioned normative act. For this purpose, the specialized organizational units within DEPOGAZ publish the documents provided in Emergency Government Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented on the website www.depogazploiesti.ro, within *the Corporate Governance Section*.



Consequently, it should be noted that all the information/ documents provided for in art. 51 of GEO 109/2011, as subsequently amended and supplemented, which are applicable to DEPOGAZ, can be found on the Subsidiary's website.

Also, in order to comply with the legal requirements, the reporting obligations to the Sole Shareholder/Guardianship Public Authority and the competent institutions were complied with. Regarding the half-yearly and annual reporting in terms of filling in and submitting the form S1100, the provisions of MFP Order no. 1952/2018 regulating the procedure for monitoring the implementation of the provisions of Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises were observed, the information being submitted within the deadlines communicated.

At the DEPOGAZ level, the corporate governance structures are:

- ✚ Sole Shareholder;
- ✚ The Board of Directors, at the level of which 4 advisory Commissions are set up, namely:
 - ✓ Nomination and Remuneration Commission;
 - ✓ Audit Commission;
 - ✓ Strategy Commission;
 - ✓ Risk Management Commission.
- ✚ General Manager.

b. General, specific objectives and directions of action on risk management and internal control

Overall objective: Increasing the performance of the company.

Specific objective:

Strengthening the level of implementation of managerial internal control standards and establishing actions for the continuous development of the internal managerial control system, in accordance with the requirements of the

Government Secretariat Order no. 600/2018 on the approval of the Code of managerial internal control of the entity, so as to provide reasonable assurance on its effectiveness and functioning.

Directions for action:

Risk management:

- Continuous improvement of the internal managerial control system, through the annual update of the Development Program of the internal managerial control system. The development program includes the objectives of the Subsidiary in the field of internal managerial control, and at the level of each internal managerial control standard are established activities, responsibilities, and deadlines, as well as other elements relevant for the development, maintaining, and assessment of the internal managerial control system.
- Risk management is an essential component in decision-making and prioritization of actions.
- The risk management process involves the management by identifying, analysing, evaluating, treating, and monitoring the risks that may occur at the Subsidiary level and may affect its objectives.

Achieving a coherent risk management at the level of the Subsidiary involves:

prior analysis of all risk exposures, the identification of risk sources being fundamental and decisive in the correct assessment of the Subsidiary's risk.

identifying the risks which may affect the effectiveness and efficiency of the activities related to the specific objectives, without ignoring the rules and regulations, reliability regarding the financial information and management, protection of assets, prevention, and detection of fraud.

defining the degree of tolerance/acceptable level of risk exposure.

assessing the likelihood of the risk materialising, establishing its impact and exposure.

establishing the strategy (control measures) for the management and monitoring of risks.

developing the risk reporting, control, and management capabilities.

Thus, the main risks to which the company is exposed are:

- a) The operational risk is closely related to: the non-fulfilment of the contractual obligations concluded between DEPOGAZ and third parties; the decrease below the normal limit of the quantities of natural gas stored in order to maintain in optimal operation the entire size of the wells in the UGSs and the related installations; the failure of the holders of the licenses to provide the minimum stock obligation provided for in the ANRE orders;
- b) Risk related to the economic environment - involves special attention in identifying and carrying out modernization, refurbishment, or development investments, in complying with customer contracts, flexibility and adaptation to customer needs; failure to meet the indicators provided in the revenue and expenditure budget;
- c) Credit risk - DEPOGAZ policies require that sales be made to customers with low credit risk.
- d) Environmental risk - the emergence of new regulations involving the revision of environmental agreements; issuing environmental permits and water management permits late for all sites where the injection - gas withdrawal activity is carried out;
- e) The administrative risk is closely related to the expertise of the personnel, the ability to carry out the activities that contribute to the achievement of the object of activity; delays in drawing up the documentation for

obtaining the authorizations and licenses necessary to carry out the activity of underground storage of natural gas.

Internal audit is an independent and objective functional, assurance and advisory activity designed to add value and improve the Company's activities. Internal audit helps the company improve its objectives, through a systematic and methodical approach, evaluates and improves the efficiency and effectiveness of risk management, control, and governance processes. A constant concern at the level of the company's management is to ensure the independence of the internal audit activity, by directly subordinating the audit structure to the highest hierarchical levels, and, at the same time, to implement an internal audit strategy that is based on risk analysis at DEPOGAZ level, in accordance with the provisions of Law no. 672/2002 on public internal audit.

Achievements 2023

Internal managerial control, objective management, risk management

The internal control managerial system developed and implemented within DEPOGAZ, as part of the management process, covers all the activities of the organizational units, at all levels of management and aims to achieve the proposed objectives under the conditions of identifying and managing the risks associated with them.

Internal control is a process carried out by staff at all levels, namely the Board of Directors, top management, executive management, all staff. Each member of the DEPOGAZ is responsible for his/her internal control.

Internal control must be perceived as part of management functions, and it is the responsibility of managers and individual employees to ensure the functioning of the internal managerial control system so as to comply with the general framework established by the legal provisions.

The internal managerial control, at the level of DEPOGAZ, has the role of ensuring compliance with the legislation in force, the application of the decisions made, the proper functioning of the Subsidiary's internal activity, the effectiveness of the operations, the efficient use of resources, the management of the objectives, as well as the risk management.

The development, maintenance, and assessment of the internal managerial control system at the level of the DEPOGAZ is carried out in compliance with the requirements of the Government Secretariat Order no. 600/2018 for the approval of the Internal Managerial Control Code of public entities.

The internal managerial control system at Subsidiary level includes self-control mechanisms, and the application of measures to increase its effectiveness is based on risk assessment.

In order to strengthen the internal managerial control system, DEPOGAZ has developed, analysed, and approved by the Monitoring Commission the Program for the Development of the Internal Managerial Control System (PDSCIM), a program approved by the General Manager - Chairman of the Monitoring Commission and updated annually.

At the beginning of 2023, the General Manager approved the Report on the Annual Development Program of the Internal Managerial Control System within SNGN Romgaz SA Medias – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL - year 2022, report prepared, analysed, and endorsed by the Monitoring Commission.

Also, the General Manager approved the Annual Program for the development of the internal managerial control system within SNGN Romgaz SA Medias – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiesti SRL for 2023, developed, analysed, and endorsed by the Monitoring Commission. The development program was posted on the INFOWEB Portal and brought to the attention of DEPOGAZ employees.

Considering the organizational changes within the Subsidiary, as well as for the achievement of the objectives included in the PDSCIM, at the level of DEPOGAZ, the following were achieved through the actions taken, during 2023:

- General Manager - Chairman of the Monitoring Commission approved the documented procedures and instructions developed/revised at Subsidiary's level, analysed, and endorsed by the members of the Commission during the meetings of the Monitoring and Coordination Commission for the implementation and development of the internal managerial control system within SNGN Romgaz SA– Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL.
- The General Manager decided to update:
 - Decision on the Commission for monitoring and coordinating the implementation and development of the internal managerial control system within SNGN Romgaz SA Medias – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL and the Monitoring Sub commission for establishing the requirements regarding environmental protection, health, occupational safety and energy management in the procedures and documented instructions of the Integrated Management System.
 - Decision on the Commission for the implementation of the National Anticorruption Strategy 2021 - 2025 at the level of SNGN Romgaz SA Medias – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL and for establishing the necessary measures for the implementation of the provisions of GD no. 1269/2021.
 - Decision on the appointment of the Risk Determination and Management Officers at the level of each organizational unit of SNGN Romgaz SA Medias – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL.
- According to the provisions of the specific system procedures in force, each organizational unit presented the status of meeting the objectives identified for 2022, as well as the Report on the risk management process at objectives for the same year.
- The Monitoring Commission reviewed these documents on the stage of achievement of the objectives and the reports on the progress of the risk management process towards the objectives. The General Manager approved the centralizing document with the status of meeting the objectives for 2022 at the level of DEPOGAZ. The analysis carried out showed that the risks to the objectives identified by the organizational units within the Subsidiary are closely related to the activities within the general and specific objectives whose achievement could be affected by the materialization of the risks.
- The hypotheses/ assumptions underlying the setting of the objectives for 2023 were re-analysed, as well as the emergence of new risks to the objectives identified.
- The hypotheses/ assumptions underlying the setting of the objectives, the identified objectives and the risks associated with them are periodically evaluated.
- The risks related to the objectives identified at DEPOGAZ level are analysed periodically, but at least once a year, and a Plan for the implementation of control/prevention measures in case of risks to objectives is drawn up in order to limit their possible consequences.

- The Monitoring Commission has reviewed and endorsed the following documents at DEPOGAZ level:
 - Document of Objectives (consolidated) (updated/ completed)
 - Subsidiary Risk Register (updated/completed);
 - The implementation plan for control/prevention measures in case of risks to objectives for 2023 (updated/ completed), which is submitted for approval to the General Manager - Chairman of the Monitoring Commission.
- The risk management process leads to the improvement of the performance of DEPOGAZ by identifying, analysing, evaluating, and managing the risks that may occur at its level in order to minimize the consequences of the risks.
- The Code of Conduct approved in the meeting of the DEPOGAZ Board of Directors by Decision no. 5 of 12.06.2018 and revised by Decision no. 10 of 30.05.2023.
- Through the care of the Ethics Advisor, the Subsidiary staff was informed about the development, approval and posting of the Code of Conduct, which can also be viewed on the DEPOGAZ website. Also, the employees were informed of the new amendments/completions to the Code of Conduct, and the analysis of the level of learning and awareness of its provisions was carried out by completing an Assessment Questionnaire by them.
- The ROF/ Organization and Operation Regulation of Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL was approved in the meeting of the Board of Directors of DEPOGAZ by Decision no. 5 of 12.06.2018 and amended by Decision no. 10/30.05.2023, registration no. 6805/25.05.2023.
- The declarations of assets and interests were submitted by all employees who have this obligation, through the care of the person in charge of the Human Resources Service, Payroll.
- In May 2023, the "List of documented procedures and instructions developed and approved in correlation with the inventory of procedural activities, as well as the newly-identified activities to be carried out in 2023 at the level of SNGN ROMGAZ SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL" was developed and approved, according to the Order of the Government Secretariat no. 600 of 20.04.2018 regarding the approval of the Code of Internal Managerial Control of Public Entities - Standard 9 - Procedures.
- The significant activities carried out within the Subsidiary and proposed to be transposed into procedures in 2023 have been described in 100% documented procedures/ instructions.
- In July 2023, the degree of achievement of the general and specific objectives at the end of the first semester of 2023 was analysed, as well as the emergence of new risks to the objectives identified by the heads of the organizational units within the Subsidiary.
- The General Manager - Chairman of the Monitoring Commission approved the Objective Periodic Reporting Document (consolidated summary) – 1st semester 2023, after it was analysed and endorsed by the members of the Monitoring Commission.
- Also, according to the system procedure: PS-07: Risk management, the Internal Control Office centralized the Reports on the risk management process to objectives for the first semester of 2023 prepared by each head of organizational unit according to the DEPOGAZ organizational chart.
- The Monitoring Commission reviewed the Reports on the performance of the risk management process at the objectives identified in the Risk Register at the level of each organizational unit within DEPOGAZ (period January - June 2023).

- In compliance with the provisions of the operational procedure 01PO-04: The Professional Performance Management System, at the level of the DEPOGAZ in 2023, carried out the annual/ intermediate assessment process of the Employees.
- In September 2023, the General Manager decided to carry out the inventory, centralization, and management of sensitive functions at Subsidiary level, according to the provisions of the PS-16 system procedure: Inventory of sensitive functions.
- According to the provisions of system procedure PS-16: The inventory of sensitive functions, the action of inventory, centralization, and management of sensitive functions, by the Decision of the General Manager, was carried out within 44 organizational units, which took into account the functional duties of the staff, usually involving one or more risk factors. Following the action, the following documents were drafted and approved:
 - List of sensitive functions at DEPOGAZ level, form code: 00F-23-Act 0;
 - "Information on the inventory of sensitive functions and/or those especially exposed to corruption and the risks associated with them at SNGN ROMGAZ SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL".
- DEPOGAZ has organized the course "Objectives management. Risk management" in collaboration with an external lecturer, 16 employees attended the course. The information has led to a better awareness of the importance of managerial internal control, objective management, and risk management.
- In compliance with the provisions of the procedures PS-08: Objective Management, ed. 2, rev. 0 / 09.10.2020 and PS-07: Risk Management, ed. 2, rev. 0/09.10.2020, at the level of the Subsidiary, the general and specific objectives were identified, as well as the risks related to the objectives identified for 2024.
- The Monitoring Commission reviewed and endorsed the Document (Summary) with the proposals for objectives and the Register of risks to objectives for 2024 at DEPOGAZ level, which were submitted for approval to the General Manager - Chairman of the Monitoring Commission.
- Monitoring Commission analysed and endorsed the Implementation Plan for control/prevention measures in case of risks to objectives for 2024 at the level of the Subsidiary, which is submitted for approval to the General Manager - Chairman of the Monitoring Commission.
- The General Manager approves the Objectives Document (consolidated Summary) at DEPOGAZ level updated annually and whenever necessary.
- The performance monitoring system has been established and evaluated for the objectives and activities of the Subsidiary, through performance indicators.
- The General Manager approves the Risk Register of the Subsidiary updated annually, and whenever necessary.
- The risk management process is organized and monitored.
- Risk management is an essential component in decision-making and prioritization of actions.
- The risk management process leads to the improvement of the performance of DEPOGAZ by identifying, analysing, evaluating, and managing the risks that may occur at its level in order to minimize the consequences of the risks.
- Considering the obligation to report to SNGN Romgaz SA Medias the stage of implementation and development of the internal managerial control system (SCIM) at the level of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL for 2023 and the elaboration of the Report on the

internal managerial control system on December 31, 2023 of the Subsidiary, by the Decision of the General Manager, the self-assessment of the internal managerial control system at the level of each organizational unit was carried out in January 2024.

- Regarding the methodological guidance on the implementation of the internal managerial control system and the completion of the Self-Assessment Questionnaire of the implementation status of the managerial internal control standards/2023, as well as for strengthening the degree of knowledge of the regulations in the field of the internal managerial control system, the Internal Control Office has developed and distributed an indicative Guide.
- The documents that formed the basis for reporting on the implementation status of the internal managerial control standards according to Government Emergency Ordinance 600/2018 on 31.12.2023 are the following:
 - The self-assessment questionnaire of the stage of implementation of the internal managerial control standards/2023 (Annex 4.1 Order SG 600/2018), undertaken by each head of the organizational unit according to the organizational chart of the Subsidiary in force, regarding the reality of the data, information and findings recorded therein based on the principle of managerial responsibility;
 - Summary report on the status of implementation and development of the internal managerial control system on December 31, 2023 (Annex 3 SG Order no. 600/2018), elaborated by the Technical Secretariat of the Monitoring Commission and approved by the Chair of the Monitoring Commission;
 - Summary of the results of the self-assessment (Annex 4.2 - Order SG no. 600/2018), prepared by the Technical Secretariat of the Monitoring Commission and approved by the Chairman of the Monitoring Commission.

Based on the above-mentioned documents at DEPOGAZ level, the Report on the internal managerial control system on December 31, 2023 - Annex 4.3 - Order SG no. 600/2018 was drafted and approved by the General Manager.

The Report provides a clear picture of the status of implementation and development of the Subsidiary's internal control system. Based on the results of the self-assessment on December 31, 2023, the internal managerial control system of SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL complies with the standards contained in the Internal Management Control Code.

- Reporting on the status of implementation and development of the internal control system of the Subsidiary was made to SNGN ROMGAZ SA Medias - Internal Managerial Control Office, in compliance with the deadline set by it, in accordance with the deadline imposed by the legislation in force in the field.

The internal managerial control, at the level of DEPOGAZ, has the role of ensuring compliance with the legislation in force, the application of the decisions made, the proper functioning of the Subsidiary's internal activity, the effectiveness of the operations, the efficient use of resources, the management of the objectives, as well as the risk management.

Financial management control

The specialized organizational unit (Financial Management Control Office) carried out its activity in 2023 based on the Annual Control Program and in accordance with the provisions of GD no. 1151/2012 for the approval of the

Methodological Norms regarding the organization and exercise of the financial management control and of GO no. 94/2011 regarding the organization and functioning of the economic and financial inspection.

The control program was fully carried out, in the sense that the six planned actions were carried out according to it. In 2023, there were no actions unannounced or ordered by other control bodies.

Following the control actions carried out, bilateral control reports were drawn up and subsequently, finding notes, which were submitted to the General Manager for information and approval, according to the operational procedure, ordering recommendations and implementation measures. Through the documents drawn up, the control team within the Financial Management Control Office has established measures, deadlines, and persons in charge in order to remedy the deficiencies found. Within each action carried out, the manner of fulfilling the measures ordered by the control documents drawn up in the previous verifications was verified.

The selection of the missions/themes for verification in the Annual Control Program was made according to the following substantiating elements: compliance with the periodicity in the verification, at least once a year, the measures and recommendations ordered by the control authorities or the management of the company, the assessment of the risk associated with the various organizational structures, activities, management.

Financial management control, as a form of internal control, separately organized, under the direct subordination of the General Manager, by its attributions is not involved in any way in the performance of activities that it can potentially control.

Its purpose is to ascertain the deviations from the internal legislation and rules applicable to the financial accounting field, to analyse the causes that determined them and to order the preventive or corrective measures that were imposed. In this regard, the measures and recommendations made by the control team are permanently monitored for their implementation within the deadline and form ordered.

The recommendations/measures formulated by the members of the Financial Management Control Office, appropriated by the controlled units during 2023, were ordered for implementation by the finding notes, approved by the General Manager. At the time of drawing up this report, the measures and recommendations laid down in the finding notes were implemented.

Internal Public Audit

The internal audit activity is carried out in accordance with the provisions of Law no. 672/2002 on internal public audit, republished, as subsequently amended, and supplemented, and GD no. 1086/2013 for the approval of the General Rules on the exercise of internal public audit.

Internal audit includes, but is not limited to, examining, and evaluating the adequacy and effectiveness of the corporate governance of the organization, risk management, and internal controls and the quality of performance in fulfilling the responsibilities assigned within the Company to achieve the strategic, general, and specific objectives assumed by the organization.

The internal audit activity was carried out based on the Annual Audit Plan 2023 (no. 15137/16.12.2022), derived from the audit strategy included in the Multiannual Audit Plan 2023 - 2025 (no. 15136/16.12.2022). The Plans have been approved by the Audit Commission and approved by the General Manager, in accordance with the legal provisions.

Based on Report no. 7976/20.06.2023, in accordance with the provisions of art. 2.4.1.6 and 2.4.1.7 of GD no. 1086/2013 - General Rules on the organization and exercise of public internal audit activity, the General Manager approved the revision of the Annual Audit Plan 2023. The Annual Audit Plan 2023 – Revision 1 was registered under number 7977/June 20, 2023.

According to the 2023 Annual Internal Audit Plan, all planned engagements were carried out as follows:

- internal audit mission at the request of UCAAPI on "Assessment of the Corruption Prevention System 2023". According to the requirements of UCAAPI, the Audit Report no. 8097/June 23, 2023, related to the mission was sent to the Internal Public Audit Service of SNGN Romgaz SA, within the deadline, on July 17, 2023 (according to the letter no. 9298/July 17, 2023//SAPI RGZ 47/July 19, 2023);
- the mission belonging to the specific field of activity of the company with the theme "Assessment of the activity of management/monitoring/reporting and optimization of electricity consumption;"
- the mission belonging to the specific field of activity of the company with the theme "Performance of the service contracts necessary to ensure the operation at capacity of the gas drying stations;"
- formalized advisory mission with the theme "Implementation of the project financed through the CEF Energy mechanism - Bilciuresti Project," mission aimed at identifying solutions for the implementation of the requirements of GD no. 1/2018 regarding the approval of the general and specific conditions for the design contracts/investment works related to the investment objectives financed from CEF Energy funds.

During the missions in 2022, 15 recommendations were made, of which 7 had a deadline for implementation in the first half of 2023. All recommendations made during the audit engagements carried out in 2022 have been implemented in time.

During the audit missions carried out in the first half of 2023, 5 recommendations were made with a deadline for implementation until the end of 2023, of which two were implemented, and for three recommendations the deadline for implementation was extended. No recommendations were made during the assurance audit mission carried out during the second half of 2023.

The conclusions of the completed internal audit assignments and the stage of recommendation implementation were presented to the Board of Directors through the Audit Commission.

The activity of the Internal Public Audit Office is reported quarterly to the Audit Commission.

The report on the internal public audit activity for 2022 was prepared and submitted, within the established deadline, to the Internal Public Audit Service of SNGN Romgaz SA Medias (no. 287/January 6, 2023).

In accordance with the requirements of Law no. 672/2002 on public internal audit, the following were approved by the Audit Commission within the deadline and approved by the General Manager:

- Audit strategy for the period 2024 – 2026 reflected in the Multiannual Audit Plan 2024-2026, registration no. 16542/December 14, 2023;
- Annual Audit Plan 2024, registered under no. 16543/December 14, 2023;
- PAIC 2024 – Action Plan on Ensuring and Improving the Quality of Public Internal Audit Activity, registered under no. 15408/November 24, 2023.

The internal auditors have attended continuing vocational training courses in accordance with the requirements of Law no. 672/2002 on public internal audit.

c. General, specific objectives and directions of action on ethics and integrity of

Overall objective: Increasing the performance of the company.

Specific Objectives and Directions for Action:

In order to promote integrity, the monitoring of risks and vulnerabilities to corruption, measures to avoid conflict of interest situations and incompatibilities, unhindered access to information of public interest, as well as the protection of the Integrity Whistleblower will continue.

The key concerns for achieving the goals in the field, ensuring institutional transparency and open governance, are concentrated in three major directions: (1) prevention, (2) education, (3) combating, as follows:

- (1) - Increasing the effectiveness of preventive measures, both by continuing to adapt internal regulations to the legal provisions on integrity and anti-corruption, and by increasing their consistency and adaptation,
 - Ensuring legality and effective management of corruption vulnerabilities and risks;
- (2) - Strengthening integrity, reducing vulnerabilities and corruption risks by increasing the education and awareness of staff within the company.
- (3) - Optimization of control mechanisms by adopting appropriate control actions focused on areas exposed to corruption.
 - The degree of tolerance accepted by company to corruption is zero.

Achievements 2023

The purpose of the National Anticorruption Strategy 2021 - 2025 is to promote integrity, based on strengthening the assessment of risks and vulnerabilities to corruption, correlating, and streamlining the mechanisms of prevention, education, and combating, through the rigorous application of the regulatory and institutional framework.

The vision of this strategy is to strengthen the national system for preventing and combating corruption by strengthening the mechanisms for identifying and managing the risks, threats and vulnerabilities surrounding this phenomenon, in order to guarantee professionalism and efficiency in the public sector, the safety of citizens and to support a developed social and economic environment.

The mission of the strategy is to put into practice the vision of the integrity and transparency of the decision-making process.

The objectives of the strategy include increasing the implementation of integrity measures, strengthening the assessment of risks and vulnerabilities to corruption, correlating, and streamlining mechanisms to prevent, educate and combat them.

Taking into account the provisions of Decision no. 1269/2021 on the approval of the National Anticorruption Strategy 2021 - 2025 and the related documents, in 2023 the following were carried out by the Commission for the implementation of the NAS:

- The following documents have been prepared, analysed, endorsed, and approved:
 - Report for 2022 on the "Integrity Plan of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL 2022 – 2025, annex to the Decision of the General Manager no. 162/14.06.2022";

- Annex no. 3 to GD no. 1269/2021 - Inventory of preventive measures, as well as assessment indicators/2022;
 - Annex no. 5 to GD no. 1269/2021 - Standard for the publication of public interest information on public enterprises/2022;
 - Annex no. 6 to GD no. 599/2018 - Annual Integrity Incident Assessment Report/2022;
 - Register of goods received free of charge on the occasion of protocol actions in the exercise of the mandate or position in 2022;
 - The narrative report on the status of the implementation of the measures provided for both in the NAS and in the Integrity Plan approved by the Decision of the General Manager no. 162/14.06.2022.
- Considering the obligation to report on the status of implementation of NAS to the Ministry of Energy – Anti-Fraud, Integrity, and Inspection Directorate, at DEPOGAZ level, the documents related to NAS 2021 - 2025 for 2022 were developed, approved, and submitted through SNGN Romgaz SA Medias - Internal Managerial Control Office.
 - Analysed the system procedure PS-17: Methodology for identifying risks and vulnerabilities to corruption, ed. 2, rev. 1/February 18, 2022, and made the amendments/additions deemed necessary for its revision due to the legislative changes, being submitted for approval to the IMSO.
After approval and posting on the InfoWEB Portal, the Secretary of the Commission for the implementation of NAS 2021 - 2025 instructed the heads of the organizational units (according to the organization chart of the Subsidiary) on the provisions of the system procedure PS-17: Methodology for identifying risks and vulnerabilities to corruption, ed. 2, rev. 2/April 26, 2023.
 - Analysed the system procedure PS-18: Reporting discrepancies/ irregularities by the whistleblower, ed. 2, rev. 1/February 18, 2022, and made the amendments/additions deemed necessary for its revision due to the legislative changes, being submitted for approval to the IMSO.
After approval and posting on the InfoWEB Portal, the Ethics Advisor instructed the heads of the organizational units (according to the Subsidiary's organizational chart) on the provisions of the system procedure PS-18: Reporting irregularities/irregularities by the whistleblower in the public interest, ed. 2, rev. 2/April 26, 2023.
 - The material proposed by the Head of the Internal Control Office regarding the Administration Component, an integral part of the Administration Plan 2023 – 2027, was analysed and endorsed, following the letter sent by the Secretariat Office of the Board of Directors and Corporate Governance. Subsequently, this document was approved by the General Manager and forwarded to the Secretariat Office of the Board of Directors and Corporate Governance.
 - Between February 23, 2023 - June 23, 2023, in accordance with the Annual Audit Plan 2023, the Commission for the implementation of NAS 2021 – 2025 participated in the internal audit mission "Assessment of the Corruption Prevention System 2023", carried out by the Internal Public Audit Office for the period January 1, 2020 – January 1, 2023. The Commission for the implementation of NAS, through the Secretary, provided the internal public auditor with the required documents, in compliance with the deadlines set by him.
 - As a result of the internal audit mission "Assessment of the Corruption Prevention System 2023", the minutes of the closing meeting were signed, according to which, based on the documents provided and the findings presented, in the auditor's opinion, following the assessment of preventive measures regarding the declaration of assets, the declaration of gifts, the assessment of corruption risks and the assessment of integrity incidents, they are implemented.

- Considering the conclusion of the audit mission related to the Internal Audit Report no. 8096/23.06.2023 on: "Assessment of the corruption prevention system 2023", for the period 01.01.2020 – 01.01.2023, it was decided to maintain the degree of implementation of the preventive measures contained in Annex no. 3 of GD no. 1269/2021 (Declaration of assets, Declaration of gifts, Assessment of corruption risks, Assessment of integrity incidents) by complying with the internal regulations of DEPOGAZ and the legislation in force.
- The General Manager decided to update the Decision on the Commission for the implementation of the National Anticorruption Strategy 2021 - 2025 at the level of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL and to establish the necessary measures to implement the provisions of GD no. 1269/2021.
- The Code of Conduct approved in the meeting of the DEPOGAZ Board of Directors by Decision no. 5 of 12.06.2018 was revised by Decision no. 10 of 30.05.2023.
The Ethics Advisor informed the Subsidiary staff about the development, approval and posting of the Code of Conduct, which can also be viewed on the DEPOGAZ website.
- The section "Whistleblower in the public interest" has been updated on the Subsidiary's website in accordance with the legislative changes.
- The General Manager decided to set up the Commission for the evaluation and inventory of the goods received free of charge on the occasion of protocol actions in the exercise of the mandate or the position of the personnel within DEPOGAZ.
- The Register of Corruption Risks at DEPOGAZ level was developed, endorsed, and approved, form code: 00R-015-Act. 2. After approval, it was posted on the InfoWEB Portal and was brought to the attention of the employees by the Secretary of the Commission by e-mail.
- The document Report related to the first semester of 2023 on the "Integrity Plan of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL 2022 – 2025, Annex to Decision no. 162/14.06.2022", submitted to the Economic Manager.
- 16 employees who participated in the "Ethics and Organizational Integrity" refresher course were trained. The purpose of the course held by the external lecturer was to develop skills and provide information and knowledge on institutional ethics and integrity, to implement the measures of the National Anti-Corruption Strategy, the Integrity Plan, and the Inventory of Institutional Transparency Measures, etc. at the level of the Subsidiary.
- Taking into account the risks and vulnerabilities that occur in the work of the DEPOGAZ staff that could lead to a violation of the principles and standards of conduct, it was decided to endorse the Draft List of Sensitive Functions at DEPOGAZ level in its received form.
- The necessary measures have been taken to publish/update, as appropriate, on the DEPOGAZ website the information/documents referred to in Annex no. 4/GD no. 1269/2021 - "General Standard for the publication of public interest information" and in Annex no. 5/GD no. 1269/2021 - "Standard for the publication of public interest information on public enterprises", depending on the applicability at the level of the Subsidiary, no later than December 31, 2023.
- It was decided that no later than January 29, 2024, the documents related to NAS 2021 - 2025 for 2023 should be prepared and approved at the Subsidiary level.

All the actions mentioned above envisaged the achievement of the objectives and performance indicators related to the Subsidiary's Integrity Plan.

Within the Subsidiary, measures are continuously taken to prevent corruption, promote organizational integrity and anti-corruption education.

Ethics

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

The Code of Conduct is binding and directly applicable to all persons working for the Company: employees, directors with a mandate contract and members of the Board of Directors.

The Code of Conduct approved in the meeting of the DEPOGAZ Board of Directors by Decision no. 5 of 12.06.2018 and revised by Decision no. 10 of 30.05.2023.

The Ethics and Integrity Advisor informed the Subsidiary staff about the development, approval and posting of the Code of Conduct, which can also be viewed on the DEPOGAZ website. The employees were informed of the new amendments/completions to the Code of Conduct, and their level of learning and awareness of its provisions was tested by an Assessment Questionnaire.

At the level of the Subsidiary, the Ethics Advisor monitors the compliance with the rules of ethics and integrity set out in the Code of Conduct.

Any person within DEPOGAZ who has knowledge or reasonable grounds to believe that a violation of the Code of Conduct has occurred has a duty to bring this information to the attention of the Ethics Advisor and the Company's management immediately.

The complaint shall be made in written form, on the template presented in Annex 2 of the Code of Conduct and shall be sent to the Ethics Advisor. He will in turn inform the General Manager of the complaint.

Also, at the level of DEPOGAZ, complaints regarding the violation of the rules of ethics and integrity (Code of Conduct, Internal Regulation, Collective Bargaining, other internal regulations) may be directly submitted to the General Manager through the Secretariat.

This report contains a complaint regarding the violation of the rules of ethics and integrity, submitted and registered through the Secretariat of the Subsidiary. Following the complaint made in the fourth quarter of 2022, the measure took effect in the first quarter of 2023.

1	Number of registered complaints regarding violations of the rules of ethics and integrity (Code of Conduct, Internal Regulation, Collective Bargaining, other internal regulations)	1	
2	Number of pending complaints	-	
3	Number of resolved complaints	2	
4	Number of complaints confirming breaches of ethics and integrity rules	1	
5	Number/category of employees who have violated the rules of ethics and integrity (confirmed by decisions)	Management Staff	-
		Execution Staff	2

6	Actions taken	Warning notice	1
		Degradation from function	-
		Reduction of base salary and/or management bonus	1
		Disciplinary termination of the individual employment contract.	-
		Other measures	-
7	Number of decisions annulled or modified by the court, management of the company		-

d. General, specific objectives and directions of action from an organizational/human resources point of view

Overall objective: Increasing the performance of the company.

Specific objective:

Continuously increasing the professional training of the staff, motivating them to improve the performance of the company and, implicitly, the productivity of the work;

Directions for action:

Human Resources management:

1. Improving the management of human resources at the level of the Subsidiary by continuously increasing the professional training of the personnel for maintaining and improving the existing technical expertise at the level of the Subsidiary, and ensuring a dedicated and qualified workforce, respectively.
2. Financial and non-financial motivation of the staff in order to improve the performance of the company and, implicitly, the productivity of the work;
3. Rigorous planning of the human resources necessary to ensure the continuity of the natural gas storage activity;

Achievements 2023

On 1 January 2023, the Subsidiary had 508 employees.

Evolution of the number of employees of the company in the period January 01 - December 31, 2023:

Specifications	2023
Number of employees at the beginning of the period	508
Number of new employees	31
Number of persons who have ceased employment with the Subsidiary	33
Number of employees at the end of the period	506

Personnel structure at the end of 2023 is as follows:

- a) By educational background

- Higher education 184
 - Secondary education 194
 - Others 128
- b) Age distribution
- Under 30.....37
 - 30 – 40..... 90
 - 40 - 50.....117
 - 50 - 60.....227
 - Over 60.....35
- c) By activities – 100% gas storage

The staff structure of the Subsidiary is presented in the table below:

Entity	Workers	Foremen	TESA	Total
Headquarters	24	0	159	183
Craiova Workshop	52	3	4	59
Transylvania Workshop	17	3	4	24
Înmagazinare Sud (South Storage) Department	87	6	6	99
Compression Department	115	16	10	141
TOTAL	295	28	183	506

During 2023 (January - December), the training activity within the Subsidiary aimed at both organizing programs according to the approved annual training plan and those initiated by the requirements arising from legislative changes, updating the validity of the authorizations required according to the legal provisions, for the employees of the Subsidiary.

As a result, during this period, 277 employees attended training courses, their expenses being of RON 200,419.80.

The training /professional development plan was carried out as follows:

- 179 persons participated in professional training programs with specialized themes imposed by the nature of the activity;
- 98 people participated in courses/ examinations in order to obtain and/ or extend authorizations;

Detailing, the professional training/ refresher courses, carried out during this period, aimed at:

- Acquiring the amendments in the field of taxation, the provisions of GO no. 16/2022 amending and supplementing Law no. 227/2015, the accounting novelties related to the closure of the financial year 2022 according to O.M.F.P. 1802/2014, by the participation of employees in the financial-accounting field in the refresher program with the theme "Tax news applicable from January 1, 2023";
- Assimilation of the provisions of Law no. 368/2022 of the State Budget for 2023, by the participation of the employees directly involved in the training course on "BVC 2023 – Legislative news on the preparation of income and expenditure budgets";
- Developing the necessary skills to ensure the requirements for conformity assessment, reducing the risks of accidents at work or technical accidents, protecting the environment in accordance with the legislation in

force, preventing fires and explosions, ensuring high levels of safety and technical reliability in the field of hydrogen technologies, by the participation of technical employees in the training program with the theme "Expert in technological systems based on the $G_n + H_2$ mix";

- Training and improvement of employees who can perform the function of designated worker in accordance with Law no. 319/2006 and GD no. 1425/2006, by participating in the training course on "Inspector in the field of occupational safety and health";
- In order to implement Law no. 362/2018 on ensuring a high common level of security of network and information systems, three specialists in the field participated in the training program on "Cyber Security User Awareness";
- Updating the knowledge intended to develop new theoretical and practical skills on the types of prophylactic tests of electrical power equipment and installations, numerical control terminals, specific measurements, and verifications, by the participation of ten employees in the mechanical-energy field in the refresher course on "PRAM checks in electrical power installations;"
- Acquiring the amendments to Law no. 99/2016 on sectoral procurement and GD no. 394/2016 for the approval of the Methodological Norms for the application of the provisions regarding the award of the sectoral contract/framework agreement of Law no. 99/2016, by the participation of seven employees from the commercial/procurement sector in the improvement program "Public procurement – legislative changes, remedies and appeals, risks in public procurement";
- The need for improvement in the field of geological investigations as a result of the evolution of technologies in the field, through the participation of nine employees directly involved in the improvement program with the theme "Geological and geophysical research of hydrocarbon reservoirs;"
- Compliance with the recommendations of the internal public auditor, as well as the appropriation of the responsibilities of the heads of organizational units in terms of the internal managerial control system, by the participation of sixteen employees in the refresher course on "Objectives Management. - Risk Management"
- Acquiring the legislation regarding the elaboration of the Income and Expenses Budget for 2024 by the economic operators in which the state is the sole or majority shareholder, by the participation of two employees from the economic sector in the training program "Legislative news for the elaboration of the Budget for 2024";
- In order to comply with the requirements of GEO no. 92/2021 on the waste regime – art. 23 "Responsibility for waste management", nineteen employees with designated tasks in this field participated in the training program with the theme "Environmental Officer" in order to acquire the skills necessary for the application of the legal provisions on environmental protection;
- Compliance with the Integrity Plan of DEPOGAZ 2022 - 2025, increasing the degree of anti-corruption education, knowledge and understanding of integrity standards by employees, through the participation of sixteen employees in the training course on "Organizational Ethics and Integrity";
- Acquiring the new SAF-T reporting methods consisting of the electronic transfer of accounting and tax data from companies to the tax administration and the details of the new reporting standard, by the participation of four employees from the financial sector - accountant in the improvement program "Standard Audit File for Taxation (SAF-T);"
- For personnel, whose licenses expire, attending courses and/or examinations in order to obtain/extend them, taking into account the exercise of the profession in accordance with the legal provisions in force.

Salary expenses were within the limits provided in the draft Income and Expenses Budget for 2023.

Within DEPOGAZ there are two **trade union organizations**, namely: "Sindicatul Liber Romgaz" (Romgaz Free Trade Union), which consists of 53 members, and "Sindicatul Filiala de Înmagazinare Gaze Naturale Depogaz Ploiesti", which consists of 440 members.

Thus, the total number of union members in the company is 493 out of the total number of employees of 506, resulting in a degree of unionization of 97.43%.

Relations between manager and employees: as of June 1, 2022, a new Collective Bargaining Agreement has entered into force following negotiations with the "Sindicatul Filiala de Înmagazinare Gaze Naturale Depogaz Ploiesti", which is the representative union at the level of the Subsidiary. The Collective Bargaining Agreement is valid from June 1, 2022, to May 31, 2024.

e. Objectives and directions of action - Storage, Technical, Investment

The main objectives specific to the storage activity, derived from the global objectives established by the Sole Shareholder, are:

- *Optimising, development, and diversification of the underground storage of natural gas by reconsidering its importance to ensure reliability, continuity, and flexibility in gas supply.*
- *increasing the daily injection/withdrawal capacity, through investments;*
- *exploring/identifying the possibilities of storing natural gas in salt mine cavities;*
- *identifying new opportunities for growth and diversification of the company's activity, both internally and regionally;*
- *increasing the company's performance.*

The proposed **strategic directions** in the short, medium, and long term are:

1. *modernization of UGS,*
2. *increasing the storage capacity.*
3. *increasing the flexibility of the infrastructure,*
4. *increasing the degree of operational safety of wells used in the activity of injection/withdrawal of gas from UGS.*

Directions for action:

In this regard, under the coordination of the General Manager, DEPOGAZ aims to:

- Improving maintenance activities by implementing the "MAXIMO" IT system that will ensure the management of assets, own and leased, with a focus on optimizing operating performance, extending the life cycle, and reducing downtime and costs.
- Tracking production data and making decisions leading to the improvement of the operating performance of the UGS through the OFM software (specialized software for the oil and gas industry) that allows the monitoring and control of the operating performance on the well/on the groups/on the UGS, the provision of the operating behaviour on the well/on the UGS, the analysis of the decline curves of the gas flows

extracted on the well/on the group/on the UGS, the visualization, correlation and analysis of the tank and production data with the help of interactive maps with production trends, bubble plots maps.

- In order to ensure the optimal need for functional wells for the full operation of natural gas storage facilities (UGS), we aim to perform special well operations with slickline equipment in order to assess the static reservoir pressures after each injection/withdrawal cycle, to correlate the gas stock with the reservoir pressure and to detect any problems in the well hole, to perform special operations with coiled tubing equipment or wireline/slickline equipment in order to remedy the problems occurring in the well.
- In order to determine new opportunities to increase the daily injection/withdrawal flows or to increase the active capacity of the storage facilities, we intend to carry out special investigation operations carried out in the well hole in order to increase the degree of knowledge of the reservoir.
- Implementation of the GIS (Geographic Information System) system started in previous years, thus ensuring quick access to all information on gas storage facilities of all interested departments within the company, also providing support in the procedure for issuing site permits.
- Developing and constantly updating IT and communication systems in order to make the IT system more efficient and to use it to its full potential with minimal risks, while also developing the procedural system in the field of IT security.
- Optimization, development, and diversification of the underground storage activity of natural gas, including by using multicycle storage capacities as follows:

A. Increasing the daily withdrawal capacity from UGSs

In order to achieve this objective, DEPOGAZ continues the works for the modernization of the infrastructure of the gas storage systems in the Bilciuresti, Sarmasel and Ghercesti UGSs.

B. Increasing the gas storage capacities in existing underground storage facilities (UGS)

In view of achieving this objective, DEPOGAZ continues the works to increase the gas storage capacity in the Ghercesti UGS from 150 million cubic meters/ cycle to 600 million cubic meters/cycle and in the Bilciuresti UGS from 1,310 million cubic meters/ cycle to 1,410 million cubic meters/ cycle.

C. Multi-cycle use of storage capacities

In order to achieve this objective, DEPOGAZ continues the transformation and modernization of the storage facilities related to the Balaceanca UGS.

D. Conversion of new depleted gas reservoirs into storage facilities

In view of achieving this objective, DEPOGAZ has proposed:

- Elaboration of a feasibility study for the transformation into a underground storage facility of a reservoir located in the north-eastern area of Romania (MOLDOVA) with an active capacity of approx. 200 million cubic meters/cycle;

Achievements 2023

Currently, DEPOGAZ operates 5 gas storage facilities (UGS), developed in depleted natural gas reservoirs, with a storage capacity of 2,870 billion cubic meters.

At national level, the ratio of work gas volume to annual consumption was around 34% in 2023, in the first half of the European rankings.

In 2023 the ratio between the volume of stored gas and the workload of storage facilities was 102.81%.

The activity of underground storage of natural gas is a public service, a deregulated activity and can be carried out only by the operators licensed by ANRE for this purpose. The tariffs for carrying out the underground storage activity are approved by the Board of Directors of DEPOGAZ.

The statement of the storage tariffs applied is shown in the following table:

Tariff Component	UoM	Tariff (January 01, 2023 - March 31, 2023)	Tariff (April 01, 2023 - December 31, 2023)
Capacity reservation tariff for underground gas storage services	RON/MWh/annual underground storage cycle	11.44	9.82
Natural gas injection tariff	lei/MWh	4.50	7.27
Natural gas withdrawal tariff	lei/MWh	3.48	5.94

DEPOGAZ holds the License no. 1942/2014 for the operation of the 5 underground natural gas storage facilities, developed in depleted gas reservoirs, whose cumulative capacity represents approximately 90.54% of Romania's total storage capacity.

The capacity of underground storage facilities operated by DEPOGAZ as of 1 January 2023 is shown in the table below:

Storage facility	Active capacity		Withdrawal capacity		Injection capacity	
	[mil. st m ³ /cycle]	[TWh/cycle]	[mil. st m ³ /day]	[GWh/day]	[mil. st m ³ /day]	[GWh/day]
Balaceanca	50	0.535	1.200	12.840	1.000	10.700
Bilciuresti	1310	14.017	14.000	149.800	10.000	107.000
Ghercesti	250	2.675	2.000	21.400	2.000	21.400
Sarmasel	900	9.630	7.500	80.250	6.500	69.550
Urziceni	360	3.852	4.500	48.150	3.000	32.100
Total	2870	30.709	29.200	312.440	22.500	240.750

Balaceanca UGS

Balaceanca structure is located about 4 km from Bucharest.

The fixed assets used during the gas storage process are as follows:

- 24 wells of which 21 injection/withdrawal and 3 piezometric wells;
- surface infrastructure comprising:
 - ✓ Balaceanca gas compression station;
 - ✓ 8.4 km of collecting pipes;
 - ✓ 4 separators;
 - ✓ 4 gas technological measurement installations;
 - ✓ gas drying station;
 - ✓ 15 well gas heaters;
 - ✓ fibre optic parameter communication and acquisition system;
 - ✓ bi-directional fiscal measurement panel.

Bilciuresti UGS

Bilciuresti structure is located in Dambovita County, about 40 km WNW of Bucharest.

The fixed assets used during the gas storage process are as follows:

- 65 wells of which 60 injection/withdrawal wells, 4 piezometric wells, 1 waste water injection well;
- surface infrastructure comprising:
 - ✓ Butimanu gas compression station;
 - ✓ 4 gas drying stations;
 - ✓ 26.5 km collecting pipes for the 60 injection/withdrawal wells;
 - ✓ 50 well gas heaters;
 - ✓ 14 impurity separators;
 - ✓ 14 gas technological measurement installations;
 - ✓ 37.5 km of collecting pipes;
 - ✓ bi-directional fiscal measurement panel;
 - ✓ waste water injection station.

Ghercesti UGS

Ghercesti structure is located in Dolj County, in the vicinity of Craiova Municipality.

The fixed assets used during the gas storage process are as follows:

- 85 wells of which 79 injection/withdrawal and 6 piezometric wells;
- surface infrastructure comprising:
 - ✓ 135.7 km collecting pipes related to the 79 wells;

- ✓ 22.6 km of collecting pipes;
- ✓ 13 impurity separators;
- ✓ 12 gas technology measurement facilities;
- ✓ gas drying station;
- ✓ fibre optic parameter communication and acquisition system;
- ✓ bi-directional tax measurement panel.

Sarmasel UGS

Sarmasel structure is located on the perimeter of Sarmasel locality 35 km NW of Targu-Mures municipality, 35 km N of Ludus and 48 km E of Cluj-Napoca municipality.

The fixed assets used during the gas storage process are as follows:

- 63 wells;
- surface infrastructure comprising:
 - ✓ Sarmasel gas compression station;
 - ✓ 3 natural gas drying modules with triethylene glycol;
 - ✓ 26.7 km collecting pipes related to the 63 wells;
 - ✓ 13.8 km collecting pipes;
 - ✓ 59 impurity separators;
 - ✓ bi-directional tax measurement panel.

Urziceni UGS

Urziceni structure is located in Ialomita County, about 50 km NE of Bucharest.

The fixed assets used during the gas storage process are as follows:

- 31 wells of which 30 injection/withdrawal wells and 1 piezometric well;
- surface infrastructure comprising:
 - ✓ Urziceni gas compression station;
 - ✓ 19.5 km collecting pipes related to the 31 wells;
 - ✓ 3.3 km of collecting pipes;
 - ✓ 6 gas technological measurement installations;
 - ✓ 29 well gas heaters;
 - ✓ 1 gas drying station;
 - ✓ fibre optic parameter acquisition system;
 - ✓ bi-directional fiscal measurement system.

Quantities injected/withdrawn.

During 2023, a quantity of 1,742,762,130 thousand cubic meters (18,634,811,048 MWh) was withdrawn, an 11% decrease compared to the estimated quantity.

During 2023, a quantity of 1,905,452,963 thousand cubic meters (20,389,050,532 MWh) was injected, a decrease of approximately 14% compared to the estimated quantity.

STORAGE FACILITIES	Withdrawal 2023		Injection 2023	
	[thousands m3]	[MWh]	[thousands m3]	[MWh]
Bilciuresti	817388.666	8794121.561	883942.564	9524756.274
Urziceni	282007.474	3056552.122	315064.244	3416545.438
Balaceanca	27442.646	297659.259	29704.125	322065.055
Ghercesti	105290.018	1132686.255	162868.834	1744002.738
Sarmasel	510633.326	5353791.851	513873.196	5381681.027
TOTAL	1742762.130	18634811.048	1905452.963	20389050.532

During 2023, a total quantity of 12,626,352 thousand cubic meters (134,920,385 MWh) was recorded as technological consumption, a decrease of approximately 25% compared to the quantity that was estimated, justified by the fact that not all the estimated amount of natural gas was withdrawn and injected. Also, during the withdrawal cycle, due to the high pressure in the Sarmasel UGS and the low pressure in the national transport system, it was possible to carry out the withdrawal by own energy, without the use of the gas motor-compressors provided.

The statement of expenditure on natural gas used for technological purposes shall be as follows:

Year	Fuel gas consumption. 2023		Fuel gas. (excl. VAT)	Excise value. motor gas (excl. VAT)	Excise value for heating (excl. VAT)	TOTAL (excl. VAT)
	thousands m3	MWh	lei	lei	lei	lei
TOTAL	12626.352	134920.385	30693764.13	7277532.59	29870.29	38001167.01

Investment

For 2023, DEPOGAZ had an approved investment program amounting to 112,090.00 thousand lei and achieved 107,987.57 thousand lei, which represents 96.34% of it.

The financing of the investments was made exclusively from Subsidiary's own sources.

- thousand lei -

Item No.	Specifications	Program 2023	Achievements 2023
1.	Research activities for the discovery of new natural gas reserves	0	0
2.	Exploitation of underground gas fields and storage facilities, infrastructure and utilities in fields and storage facilities	54850.00	54487.51
3.	Activities for underground gas storage	7307.00	7435.80
4.	Environmental improvement and protection	0	0

5.	Modernization and refurbishment of facilities and equipment, surface infrastructure, utilities	42546.00	38789.00
6.	Equipment and independent machinery	3549.00	3286.39
7.	Expenses for consultancy, studies and projects, software, licenses, and patents, etc.	3838.00	3988.8
	GRAND TOTAL:	112090.00	107987.57

The main investment objectives for which achievements were recorded in 2023 are the following:

1. Upgrading the gas storage system infrastructure - Bilciuresti UGS

During 2023, works included in Phase I of the project were carried out, as follows:

- Works regarding the drilling of the 4 new wells – value of works: 53,782.04 thousand lei;
- Works within the Butimanu – Bilciuresti – SC BUTIMANU Collector systematization project – value of works in 2023: 7,044.26 thousand lei;
- Modernization works for Q SONIC ultrasonic meters: 361.16 thousand lei;
- Modernization works of the Bilciuresti UGS Gas Measurement System 5,925.94 thousand lei;
- Modernization works of BUILDING A Butimanu Compression Station: 499.57 thousand lei.

Phase II of the project "Increasing the daily withdrawal capacity in the Bilciuresti UGS" was proposed, met the eligibility conditions for inclusion in the 5th List of Projects of Common Interest of the Union, amended by Commission Delegated Regulation (EU) 564/2022 of 19 November 2021 amending Regulation (EU) 347/2013 of the European Parliament and of the Council as regards the list of projects of common interest of the Union and obtained non-reimbursable funding through the CEF Energy Connecting Europe Facility of 37,962,111.95 million Euro, meaning that the ARES Grant Agreement (2023) 3025367/April 28, 2023 was signed.

During 2023, the design services were completed, and approvals and agreements were obtained, the value of the expenses amounting to Ron 6,555.53 thousand.

2. Increasing the underground gas storage capacity of the Ghercesti UGS

During 2023, the elaboration of the technical design for Compression, drying and measurement installations for natural gas to increase the underground storage capacity of natural gas in the Ghercesti UGS from 150 million cubic meters/cycle to 600 million cubic meters/cycle was completed, the recorded achievements being the following:

- Design services of Ghercesti Compression Station: 2,739.51 thousand lei;
- Within the investment objective "Compression, drying and natural gas measurement facility to increase the underground gas storage capacity in the Ghercesti UGS," amounts for the purchase of land, fees for permits and agreements amounting to Ron 880.27 thousand were paid.

Also during 2023, the procurement procedure for the design phase of modernization of 15 wells within the Ghercesti UGS was completed.

3. Increasing the underground gas storage capacity of the Sarmasel (Transylvania) UGS - strategic project

During 2023, investment works included in Phase I of the project "Increasing the underground gas storage capacity of the Sarmasel UGS from 900 million cubic meters/cycle to 1550 million cubic meters/cycle" were carried out, as follows:

- The elaboration of the technical project for "Designing the drilling of storage wells, technological installations, square and access road to the wells of Sarmasel UGS" was completed, with achievements amounting to 904.80 thousand lei;
- The modernization works of 12 existing wells continued; the value of the achievements in 2023: 24,609.34 thousand lei;
- The procedure regarding the elaboration of a SC Sarmasel Power Supply Solution Study was started: 105.00 thousand lei.

During 2023, the tender book on the procurement of drilling works for 6 new wells was prepared and posted on SEAP, documents were analysed, and clarifications were requested from the tenderers participating in the procurement procedure.

4. Other achievements during the year under the Investment Programme consisted in the procurement and commissioning of independent machinery and equipment, as follows:

- Surveillance and security system: 427.95 thousand lei;
- Outdoor lighting installations Balaceanca and Urziceni: 348.73 thousand lei;
- Network servers (2 pcs): 139.89 thousand lei;
- Router - Bucharest working point: 12.23 thousand lei;
- Network equipment: 268.71 thousand lei;
- TRSV Valve Control Unit: 875.00 thousand lei;
- Gas emission analyser: 133.12 thousand lei;
- Vibration diagnosis system: 370.00 thousand lei;
- Air conditioning units: 134.70 thousand lei;
- Computing systems: 203.49 thousand lei;
- Notification and alarm system: 268.00 thousand lei;
- Fire-fighting equipment: 4.10 thousand lei;
- Extension of perimeter network solution: 614.90 thousand lei;
- Earthing meter: 22.04 thousand lei;
- Portable pressure generation system for calibrating PACE 600 pressure measuring instruments, in suitcase: 39.50 thousand lei;
- Server modernization with accessories - IT network Ploiesti Headquarters: 73.80 thousand lei;
- Server console with accessories: 7.40 thousand lei;
- Air-conditioning chiller Wing A DEPOGAZ headquarters: 119.50 thousand lei;
- Microsoft Agreement License: 117.17 thousand lei;
- SOFT DATA PROTECTOR licenses: 122.38 thousand lei.

The development projects of the natural gas storage system are also included in the National Gas Transport System Development Plan for 2022-2031, approved by ANRE by Decision no. 1944/01.11.2022.

Technical activity

Based on the organization's objectives, the following actions were taken during the year:

- 166 site permits were issued for the authorization of the execution of works in the perimeters of the Storage UGSs operated and managed by DEPOGAZ, the total value collected on the permits issued during this period being approximately 31,900 lei;
- The works of TRANSGAZ for the execution of the natural gas transmission pipeline $\Phi 20''$ Plataresti – Balaceanca on the territory of the Balaceanca Natural Gas Storage UGS were monitored, in order to comply with the conditions imposed in the issued site permit;
- The documents related to the project "Compression, drying and measurement installations of natural gas to increase the underground storage capacity of natural gas in the Ghercesti UGS from 150 million cubic meters/cycle to 600 million cubic meters/cycle", as well as those related to the PCI 6.20.7 project "Daily withdrawal capacity increase – Bilciuresti UGS" – "Increasing the daily capacity of natural gas withdrawal in the Bilciuresti UGS" were technically analysed;
- The Tender Specifications for the execution of the works related to the PCI project 6.20.7 Bilciuresti underground gas storage - "Daily withdrawal capacity increase – Bilciuresti UGS" - "Increasing the daily capacity of natural gas withdrawal in Bilciuresti UGS" have been prepared;
- The transfer of the fixed assets approved upon decommissioning according to HCA 37/2022 and HCA 49/2022 to the subsidiaries designated in Decision no. 1473/19.10.2022 issued by ROMGAZ was carried out;
- Progress on the project was reported to CINEA with PIC code 6.20.7 – Increasing the daily withdrawal capacity in the Bilciuresti UGS for which the Grant Agreement was signed, obtained under the CEF-Energy 2022 Project Call;
- GIS data were introduced for the technological installations related to the objectives, as well as for topographic surveys in the case of new objectives and maps with the related changes were published on the DEPOGAZ website and intranet;
- The GIS database on the issuance of site permits for those who want to build in the safety areas of DEPOGAZ objectives has been updated, a service that provides support for the activity of issuing permits and supervision of pipeline routes within the sections;
- During the fourth edition of the PCI ENERGY DAYS, an event held in Brussels dedicated to the practical implementation of projects of common interest, the DEPOGAZ stand was visited by the European Commissioner for Energy, Mrs. Kadri Simons, who was presented with the important aspects related to the PCI 6.20.7 project "Daily withdrawal capacity increase – Bilciuresti UGS."

Information technology and telecommunications

The activity carried out during 2023 was oriented towards the performance of the maintenance and verification works and services included in the Annual Sector Procurement Program 2023.

In this regard, in order to maintain in good working order the computer system, as well as the information technology and telecommunications equipment, the following management, monitoring, maintenance, development and modernization activities were carried out, materialized in:

- **Configuration, maintenance and monitoring of on-site equipment and software products;**

- 19 servers (files, databases, GIS server) - most of these servers are Windows Server 2016 systems, the rest being servers with Linux operating systems, which provide the services: domain, DNS, DHCP, backup, print - scan, software update, firewall, SFTP;
 - workstations, notebooks, printers, etc.;
 - basic software products and utilities (operating systems, office packages, browser, mail clients, etc.);
 - network and communication equipment in the premises (switches, routers);
 - monitoring the operation of equipment and network activity;
 - managing IP addresses and assigning them to network equipment;
 - monitoring the operation of data communication services – Internet and VPN (virtual private network of the Intranet system) for all locations;
 - managing Internet service software packages and mailboxes;
 - maintenance and updating of the product LEGE 5;
 - installation, configuration and management of equipment and software packages that ensure the security of the computer system (antivirus, firewall packages, etc.);
 - defining and implementing security policies on DEPOGAZ equipment;
 - solving problems arising in the operation of equipment, software products, communications, and computer system;
 - administration and support for the "MAIS" ERP application to be used within DEPOGAZ;
 - maintenance and updating of DEPOGAZ websites – official website (www.depogazploiesti.ro), DEPOGAZ intranet portal; Permanent updating of websites and applications, including related databases;
 - user management and user rights;
 - update of the ESET anti-virus protection solution that is used on all workstations within DEPOGAZ.
- **Upgrading DEPOGAZ IT system through the following actions:**
 - 10 AutoCAD 2023 licenses have been purchased and installed for the Technical and Topo services, Land Formalities that use the Autodesk platform in their current activity.
 - The support and subscription for the DOCLIB program, necessary for the preparation and analysis of economic evaluations of the costs of the investment works, was purchased.
 - Subscription for DEPOGAZ's website hosting service www.depogazploiesti.ro has been purchased.
 - Within the information and process infrastructure of DEPOGAZ, equipment with various roles (workstations, printing, servers, etc.) are in operation, and it is necessary to maintain them in working order with the possibility of data recovery. Components and consumables were purchased for this purpose.
 - The support and subscription related to the subscription update for the Veeam Backup Essentials Enterprise Plus software (6 sockets), used for the backup of virtualized servers (printing, files, monitoring, fixed telephony, etc.), has been purchased.
 - 35 VOIP phones were purchased, compatible with the current Cisco telephone exchange, in order to replace the old ones, located at the DEPOGAZ sections and to be distributed to new employees who do not have a VOIP phone.
 - Given the fact that, lately, both the number of users and the number of applications used has increased significantly, the need to strengthen the computer system in order to optimize the performance and improve the data processing capacity and their transfer speed has arisen. In order to ensure that the virtualization process is carried out in optimal conditions, two server-type equipment were purchased.

- In order to ensure optimal connectivity between the Bucharest working point and the DEPOGAZ headquarters, a router with integrated services (ISR) was purchased.
- The support and subscription related to the software subscription update was purchased: VMware vSphere Enterprise Plus, VMware vCenter Server Standard for vSphere and VMware Workstation Pro, used for virtualization and server management (printing, files, monitoring, fixed telephony, etc.).
- The support and subscription for the TOPO LT software package was purchased, which offers the possibility of configuring, modifying, drawing, and placing on the page the longitudinal profiles of the lands, as well as their cross sections.
- Due to the background of the ageing of the computer park and the increase in the number of employees, 25 computer systems have been purchased that will replace the physically/morally worn ones or that will be distributed to the new employees.
- Taking into account the need to ensure the protection and security of sensitive information at the Data Center level, as well as the availability of this information, subscriptions for software and hardware support related to Cisco equipment have been renewed.
- Given the complexity of the DEPOGAZ investment, modernization and repair projects, implementation services of the Primavera P6 Enterprise Project were purchased.
- The project to extend the information security system by adding and implementing hardware / software functionalities for the perimeter firewall component was purchased and implemented, which allows the distribution of traffic processing between all elements of the system. The transition to the model in which traffic is automatically divided between several equipment (processing elements) brings the following benefits: cost optimization and cost-performance ratio (all equipment using subscriptions are active), increased scalability (new traffic processing elements can be added at any time, with a minimum integration time within the solution and without requiring dedicated configuration), high performance (traffic processing is distributed among several processing elements), redundancy (in case of a failure, any of the processing elements can quickly take over the task of another).
- The telecommunication system was optimized, by modernizing the fixed asset "IT network at Ploiesti Subsidiary," in order to increase the performance and improve the processing capacity of data flows.
- A console has been purchased that allows multiple servers to be accessed and managed from a single keyboard, monitor and mouse.
- The license for the Data Protector software, which is used to back up virtualized servers, has been purchased. A Load Balancer Barracuda equipment was purchased, installed, configured, and integrated into the IT infrastructure to ensure the availability of messaging services and to increase security by integrating additional authentication mechanisms.
- **Implementation of IT security policies through the following actions:**
 - Penetration testing IT audit services have been completed. This is the most effective method of assessing the security of an IT infrastructure, by safely trying to identify and exploit system vulnerabilities, including system, network, service and application defects, inappropriate configurations, and even risky end-user behaviour.
 - Steps have been taken to obtain the security accreditation, in accordance with the provisions of the legislation in force (Law no. 362/2018), as well as the codes of good practice in the field, on the equipment provided by DEPOGAZ.

- Procedures and policies for risk assessment and inventory of information security assets in DEPOGAZ have been completed.
- The documentation for risk assessment and inventory of IT assets within DEPOGAZ has been completed.
- Repair and maintenance services (maintenance) of the anti-burglary security equipment, access control and video surveillance were purchased for the Butimanu Compression Station, Urziceni Compression Station, Balaceanca Compression Station, Sarmasel Compression Station for a period of 36 months and for the Subsidiary office for a period of 12 months.

f. General, specific objectives and directions of action in the field of Sectoral Procurement

Overall objective: Increasing the performance of the company.

Specific objective:

Improving the procurement process of products, works and services through dynamic planning and prioritization, in order to ensure on time and in the necessary quantities of products and services necessary to carry out the current and investment activity;

Directions for action:

Management of sectoral procurement contracts

1. continuous improvement through the participation of staff in training courses in the field of public procurement and sectoral procurement;
2. continuous implementation of legislative changes by correlating them with the internal procedures applicable at DEPOGAZ level in the field of sectoral procurement.

Achievements 2023

The procurement activity for 2023 is detailed in the following table:

Sectorial Procurement Procedures Number	391	Open Tender	4	
		Simplified procedure	19	
		Direct purchase	360	
		NFIP	7	
		Assigned	-	
		Transaction	1	
Number of concluded contracts/ Value	125/ 175,794,593.85 lei	Products Contracts	32	138,027,629.73 lei
		Service Contracts	80	29,510,410.31 lei
		Works contracts	13	8,256,553.81 lei

		Utilities	-	-
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Supply

During the period 01.01.2023 – 31.12.2023, within the specialized organizational unit (Supply Service), the preparatory documents (cumulative necessary supply received from the Sections and Workshops and preparation of necessity reports) were drawn up for the launch of a number of 335 supply orders, having as object the direct purchase of auxiliary materials, spare parts, inventory items, consumables, and hygienic-sanitary products.

The value of these supply orders was 5,080,429 lei (VAT excluded).

The invoices related to the 335 supply orders submitted were verified in terms of quantity, quality, U/M, and price, according to the commercial offers received from the suppliers.

Following these checks, the invoices were certified as to the reality, regularity, and legality of the transactions, after which they were entered into the MAIS accounting system and the acceptance entry notes from the management of the DEPOGAZ Departments and Storage Workshops were requested.

Also during this period, 4 tender books were drawn up, together with the related annexes (necessity report, request for establishing the estimated value, financial proposal form, technical proposal form), having as object the procurement of:

- Compressor oils (HDAX, ROUND, SYNTETIC, L150, K150);
- Spare parts for gas compressors;
- Valves.

g. General, specific objectives and directions of action - Quality, Environment, Occupational Health, and Safety

Overall objective: Increasing the performance of the company.

Specific Objectives and Directions for Action:

Under the coordination of the General Manager, DEPOGAZ has implemented and developed an Integrated Management System, a coherent, unique system that integrates all components of the business and allows the achievement of its purpose and mission by:

- Compliance with legal and other applicable requirements regarding environmental aspects and risks of injury and occupational disease;
- Ensuring the appropriate organizational framework for establishing the objectives of the integrated quality-environment-health and occupational safety management system;
- Awareness of its own staff and those working on behalf of the organization and improving communication in order to ensure active participation in achieving the objectives;
- Preventing and reducing the risks of occupational illness and injury at work;
- Consultation of employees on any aspect related to occupational health and safety;
- Continuously assess the risks/opportunities generated by the context in which the organization evolves, and the risks/opportunities related to the processes and establish actions to address them.

Valid environmental and water management permits held by DEPOGAZ ensure that the activities/facilities comply with the legal requirements to prevent, reduce pollution, and eliminate the impact on the environment and human health.

Environmental permits determine the mode of action in case of situations generating pollution of environmental factors, in order to reduce and eliminate the impact on the environment and human health.

Protection and attention to occupational health and safety is a fundamental value for DEPOGAZ, and maintaining a risk-free working environment and eradicating factors that could lead to an accident or occupational disease is a constant and paramount goal.

The valid authorizations held by DEPOGAZ ensure the occupational safety and health conditions and the prevention of occupational accidents, occupational diseases, before starting any activity.

The General Manager of DEPOGAZ declares his commitment to maintain and improve, within the organization, the integrated quality - environment - occupational health and safety management system, in accordance with the provisions of the standards SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR ISO 45001:2018.

Achievements 2023

Integrated Management System.

I. Continuous improvement of the Integrated Management System documentation in accordance with the reference standards to which DEPOGAZ has subscribed, legal and other requirements, organizational changes.

The Integrated Management Office continues to harmonize the documentation of the DEPOGAZ Integrated Management System with:

- legal requirements and other requirements, always changing,
- changes in the organizational structure,
- recommendations and measures established in internal audits and internal controls.

II. Waste audit.

The waste audit, mandatory according to GEO no. 92/2021, is a method of analysing the waste-generating processes within the company in order to verify the degree of compliance with the legislative provisions and to determine the exact types of waste generated.

The waste audit was requested by the Director of Quality, Health, Safety at Work, Environment and approved by the Director General of DEPOGAZ.

The waste audit was carried out according to the Waste Audit Program no. 1 registered on 28.02.2023, approved by the Director of Quality, Health, Safety at Work, Environment and approved by the General Manager of DEPOGAZ.

➤ Planned audits.

Number of planned audits	Number of audits performed	Non-conformities	Number of recommendations

9	9	-	7
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III. Internal audit of the Integrated Management System

The internal audit of the Integrated Quality - Environment - Occupational Health and Safety Management System provides information on compliance with the referential requirements and the applicable legal requirements. The development and improvement of the Integrated Management System is carried out through the internal audits established in the Audit Program registered on March 2, 2023, approved by the Manager of Quality, Health, Safety at Work, Environment and approved by the General Manager of DEPOGAZ.

Internal audits aim to assess the effectiveness and continuous improvement of the implemented management systems.

➤ Planned audits.

Total internal audits of IMS planned for 2023	Number of audits performed	Non-conformities	Total number of improvement areas of which	
			other areas of improvement (ROF revision, job descriptions, etc.)	revision of procedures/instructions accompanied by forms and registers
43	43	3	16	25

The management at the highest level annually provides resources for the smooth conduct of the IMS Internal Audit, a mandatory requirement of the reference standards SR EN ISO 9001:2015, SR EN ISO 14001:2015, SR ISO 45001:2018.

IV. Management Review carried out by the General Manager of DEPOGAZ

The Integrated Management System (IMS) should be reviewed at planned intervals to ensure it is effective. This analysis should identify potential opportunities to improve or change the IMS.

The analysis was carried out by the Board of Directors of the Integrated Management System of DEPOGAZ under the direct guidance of the General Manager of DEPOGAZ.

The input elements of the analysis are: audit reports, customer information, process performance, status of corrective and preventive actions, planned changes to the IMS, recommendations for improvement.

The measures necessary for the maintenance and development of the IMS that can be identified in Chapter II of the Management Review have been established.

The implementation and achievement of the measures are the responsibility of the process managers/heads of the organizational units/personnel involved in the performance of the established measures.

V. External Surveillance Audit 2

The surveillance audit carried out by the certification body SRAC CERT took place between 22 - 24.11.2023, according to Surveillance Audit 2.

➤ **Planned audits.**

Number of planned audits	Number of additional audits required	Number of audits performed	Non-conformities	Areas of improvement
11	2	13	0	2

Following the external recertification audit, carried out by the SRAC certification body, in November 2023 the stamps for the certificates obtained were issued:

- SRAC Certificate No. 11670, IQNet Certificate No. 11670, in accordance with the requirements of ISO 9001:2015;
- Certificate No. 5395, IQNet Certificate No. 5395, in accordance with the requirements of ISO 14001:2015;
- Certificate No. 3739, IQNet Certificate No. 3739 in accordance with the requirements of ISO 45001:2018.

The results of the SRAC surveillance audit attest to the functionality of the DEPOGAZ Internal Management System, the training, and the ability of the staff to perform their duties at the highest level.

Environmental Protection

From the point of view of environmental protection and water management, DEPOGAZ's activity is authorized in accordance with the provisions of GEO no. 195/2005 on environmental protection, as subsequently supplemented and amended, and of Water Law no. 107/1996, as subsequently supplemented and amended, as follows:

1. Situation of environmental permits:

DEPOGAZ holds 16 environmental permits, and during 2023 the following were reviewed:

- Environmental permit related to group no. 6 Bilciuresti;
- Environmental permit related to group no. 137 Bilciuresti;
- Environmental permit related to group no. 145 Bilciuresti;
- Environmental permit related to Ghercesti UGS.

The review of the environmental permits related to the well groups no. 57, 102 Bilciuresti was requested.

The annual visas for 2023 related to the environmental authorizations held by DEPOGAZ were obtained.

2. Status of water management permits:

DEPOGAZ holds 6 water management permits and one water management permit for the reservoir water injection well.

In 2023 there were obtained:

- Water Management Authorization for Balaceanca Natural Gas Storage UGS,
- Water Management Authorization for Bilciuresti Natural Gas Storage UGS,
- Water management authorization for Ghercesti Natural Gas Storage UGS.

3. Situation of environmental agreements for investment works:

- **Project "Daily withdrawal capacity increase - Bilciuresti UGS"**
 - The Environmental Agreement was obtained;
 - Public consultations were organized, and the results of the public participation activity, as well as the forms of public consultation, were described in the FINAL SUMMARY REPORT, according to *Regulation (EU) No 869/2022*.
- **The project "Compression, drying and measurement installations for natural gas to increase the underground gas storage capacity in the Ghercesti UGS, including 20 kV power supply" - were obtained:**
 - Decision of the initial evaluation stage;
 - Water management permit.
- **Project "Modernization of road connection and platform to well 179 Sarmasel"**
 - A NOTIFICATION REGARDING THE INTENTION TO CARRY out the PROJECT was submitted to APM Mures, in order to issue the Environmental Agreement.

4. Record of waste, water consumed and discharged, fuel gas consumed - monthly:

- Record of waste management on each site and centralization of waste on each type of hazardous or non-hazardous waste;
- Records of the amount of water consumed and discharged, both for water from own boreholes and that supplied by local operators;
- Record of the amount of fuel gas consumed for each type of installation (gas motor compressors, gas heaters, drying stations, boilers, power generators).

5. Monitoring of environmental factors

According to the Annual Environmental Factors Monitoring Program, monitoring has been carried out for:

- Domestic wastewater - Butimanu Compression Station;
- Domestic wastewater - Balaceanca Compression Station;
- Domestic wastewater - Group 1 and 2 Balaceanca;
- Domestic wastewater – Urziceni Compression Station;
- Domestic wastewater – Group of wells no. 3, 5, 7 Ghercesti;
- Groundwater - monitoring drilling - Well no. 172 Bilciuresti;
- Groundwater - monitoring drilling - Well no. 173 Bilciuresti;
- Groundwater - monitoring drilling - Well no. 174 Bilciuresti;
- Groundwater - monitoring drilling - Well no. 175 Bilciuresti;
- Pollutant measurements emitted into the atmosphere for well radiators, thermal power plants, drying stations were performed;
- Noise level test report at Sarmasel Natural Gas Compression and Drying Plant.

The values recorded for each monitoring indicator are below the maximum permissible limits provided for in the regulatory acts, according to the test reports issued by the authorized laboratory.

The results of the monitoring of environmental factors are reported to the environmental authorities, according to the environmental permit and the water management approvals.

6. Reporting made:

- Annual reporting as required by environmental permits and water management permits for all sites;
- S.I.M.(Integrated Environmental System) online reporting;
- Online Reporting Statement on Obligations to the Environmental Fund;
- Reporting to ANPM - Register of selectively collected waste.

7. Inspections carried out.

During 2023, there were 18 internal inspections and 9 external inspections by the authorities. Following the inspections, no non-conformities were found, and no sanctions were applied.

8. Environmental protection expenses

In 2023, the scheduled expenses were 328,000 lei, and the expenses incurred (sanitation services, water consumption, hazardous and non-hazardous waste disposal, other taxes paid to the authorities, the environmental fund, documentation for authorization, etc.) of 263,000 lei.

9. SEVESO

During 2023, the following documents were drawn up:

- ACTIVITY NOTIFICATION for the Urziceni Natural Gas Underground Storage UGS, in accordance with the provisions of Law no. 59/2016 on the control of major accident hazards involving dangerous substances;
- ACTIVITY NOTIFICATION for Bilciuresti Natural Gas Underground Storage UGS, in accordance with the provisions of Law no. 59/2016 on the control of major accident hazards involving dangerous substances;
- ACTIVITY NOTIFICATION for the Ghercesti Natural Gas Underground Storage UGS, in accordance with the provisions of Law no. 59/2016 on the control of major accident hazards involving dangerous substances;
- MAJOR ACCIDENT PREVENTION POLICY for Urziceni Underground Natural Gas Storage UGS, revised;
- MAJOR ACCIDENT PREVENTION POLICY for Balaceanca Underground Natural Gas Storage UGS, revised;
- MAJOR ACCIDENT PREVENTION POLICY for Bilciuresti Natural Gas Underground Storage UGS, revised;
- MAJOR ACCIDENT PREVENTION POLICY for Ghercesti Underground Natural Gas Storage UGS, revised;
- MAJOR ACCIDENT PREVENTION POLICY for Sarmasel Underground Natural Gas Storage UGS, revised.

Were submitted to:

- APM Mures - Risk Secretariat, for approval, the Security Report related to the Sarmasel Natural Gas Storage UGS;
- APM Ilfov - Risk Secretariat, for approval, the Security Report related to the Balaceanca Natural Gas Storage UGS.

According to the requirements of Emergency Ordinance no. 92/2021 on waste regime, it was drawn up:

- PROGRAM for the PREVENTION and REDUCTION OF the QUANTITIES OF WASTE GENERATED – SNGN ROMGAZ SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL.

In order to carry out a compliant activity within the premises, compressor stations, well groups, service contracts and sale-purchase contracts were concluded with authorized economic operators.

In accordance with the requirements of the Procurement Procedure for works, services, products, for all the specifications promoted by the collaborating organizational units within DEPOGAZ, environmental protection requirements associated with potential environmental aspects have been submitted.

Occupational Health and Safety

In accordance with DEPOGAZ's strategic development direction, the Quality, Environmental, Occupational Health and Safety Policy is oriented towards meeting the requirements of customers and relevant stakeholders, complying with, and meeting legal requirements and other requirements, legal requirements in the field of underground storage of natural gas and ensuring a healthy, safe working environment for all staff.

The integrated management system is applicable to all processes identified within the organization and supports the fulfilment of the occupational health and safety mission through the following actions:

- Compliance with legal and other applicable requirements regarding environmental aspects and risks of injury and occupational disease;
- Ensuring the appropriate organizational framework for establishing the objectives of the integrated quality-environment-health and occupational safety management system;
- Ensuring the conditions for continuous improvement of OSH performance, elimination of hazards, prevention of trauma, reduction of occupational disease and workplace injury risks;
- Consultation and involvement of workers and workers' representatives on any aspect of occupational health and safety;

In order to comply with legal standards and requirements on occupational health and safety, the Occupational Safety and Health Commission (HSSE) is established at DEPOGAZ level.

An ongoing concern of the HSSE during the reference period was the improvement of the working conditions of all employees. To this end, the main problems analysed were:

- the quality of personal protective equipment;
- the manner in which the periodic medical examination was carried out;
- analysis of the mentoring, training and control activity carried out at the workplace;
- the stage of implementation of the prevention and protection plan.

During 2023, the competent state institutions, namely the Territorial Labour Inspectorates, carried out a check and the members of the Prevention and Protection Service carried out 22 internal controls.

Internal controls aim to strengthen measures to prevent accidents at work, through training and verification of compliance with occupational safety and health standards.

Following the checks carried out, 12 deficiencies were found, which were remedied within the stipulated deadlines.

No sanctions were applied for the deficiencies found.

➤ **Achievements:**

- Medical examinations were carried out upon employment, periodic medical examinations, and the monitoring of the health status of all employees continued, following, and observing the recommendations on the aptitude given by the occupational physician;
- Risk factor identification sheets have been completed and reviewed;
- Internal controls were performed, verifying the personnel training and testing;
- Safety requirements have been drawn up for the Tender Books/ Specifications;
- A contract for voluntary health insurance services has been concluded;
- 38 employees attended the 80-hour specialization course for the occupation of Inspector in the field of occupational safety and health;
- First aid kits were purchased;
- Hygienic and sanitary materials were purchased;
- Personal protective equipment has been purchased.
- The "GANEX Certificate of Conformity" and the "Explosion Protection Document/ Report" were obtained for URZICENI GAS DRYING STATION AND SARMASEL GAS DRYING STATION;
- It was obtained the certification of the ventilation installations operating in explosive atmosphere from INSEMEX Petrosani for the Urziceni Gas Compression Station and the Sarmasel Compression Station;
- The Risk Assessment for the safety and health of employees was drawn up in order to establish the prevention and protection measures and the Prevention and Protection Plan for the South Storage Department – Headquarters and the Bilciuresti Storage Group (Well Groups: 6, 57, 101, 102, 118, 137, 145, SUG, Butimanu Measurement Panel);
- The GANEX Attestation of Conformity and the Explosion Protection Document/Report are being obtained for:
 - URZICENI Compression Station;
 - GHERCEȘTI Gas Drying Station;
 - GHERCEȘTI well groups;
 - BILCIUREȘTI well groups;
 - URZICENI well groups;
 - BĂLĂCEANCA well groups.
- The occupational health services contract for 2024 has been concluded.

➤ **Authorisations obtained:**

In 2023 there were authorized:

- IS CIR:
 - Crane operator group E: 5 persons;
 - Stoker/fireman: 2 persons;
 - RSVTI operator: 10 persons;
 - RST Technical Officer for Welding: 1 person;
- Ministry of Economy:
 - DTI Site Supervisor: 1 person;
- ANRE
 - Electrician grade II B: 3 persons;

- Electrician: 9 persons;
- EGT Grade Installer: 9 persons;
- EGIU Grade Installer: 8 persons;
- INSEMEX
 - Responsible for technical equipment and installations in industrial spaces with danger of explosive atmosphere: 10 persons.

➤ **Accidents at work:**

No accidents at work were recorded during this period at DEPOGAZ.

No cases of occupational illnesses or related were recorded during the reference period.

h. Financial statements, capacities, tariffs

The storage activity has been deregulated since April 1, 2021. The applicable tariffs are calculated based on the Methodology for calculating tariffs developed by DEPOGAZ and approved by the Decision of the Board of Directors no. 3/05.03.2021 and the Decision of the Board of Directors no. 8/30.09.2021.

Statistical data storage activity

By definition, natural gas storage aims to ensure security in the supply of natural gas to end customers, harmonize seasonal, daily, and hourly consumption with available gas sources and permanently ensure the physical balance of the national transmission system.

Capacities

The evolution of the natural gas storage activity starting with the 2018 - 2019 cycle shows differences from one cycle to the other, both in terms of reserved capacity and in terms of quantities injected or withdrawn (MWh)

Capacities (MWh)	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Capacity reservation	22558504	30271909	31689757	23819732	30085839
Injection volumes	18779228	28021122	11587585	20274740	25466749
Withdrawal volumes	18630825	13738676	23689846	19699346	22000000

Tariffs

Evolution of tariffs in storage cycles from 2018 to 2023:

Lei/MWh

Tariffs	Historical data					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total tariff	13.25	13.49	13.28	13.34	19.42	23.03
Reservation Tariff	9.90	9.98	7.58	9.31	11.44	9.82

Injection Tariff	1.68	1.90	3.67	2.29	4.50	7.27
Withdrawal Tariff	1.67	1.61	2.03	1.74	3.48	5.94

If for the period 2018 - 2022 the storage tariffs recorded very small differences, starting with the 2022 - 2023 storage cycle, they increased by 45.5% in the 2022 - 2023 cycle compared to the 2021 - 2022 cycle and by 18.58% in the 2023 - 2024 cycle compared to the 2022 - 2023 cycle, an increase due in particular to the increase in electricity and natural gas costs.

Financial results of the storage activity recorded in the period 2018 - 2022:

Thousand lei

P&L financial year	Historical data				
	2018	2019	2020	2021	2022
Operating income	208.678	355.980	334.011	313.773	476.021
Operating expenses	208.312	297.346	260.638	267.623	345.342
EBITDA	366	58.634	73.373	46.150	130.679
Impairment of assets	65	2.901	5.726	8.425	12.247
EBIT	301	55.733	67.647	37.725	118.432
Financial income	261	464	1.018	534	2.547
Financial expenses	1	1	1	1	1
EBT	562	56.197	68.665	38.259	120.978

i. Financial scenario 2022 – 2027

Overall objective: Increasing the performance of the company.

Specific objectives:

- Increasing sustainable financial and economic performance and operational stability;
- Increasing profit;
- Reduce losses, overdue payments, consumption, and operational costs by enhancing control of the budgeting, engagement, and use of patrimonial resources.

Directions for action:

Financial management:

- ✓ Strengthening the financial management of the Subsidiary by effectively managing the financing, risk, and performance processes.
- ✓ Ensuring the efficiency of capital utilization by permanently assessing the financial effort of all actions to be taken in a given management period;
- ✓ Creating the necessary funds for the Subsidiary, in time, in the structure and quality conditions required by the needs, at the lowest possible cost;
- ✓ Providing the necessary financial support for the market performance of the Subsidiary by:
 - monitoring the use of capital and influencing decision-makers in other centres of responsibility, in order to ensure an efficient use of all funds drawn into the circuit;
 - ensuring and maintaining the financial balance both in the short and long term, in accordance with the needs of the Subsidiary;
 - permanent control of the economic processes to obtain the expected financial result and its distribution to the destinations established by the purpose and objectives of the Subsidiary.
 - controlling and evaluating the results in order to identify the deviations and the causes that generated them, the strengths and weaknesses of the company and the necessary measures to correct and avoid the occurrence of deviations in the future.

Comprehensive result, according to the Management Plan 2023-2027, approved by the Decision of the Board of Directors no. 6/31.03.2023 and revised by Decision no. 10/30.05.203

Thousand lei

	DEPOGAZ SUBSIDIARY ACHIEVED					DEPOGAZ SUBSIDIARY FORECASTED				
	9 MONTHS 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating income, including:	208.678	355.980	334.011	313.773	476.021	526.579	529.465	535.657	546.785	563.726
Provision of storage services	207.349	355.704	333.935	313.451	475.939	526.579	529.465	535.657	546.785	563.726
Other	1.329	276	76	322	82	0	50	50	50	50
Operating expenses (less depreciation)	208.312	297.346	260.638	267.623	345.342	455.882	465.000	474.300	483.786	493.461
Wages, salaries, and other expenses of a salary nature	43.227	59.804	67.875	68.609	72.512	93.086	94.948	96.847	98.784	100.759
Technological consumption, materials, and consumables, of which:	40.641	75.591	43.902	54.225	43.925	199.368	203.355	207.422	211.571	215.802
Technological consumption value thousands lei	12.747	26.028	15.709	16.260	36.890	92.988	92.988	92.988	92.988	93.188
Electricity consumption	24.957	44.331	24.631	32.544	78.688	96.014	96.014	96.014	96.014	96.614
EBITDA	366	58.634	73.373	46.150	130.679	70.697	64.465	61.357	62.999	70.265
% EBITDA Margin	0.18%	16.47%	21.97%	14.71%	27.45%	13.43%	12.18%	11.45%	11.52%	12.46%
Depreciation	65	2.901	5.726	8.425	12.247	13.808	15.972	21.668	21.061	43.137
Operating profit	301	55.733	67.647	37.725	118.432	56.889	48.493	39.689	41.938	27.128
Gross Operating Margin (%)	0.14%	15.66%	20.25%	12.02%	24.88%	10.80%	9.16%	7.41%	7.67%	4.81%
Financial income	261	464	1018	534	2547	1350	500	500	500	500

Financial expenses	1	1	1	1	1	0	4.580	13.385	22.254	20.028
<i>Financial profit</i>	260	463	1017	533	2546	1350	-4.080	-12.885	-21.754	-19.528
TURNOVER (TO)	207.356	287.729	333.939	313.456	475.989	526.579	529.465	535.657	546.785	563.726
Total revenue	208.939	356.444	335.029	314.307	478.568	527.929	529.965	536.157	547.285	564.226
Total Expenses	208.378	300.248	266.365	276.049	357.590	469.690	485.552	509.353	527.101	556.626
<i>Gross profit</i>	561	56.196	68.664	38.258	120.978	58.239	44.413	26.804	20.184	7.600
<i>Labor productivity</i>	406	712	665	633	984	1.039	1.048	1.050	1.062	1.095

Achievements 2023

Statement of financial position, statement of comprehensive income

The financial statements of DEPOGAZ were prepared according to the provisions of OMFP no. 1802/2014, as subsequently amended and supplemented. The accounting records on the basis of which these financial statements were drawn up are made in RON at historical cost, according to the accounting policies of the Company.

- Statement of financial position at the end of the period - BALANCE SHEET

The table below summarises the financial position as of 31 December 2023.

(Ron)

Indicator	December 31, 2022	December 31, 2023
ASSETS		
<i>Non-current assets</i>		
Property, Plant And Equipment	148366050	241701790
Other intangible assets	918452	851593
Other fixed assets	34527	34527
Total Fixed Assets	149319029	242587910
<i>Current assets</i>		
Inventories	9472043	7937971
Trade receivables and other receivables	62441720	77292862
Cash and cash equivalents	105682510	172997595
Total Current Assets	177596273	258228428
Prepaid expenses	412593	631151
TOTAL ASSETS	327327895	501447489
SHAREHOLDERS' EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Registered Capital	66056160	66056160
Substitution	87046223	136423532
Retained result - loss		
<i>Loss/profit of the financial period</i>	105353267	148390982
<i>Distribution of profit</i>	8245804	2516455
TOTAL SHAREHOLDERS' EQUITY	250209846	348354219
<i>Current liabilities</i>		

Short-term trade liabilities	27636637	9178691
Liabilities to group entities	14944627	11216812
Other liabilities	19890631	21423214
Total other current liabilities	62471895	41818717
Provisions		
Provisions for employee benefits and other provisions	14618479	17060556
Deferred income	27675	94213997
Non-current liabilities		
Trade liabilities and other liabilities	0	0
Current profit tax liabilities	0	0
Other liabilities	0	0
Total other current liabilities	0	0
TOTAL EQUITY AND LIABILITIES	327327895	501447489

Of the total assets of RON **501,447,489**, the fixed assets represent RON **242,587,910**, namely 48.38%, and the current **assets** RON **258,228,428**, namely 51.50%.

The share capital of DEPOGAZ is RON 66,056,160, fully paid up on December 31, 2023.

At the date of incorporation of the Company, in 2015, it had a paid-up share capital of RON 1,200,000. In April 2018, the share capital increased with a cash contribution of RON 48,800,000, and in November 2018 with a contribution in kind (material stocks), amounting to RON 16,056,160.

Trade and other receivables are detailed below:

Receivables (RON)	Balance as of 31 December 2023	Liquidity term	
		Under 1 year	over 1 year
Trade receivables	74111390	74111390	
Amounts receivable from affiliated entities	1950049	1950049	
Other receivables	1231423	1231423	
TOTAL	77292862	77292862	

Trade receivables are non-interest-bearing and generally have a payment deadline of 30 days.

Amounts included in „Other receivables” mainly contain: sick leave to be recovered from FNUAS, VAT not due on invoices containing operations carried out in December with the date of issue of January 2024.

Cash and cash equivalents are represented by:

Cash and cash equivalents (Ron)	Balance as at December 31, 2023
Bank accounts	128903

Cash in vault	2812
Other values (bank deposits)	172865880
Total	172997595

The liabilities shown in the balance sheet are as follows:

Liabilities (Ron)	Balance as of 31 December 2023	Maturity term	
		Under 1 year	over 1 year
Suppliers - invoices to be received	3263443	3263443	
Suppliers	5915247	5915247	
Liabilities to personnel	3895833	3895833	
Fees and taxes related to salaries	2884527	2884527	
Profit tax.	3920410	3920410	
Tax - VAT	5331982	5331982	
Amounts payable to affiliated entities.	11216812	11216812	
Royalty and environment fund	4564403	4564403	
Other liabilities	826060	826060	
Total	41818717	41818717	

➤ **Statement of comprehensive result - profit and LOSS ACCOUNT**

Summary of the profit and loss account (Ron):

Indicator	Year 2022	Year 2023
Total operating revenue	476021261	550431053
<i>Raw materials, materials, electricity expenses</i>	123080821	126108377
<i>Personnel expenses</i>	71152663	84714593
<i>Value adjustments of tangible and intangible assets</i>	12247460	13672841
<i>Value adjustments of current assets</i>	623597	1084600
<i>Other operating expenses (external services, etc.)</i>	151763561	158919683
<i>Provisions</i>	-1278665	2442077
Operating expenses - total	357589029	386942171
Loss/ Profit from operations	118432232	163488882
<i>Financial income - interest</i>	2547243	8713850
<i>Financial expenses - exchange rate differences</i>	1157	835282
Financial profit	2546086	7878568

Total Revenue -	478568504	559144903
Total expenses	357590186	387777453
Accounting profit /loss	120978318	171367450
Profit tax	15625051	22976468
Net profit/loss	105353267	148390982

Of the total of RON **550,431,053** operating revenues recorded in 2023, RON 550,072,852 and 99.93% respectively, represent revenues from the provision of storage services.

Of the total of RON **386,942,171** operating expenses, the most significant are:

- Raw materials and materials expenses amounting to RON 44,598,412 of which, the purchased technological consumption has a value of RON 38,200,417;
- Electricity RON 80,546,776;
- Personnel expenses including taxes RON 84,714,593;
- Third party services expenses RON 134,519,950.
- Fees and taxes expenses RON 20,125,262.

From the total expenses related to provisions set up in 2023, the significant values are: RON 3,909,832 represents employees' benefit provision, RON 1,435,264 variable component provision members of the Board of Directors and General Manager, RON 121,979 provision for rest leave not carried out.

The financial income is represented by interest income on deposits amounting to RON 8,713,850.

Cash and cash equivalents at the end of the financial year	172997595
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➤ **Financial and economic indicators**

We present below the main economic and financial indicators registered by the company in 2023:

	2023
1. Liquidity Ratios	
Current liquidity indicator	6.18
Immediate liquidity indicator	5.99
2. Risk ratios	
Overall solvency ratio indicator	12.00
3. Activity ratios	
Days Payable Outstanding (no. of times)	8.13
Total assets turnover ratio	1.10
4. Profitability ratios	
Gross margin on sales	31.14
Economic profitability	29.59

Taxation

The Company is registered with the National Authority for Fiscal Administration of Bucharest in the category of large taxpayers.

The company is subject to corporate tax. The tax calculated for 2023 was in the amount of 22,976,468 RON.

j. Forecasted Investment Program of the Natural Gas Storage System 2023-2027

For the period 2023 – 2027, we forecast that the total value of the DEPOGAZ investment program is as follows:

Storage facility	2023	2024	2025	2026	2027	TOTAL
	[mil. Euro]	[mil. Euro]	[mil. Euro]	[mil. Euro]	[mil. Euro]	[mil. Euro]
Bilciuresti	10	25.15	47.7	29	7.1	118.95
Ghercesti	0	12.1	22.24	13.15	8.1	55.59
Sarmasel	3	4	4	0	10	21
Falticeni	0	0.2	0.5	0	1	1.7
Urziceni	0	0	0	0	0	0
Balaceanca	0	0	0	0	0	0
TOTAL	13	41.45	74.44	42.15	26.2	197.24

It is specified that the total amount includes both the financing from own sources and the funds attracted.

Projects for the development of the underground gas storage infrastructure

Having as objective the integration of Romania in the gas infrastructure network at European level, it is necessary to make constant investments in equipment and the development of the natural gas storage infrastructure, in direct correlation with the development plans proposed by the existing operators on the energy market.

In accordance with the provisions of the legislation in force to ensure the operation of the safe, efficient, and environmentally friendly storage infrastructure, DEPOGAZ is in a continuous process of developing and upgrading the specific infrastructure to the capacities required by the medium- and long-term national strategy.

In this regard, the development projects promoted aim to:

- Increasing natural gas storage capacity;
- Increasing daily delivery capacity to support security of supply during peak periods of consumption;
- Diversification of storage services by offering the flexibility component - multicycle.

Moreover, under the coordination of the General Manager, DEPOGAZ aims to implement technical solutions that facilitate the transition to climate neutrality, in line with current European objectives.

Thus, the situation of the promoted projects, structured on UGSs, is as follows:

1. Bilciuresti UGS

For this UGS, the Feasibility Study "Increasing the daily capacity of natural gas withdrawal from the Bilciuresti UGS" was completed. This study identified the works necessary to achieve the increase of the current withdrawal

capacity from 14 million cubic meters/day to approx. 20 million cubic meters/day correlated with an increase in storage capacity of 108 million cubic meters/cycle. The total value of the investments forecasted to achieve this major objective is 142 million EUR.

DEPOGAZ started the modernization works of the Bilciuresti UGS, in stages, as follows:

Phase I

1. Modernization works at 3 gas drying stations;
2. Systematization of injection/withdrawal manifolds within the Butimanu natural gas compressor station;
3. Modernization of the Butimanu natural gas tax measuring station;
4. Drilling works for 4 new wells in the Bilciuresti UGS.

Phase II

1. Butimanu - Bilciuresti Collector with a diameter of 24" (DN 600 PN 150);
2. Upgrades within Bilciuresti UGS
3. Modernization of 39 existing wells;
4. Injection/withdrawal gas separator batteries;
5. Upgrading of M3 Butimanu module cooling system;
6. Digitalization of the underground gas storage process

Stage of execution of the investment works included in Phase I

- The modernization works for the drying station of group 57 Bilciuresti have been completed, works amounting to approx. 2.4 million EUR;
- The modernization works for the drying station group 101 Bilciuresti have been completed, works amounting to approx. 2.0 million EUR;
- In December 2021, the construction of a new drying station at 145 Bilciuresti group was completed, as well as the reconfiguration and modernization of the technological installations in the UGS. The value of these works was approx. 7.5 million EUR;
- During 2022, the modernization works of the technological installations within the Butimanu compression station were started. The works, worth approximately 3.0 million Euro, will be completed in 2023;
- During 2022, works were started for the drilling of 4 wells and for the related technological installations. The value of the works is about 13.7 million EUR, their completion being scheduled for 2023;
- Since 2021, the works for the modernization of the fiscal gas measurement system in the Bilciuresti UGS have been in progress. The works, worth approximately EUR 2.5 million, are to be completed in 2023.

Thus, for these investment objectives, which started in 2017, works amounting to a total of EUR 18.1 million have been completed by this date.

Stage of execution of the investment works included in Phase II

In the context of the new EU regulations, which require member countries to work together to identify potential disruptions in gas supply and to agree on joint actions that can prevent or eliminate the consequences of gas supply disruption, the project "Increasing the daily withdrawal capacity within the Bilciuresti UGS" was included in the Fifth List of Projects of Common Interest and declared eligible for funding with non-reimbursable funds at a rate of 35% of the total value of the works included in Phase II, amounting to 108 million EUR.

According to the current schedule, these works will be completed in 2027.

Estimated project development timetable.

Stages of development	Estimated Activity Start Date	Estimated Task Completion Date
Feasibility study		Completed
FID	2017	2017
Design Stage I	2018	2020
Technical documentation for obtaining building permits and obtaining the Phase I Building Permit	2018	2022
Tender and procurement documentation for the execution of works Phase I	2018	2022
Construction Phase I	2018	12. 2023
Commissioning/start of operation Phase I	09.2023	12. 2023
Tender and procurement documentation for design services Phase II	2020	01.2023
Design Phase II	2020	09.2023
Technical documentation for obtaining building permits and obtaining the Phase II Building Permit	2020	08.2023
Tender and procurement documentation for execution of works Phase II	06.2023	12.2023
Construction Phase II	01.2024	06.2027
Commissioning/start of operation Phase II	03.2027	06.2027

The total estimated value of the Phase I + Phase II project is EUR 142 million

Estimated completion date: 2027.

Benefits of project implementation

- Increasing the daily gas delivery capacity of the Bilciuresti UGS by 6 million m³/day, obtaining a total daily withdrawal capacity of 20 million m³/day;
- On all UGS operated by DEPOGAZ, the completion of the project will contribute to increasing the daily capacity of withdrawal from UGSs at national level by approx. 20%;
- Increasing the storage capacity by 108 million cubic meters/cycle, obtaining a total storage capacity of 1,418 million cubic meters/cycle.

2. Ghercesti UGS

In 2021, the "Feasibility Study" **Increasing the underground gas storage capacity in the Ghercesti deposit from 150 million cubic meters/cycle to 600 million cubic meters/cycle**" was completed. The total forecasted value of the project is 55 million Euro.

- At this time, the public procurement procedures for the services of elaboration of the technical design for the new facilities of compression, drying and fiscal measurement of gases are being completed.

- The design services shall amount to EUR 1.2 million and shall be carried out from DEPOGAZ's own sources.
- In order to carry out the works, DEPOGAZ will identify the necessary financing resources by attracting loans and external funds.
- The project to increase the underground gas storage capacity of the Ghercesti UGS is included in TYNDP 2022 (Ten Year Network Development Plan 2022), with the code "UGS-F-398 - Ghercesti underground gas storage in Romania".

Estimated project development timetable.

Stages of development	Estimated Activity Start Date	Estimated Task Completion Date
Feasibility study		2021
FID		2021
Tender and procurement documentation for design services	01.2022	07.2022
Design	07.2022	05.2023
Technical documentation for obtaining building permits and obtaining a Building Permit	03.2023	07.2023
Tender and procurement documentation for the execution of works	05.2023	12.2023
Construction	02.2024	08.2027
Commissioning/start operation	08.2027	11.2027

Total estimated value of investment: EUR 55 million

Estimated completion date: 2027.

Benefits of project implementation

- Increasing the daily gas injection capacity by 3 million m³/day, obtaining a total daily injection capacity of 5 million m³/day;
- Increasing the daily gas delivery capacity by 3 million m³/day, obtaining a total daily withdrawal capacity of 5 million m³/day;
- Increasing the storage capacity by 450 million m³/cycle, obtaining a total storage capacity of 600 million m³/cycle;
- On all UGSs operated by DEPOGAZ, the completion of the project will contribute to increasing the national storage capacity by approx. 16% and the daily capacity of withdrawal from UGSs at national level by approx. 10%.

3. Balaceanca UGS

In 2021, the "Feasibility Study for the storage of natural gas in the Balaceanca UGS" was completed. The study aims to use the multicycle UGS, to increase the daily gas delivery capacity of the Balaceanca UGS and to ensure a high degree of operational safety. The total value of the project is 36 million Euro.

- The project aims to use the multicycle UGS and increase the daily gas delivery capacity of the Balaceanca UGS up to 1.6 million cubic meters/day. In order to ensure a high degree of operational safety and to supplement the capacity of the existing gas infrastructure, it is necessary to modernize the existing facilities and to execute new surface facilities that will take over the additional flow and will ensure the necessary flexibility for the use of the multicycle UGS.
- From a technical point of view, the project consists of drilling new wells, upgrading existing wells and surface infrastructure, in accordance with the requirements of European safety and control standards, expanding, upgrading, and optimizing existing compression, separation and tax measurement installations.

Estimated project development timetable.

Stages of development	Estimated Activity Start Date	Estimated Task Completion Date
Feasibility study		2021
FID		2025
Tender and procurement documentation for PT design services	02.2025	06.2025
Design	07.2025	06.2026
Technical documentation for obtaining building permits and obtaining a Building Permit	04.2026	10.2026
Tender and procurement documentation for execution works	05.2026	11.2026
Construction	01.2027	10.2029
Commissioning/start operation	10.2029	12.2029

Total estimated value of investment: 36 million EUR

Estimated completion date: 2029*

**The implementation of the project according to the presented timetable depends on the available financial resources.*

Benefits of project implementation

- The completion of the project will contribute to the flexibility of the national storage system by using the multicycle UGS, while increasing the use of the UGS by 200%.

4. Sarmasel UGS

In 2021, the "Sarmasel UGS Feasibility Study" was completed. The study aims to develop the existing underground storage UGS in Sarmasel from a capacity of 900 million cubic meters/cycle to approx. 1,550 million cubic meters/cycle (an increase of 650 million cubic meters/cycle), the increase of the injection capacity by 4 million cubic meters/day, to a total of 10 million cubic meters/day, the increase of the withdrawal capacity by 4 million cubic meters/day, up to a total of 12 million cubic meters/day. The total value of the forecasted investments is EUR 163 million.

DEPOGAZ started the modernization works of the Sarmasel UGS in phases, as follows:

Phase I:

1. Modernization of existing wells;
2. Drilling 6 wells

Phase II:

1. Drilling 32 wells;
2. Extension of gas compression station
3. Extension of drying installations and gas metering;
4. Technological installations for injection/withdrawal wells;
5. Digitalization of the underground gas storage process
6. Renewable energy production system;
7. Connection to the National Gas Transmission System (SNT).

Estimated project development timetable.

Stages of development	Estimated Activity Start Date	Estimated Task Completion Date
Feasibility study		2021
FID Phase I		2021
Design Stage I	04.2022	05.2023
Technical documentation for obtaining building permits and obtaining the Phase I Building Permit	03.2023	12.2023
Tender and procurement documentation for the execution of works Phase I	10.2022	12.2023
Construction Phase I	02.2023	05.2025
Commissioning/start of operation Phase I	05.2025	07.2025
FID Phase II		2025
Tender and procurement documentation for design services Phase II	01.2025	07.2025
Design Phase II	07.2025	03.2026
Technical documentation for obtaining building permits and obtaining the Phase II Building Permit	04.2026	01.2027
Tender and procurement documentation for execution of works Phase II	04.2026	12.2026
Construction Phase II	01.2027	10.2029

Commissioning/start of operation Phase II	10.2029	12.2029
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Total estimated value of investment: 163 million EUR

Estimated completion date: 2026*

**The implementation of the project according to the presented timetable depends on the available financial resources;*

The project is conditioned by obtaining the agreements from Romgaz and NAMR for the transformation of two geological horizons into a UGS.

Benefits of project implementation

- Increasing the storage capacity from the capacity of 900 million m³/cycle to 1550 million m³/cycle;
- Increasing the injection capacity by 4 million m³/day, to a total of 10 million m³/day and increasing the withdrawal capacity by 4 million m³/day, to a total of 12 million m³/day;
- On all the UGSs operated by DEPOGAZ, the completion of the project will contribute to increasing the national storage capacity by approx. 23% and the daily capacity of withdrawal from UGSs at national level by about 14%.

5. Falticeni UGS

The project aims to develop a new underground storage facility in northeastern Romania (Moldova region).

Transformation into an UGS of one or more depleted fields of the following: Pocoleni, Comanesti, Todiresti, or Davideni.

Features:

- capacity of approximately 200 million m³/cycle;
- injection capacity of approximately 1.4 million m³/day;
- withdrawal capacity of approximately 2 million m³/day.

The project will consist of the following:

- gas compression station;
- drying and gas metering installations;
- technological installations for injection/withdrawal wells;
- injection/withdrawal wells;
- interconnection of UGS with NTS/ SNT;
- Inactive gas stock.

Estimated project development timetable.

Stages of development	Estimated Activity Start Date	Estimated Task Completion Date
Reservoir study – establishment of UGS	01.2024	08.2024
Tender and procurement documentation for SF design services	10.2024	01.2025

Feasibility study	02.2025	08.2025
FID	2025	
Tender and procurement documentation for PT design services	10.2025	02.2026
Design	03.2026	03.2027
Technical documentation for obtaining building permits and obtaining a Building Permit	02.2027	09.2027
Tender and works procurement documentation	02.2027	09.2027
Construction	09.2027	09.2030
Commissioning/start operation	10.2030	12.2030

Total estimated value of investment: 80 million EUR

Estimated completion date: 2030*

The implementation of the project according to the presented timetable depends on the available financial resources;

The project is conditioned by obtaining the agreements from Romgaz and NAMR for the transformation of a depleted deposit into a UGS.

Benefits of project implementation

- Ensuring storage capacity in an area lacking in terms of security of gas supply;
- Newly created storage capacity of 200 million cubic meters/cycle;
- On all the UGSs operated by DEPOGAZ, the completion of the project will contribute to increasing the national storage capacity by about 7% and the daily capacity of withdrawal from UGSs at national level by about 7%.

Achievements 2023

The stage of implementation of the gas storage system development projects contained in the INVESTMENT PLAN for 2019-2023 natural gas storage system is:

1. Upgrading the gas storage system infrastructure - Bilciuresti UGS

During 2023, the elaboration of the technical project regarding the Increase of the daily natural gas withdrawal capacity was completed and the works regarding the drilling of the 4 new wells in the Bilciuresti UGS were completed.

2. Increasing the underground gas storage capacity of the Ghercesti UGS

During 2023 it was completed the elaboration of the technical project for natural gas compression, drying and measurement installations to increase the underground gas storage capacity in the Ghercesti UGS from 150 million cubic meters/cycle up to 600 million cubic meters/cycle.

Also during 2023, the procurement procedure for the design phase of modernizations of 15 wells in the Ghercesti UGS was completed.

3. Increasing the underground gas storage capacity of the Sarmasel (Transylvania) UGS

During 2023, the tender book was posted on SEAP, the documents were analysed, and clarifications were requested from the bidders for the procedure for the procurement of drilling works for 6 new wells in the Sarmasel UGS and the modernization works for 12 existing wells on the structure were completed.

4. New underground gas storage facility in Falticeni (Moldova)

During 2023, the elaboration of an internal analysis of the candidate structure for transformation into a natural gas storage facility was started.

The development projects of the natural gas storage system are also included in the National Gas Transport System Development Plan for 2022-2031, approved by ANRE by Decision no. 1944/01.11.2022.

2.4. Key Performance Indicators

The financial and non-financial key performance indicators for the calculation of the annual variable component of the remuneration of the non-executive directors and the General Manager of SNGN Romgaz SA – Filiala de Îmagazinare Gaze Naturale Depogaz Ploiesti SRL during the period 2023-2027 were approved by the Decision of the Sole Shareholder no. 7/12.05.2023.

2.4.1. Key performance indicators for the calculation of the variable component of the remuneration of the General Manager - approved by the Decision of the Sole Shareholder SNGN Romgaz SA no. 7/12.05.2023.

a. Target values

No.	Key Performance Indicators (KPIs)	2023
Financial KPIs		
1	EBITDA [%]	13.43
2	Turnover (TO) [K RON]	526579
3	Outstanding payments [K RON]	0
4	Level of outstanding receivables (K RON)	1500
Operational KPIs		
5	Reserved capacity (%)	95
6	Implementation of the investment program [%]	85
Public service oriented KPIs		
7	Global Satisfaction Index/year [%]	95
Corporate governance KPIs		
8	Implementation / development of S.C.I.M. according to legal requirements [%]	90

b. Weighting coefficient of performance indicators

No.	Key Performance Indicators (KPIs)	Objective	KPI weight

Financial KPIs			45%
1	EBITDA [%]	Achievement of the target assumed through the Stewardship Plan	10%
2	Turnover (TO) [K RON]	Achievement of the target assumed through the Stewardship Plan	15%
3	Outstanding payments [K RON]	Falling within the level of approved annual income and expenses budget	10%
4	Level of outstanding receivables (K RON)	Falling within the level of approved annual income and expenses budget	10%
Operational KPIs			25%
4	Reserved capacity (%)	Achievement of the target assumed through the Stewardship Plan 95%	10%
5	Implementation of the investment program [%]	Achievement of at least 85% of the investment program approves annually in BVC	15%
Public service oriented KPIs			15%
6	Global Satisfaction Index/year [%]	Achieving the 95% Global Satisfaction Index target	15%
Corporate governance KPIs			15%
7	Implementation / development of S.C.I.M. according to legal requirements [%]	Achievement of $\geq 90\%$ of the S.C.I.M. development program	15%

2.4.2. Description of Key Performance Indicators for the calculation of the variable remuneration component

a. Financial Key Performance Indicators

a.1. ADJUSTED EBITDA

Name of indicator Marginal EBITDA %

Description: Ensuring the increase of the operating profit, the source of financing to support investments, ensuring the dividends due to the associate

Target value: Achievement of the EBITDA target assumed through the Management Plan

Check Mode: Quarterly and annual financial statements; Notes to the financial statements.

Indicator formula: Marginal EBITDA = Operating profit without depreciation/Operating income

Calculation method: Achieved Marginal EBITDA/Management Plan Marginal EBITDA *100

a.2. TURNOVER (TO)

Name of indicator Turnover

Description: Revenue from the provision of storage services, from the sale of products and other services

Target value: Achievement of the Turnover target assumed through the Management Plan

Check Mode: Quarterly and annual financial statements; Statement of profit and loss, Form F-20

Indicator formula: Total turnover in the Balance Sheet

Calculation method: Achieved turnover/ Turnover of the Stewardship Plan *100

a.3. OUTSTANDING PAYMENTS

Name of indicator Outstanding payments

Description: Compliance with the debt payment deadline

Target value: Falling within the level of approved annual income and expenses budget.

Verification method for NAFA Accounting Reporting - Form F30 - Informative data

Indicator formula: Outstanding payments < Outstanding payments approved in the annual income and expenses budget.

a.4. OUTSTANDING RECEIVABLES

Name of indicator Level of outstanding receivables

Description: Compliance with the collection deadlines provided for in the storage contracts

Target value: Falling within the level of approved annual income and expenses budget.

Check Mode: ANAF Accounting Reporting - Form F30 - Informative data.

Indicator formula: Realized outstanding receivables < Level of outstanding receivables approved in the annual income and expenses budget.

b. Operational Key Performance Indicators

b.1. RESERVED CAPACITY

Name of indicator Reserved capacity.

Description: Contract coverage of declared operational capacity

Target value: Reservation of 95% operational capacity

Check Mode: Address of the Commercial Service/ Monitoring of storage contracts

Indicator formula: Reserved contracted capacity/ Declared operational capacity *100.

b.2 IMPLEMENTATION OF THE INVESTMENT PROGRAMME

Name of indicator Implementation of the annual investment program

Description: Annual Program of Investments, endowments, and sources of financing, approved BVC Annex

Target value: 85% achievement of the Annual Investment Plan

Check Mode: Address of Development Service/ Balance Sheet

Indicator formula: Achieved Investment Plan/Approved Investment Plan *100

c. Public Service-Oriented Key Performance Indicators

c.1. OVERALL SATISFACTION INDEX/YEAR

Name of indicator Global Customer Satisfaction Index per year

Description: Customer assessment of the provision of storage services

Target value: Achieving the 95% Global Satisfaction Index target.

Check Mode: Annual Reporting - Form "Customer Satisfaction Degree" 09-F-16 Act.o

Indicator formula: Achieved Satisfaction Index Value/Assumed Satisfaction Index Value *100

d. Corporate Governance Key Performance Indicators

d.1. IMPLEMENTATION/ DEVELOPMENT OF THE INTERNAL MANAGERIAL CONTROL SYSTEM

Name of indicator Implementation/ development of IMCS according to legal requirements

Description: Implementation of the provisions of SGG Order no. 600/2018 on the approval of the Management Internal Control Code of public entities

Target value: Achievement of at least 90% of the SCIM development program

Check Mode: internal managerial control system development program, Annual report on the internal managerial control system - annex to the financial statements.

Indicator formula: Achieved target value/Approved target value *100.

2.4.3 Degree of achievement of Key Performance Indicators on December 31, 2023

Considering the target values of the performance indicators approved by the Sole Shareholder SNGN Romgaz SA in the Stewardship Plan for the period 2023-2027 of the Board of Directors of SNGN Romgaz S.A. - Filiala de Îmagazinare Gaze Naturale Depogaz Ploiesti SRL, by Decision no. 7/ May 12, 2023, performance indicators constituting an annex to the mandate contracts, their degree of achievement for the year 2023, is detailed as follows:

Achievement of indicators as of December 31, 2023 - General Manager

No.	Key Performance Indicators (KPIs)	Achieved value December 31, 2023	Target Values 2023 Approved	Degree of achievement	KPI weight	Weight %
1	EBITDA [%]	32.19	13.43	239.66	10%	23.97
2	Turnover (TO) [K RON]	550.278	526.579	104.50	15%	15.68
3	Level of outstanding receivables (K RON)	2.007	1.500	0.00	10%	0.00
4	Outstanding payments [K RON]	0	0	100.00	10%	10.00
5	Implementation of the investment program [%]	96.34	85	113.34	15%	17.00
6	Reserved capacity (%)	104.05	95	109.53	10%	10.95
7	Global Satisfaction Index/year [%]	99.62	95	104.86	15%	15.73

8	Implementation/development of IMCS. according to legal requirements [%]	90	90	100.00	15%	15.00
						108.32

Calculation of Key Performance Indicators for 2023:

- The turnover TO for 2023 was 550.278 thousand lei;
- Regarding the outstanding payments, DEPOGAZ did not register any outstanding payments in 2023.
- EBITDA = Total operating income - (total operating expenses - amortization) =
= 550.431 - (386.942 - 13.673) = 177.162 thousand lei
- EBITDA (%) = (EBITDA/Total operating income) × 100 =
= (177.162/550.431) × 100 = 32.19%

**For the calculation of EBITDA, the values from the forms F20 "Profit and Loss Account" and F30 "Informative Data" were used*

Turnover	550.278
Operating revenue	550.431
Operating expenses	386.942
Depreciation	13.673
	177.162
EBITDA %	32.19
Reserved Capacity MWh as at 31.12.2023	31952422
Declared operational capacity	30709000
Reserved capacity %	104.05
Investment program 2023	112.090
Achieved on December 31, 2023	107.988
%	96.34

• **Public service oriented KPIs *Customer satisfaction degree***

In the storage cycle 2023 - 2024, within the specialized organizational unit (Commercial Department), the commercial activities for the 63 beneficiaries of the storage services were managed. 99 storage contracts and 170 addenda related to the contracts were drawn up.

The operational procedure "CUSTOMER SATISFACTION ASSESSMENT" is applied within the Commercial Department.

The procedure sets out how information relating to the customer's perception of the satisfaction of its requirements is obtained and used.

Customer satisfaction assessment consists of three main steps:

- Collecting data and information on customer satisfaction and customer perception of the organization's performance.

- For this purpose, the "Customer Satisfaction Degree Assessment Questionnaire" is sent annually to customers.
- Assessment of customer responses, interpretation of results and transmission of the "Customer Satisfaction Degree Assessment Sheet" to the Integrated Management Office.

On 07.12.2023, the "Customer Satisfaction Assessment Questionnaire" was sent to the beneficiaries of the storage services.

As a result of the assessment of the responses and the preparation of the "Customer Satisfaction Degree Assessment Sheet," resulted an overall satisfaction index/year of **99.62%**.

The specific objective in 2023 of the Commercial Service was "Increasing customer satisfaction degree".

The Key Performance Indicator "Global Satisfaction Index/year for 2023 had the target value of **95%**.

Assessment of the General Manager

During the meeting of the Nomination and Remuneration Commission dated 26 February 2020, the Assessment Policy of the Board of Directors of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL was approved, the document being approved by the Decision of the Board of Directors no. 4/ 26 February 2020.

For 2023, at DEPOGAZ level, the assessment process of the General Manager of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL was applied based on a questionnaire model developed according to the corporate governance principles and criteria, as well as on the legal regulations in force. The applicable questionnaire is found in Annex no. 2 of the Assessment Policy of the Board of Directors, approved by the Decision of the Board of Directors no. 4/26.02.2020.

At the meeting of the Nomination and Remuneration Commission on March 6, 2024, the assessment of the General Manager for 2023 was approved, according to the aforementioned assessment questionnaire.

The assessment resulted in the following conclusions:

- The objectives and key performance indicators for 2023 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 Non-executive Directors for 2023 have been fulfilled;
- The General Manager demonstrated vision in the correct anticipation of business trends, participated in the coherent and consistent establishment and implementation of the assignment, vision and value position of the company;
- Maintained the strategic human resources team and facilitated teamwork to achieve the objectives;
- Has demonstrated standards of integrity, ethics, and honesty;
- With regard to the implementation of the strategy, the General Manager has established objectives, action plans, processes, and procedures for the proper implementation of the management and administration plan;
- Delegated competences to the heads of organizational units proportionally and aligned with the assigned responsibilities;

- The General Manager has implemented a functional organizational structure designed to achieve the objectives;
- Monitored the performance, effectiveness and quality of the decisions taken by the managers of the organizational units in the exercise of competences and monitored the process of implementing personal responsibility at all levels in the organization;
- He has ensured that the operations of the Company comply with the applicable legal provisions;
- Regarding the relationship with the Board of Directors and the Sole Shareholder, the General Manager has established a good relationship of collaboration with all the members of the Board, as well as with the Sole Shareholder, demonstrating the implementation will of their terms/ recommendations. The General Manager ensured the provision of the necessary information in time, at the required quality level and presented recommendations accompanied by in-depth assessments based on the principles included in the company's policies;
- The General Manager has ensured effective, efficient, and unbiased communication in the relationship with the Sole Shareholder (AU);
- He communicated to stakeholders, at least 2 times/year, the financial and non-financial performance of the Company;
- He managed communication with the media in a professional manner;
- He developed a climate of permanent dialogue in relation to trade unions, ensuring the best level of employee satisfaction within the limits of the allocated budget;
- He has put in place personnel procedures, including but not limited to promotion and remuneration procedures based on the criteria of professionalism and proven results, the result of which aims at teamwork, in order to achieve common objectives.
- He has had a great and stable performance through a prudent management policy in line with market developments. The volume of responsibility should also be delegated to the team in a manner that ensures that performance is maintained.

Subsemnata, Epure Livia interpret si traducător autorizat pentru limbile străine engleză/ franceză în temeiul autorizației nr. 24325 din data de 17.11.2008, eliberată de Ministerul Justiției din România, certific exactitatea traducerii efectuate din limba română în limba engleză, că textul prezentat a fost tradus complet, fără omisiuni, și că, prin traducere, înscrisului nu i-au fost denaturate conținutul și sensul.

Înscrisul a cărui traducere se solicită în întregime are, în integralitatea sa, un număr de 70 pagini, poartă titlul „**RAPORT EVALUARE ACTIVITATE DIRECTOR GENERAL 2023**”, a fost emis de **DEPOGAZ** și mi-a fost prezentat mie în întregime pe e-mail.

Traducerea înscrisului prezentat are un număr de 71 pagini și a fost efectuată potrivit cererii 1920/15.05.2024, păstrate în arhiva subsemnatei. S-a încasat onorariul conform Contract Cadru nr. 1597/15.05.2024. (EL99/15.05.2024)

Interpret și Traducător Autorizat/ Certified Interpreter and Translator
Epure Livia