

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

Nr.4870/10.04.2023

Assessment Report regarding the General Manager's Activity for 2022



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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 2022, based on the Report of the General Manager for 2022, approved by HCA no. 7 dated 21.04.2023

Chair of the Board of Directors

STĂNESCU NICOLAE BOGDAN CODRUȚ

Document approved by the Decision of the Board of Directors no 7 dated 21.04.2023

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1. Company Presentation

The context of the development of the current strategic document is the relevant legislation at European and national level in the field of corporate governance of public enterprises, namely Emergency Ordinance no. 109/2011, approved by Law no. 111/2016, as subsequently amended and supplemented, and GD no. 722/2016 for the approval of the Methodological Norms for the application of some provisions of Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises.

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 90.23% 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 within 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 existing gas storage capacities and increasing safety and flexibility level, including through the multi-cycle use of storage capacities, thus contributing 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;
- Promoting 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

- **Continuous improvement, adaptability, and continuous growth;**
- **Social responsibility and respect for the environment;**
- **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.
- **Professionalism and 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 partners and customers.

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.), in which SNGN Romgaz SA is a 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. Ghe. 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 activity | NACE Class 0910 - Services activities incidental to the withdrawal of crude oil and natural gas* |
| Class of the secondary activity | 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 in SNT.

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 strategic objectives assumed by the administrators and management through the Company's Management Plan, a plan that includes the management 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 Management Plan for the period 2018-2022 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, performing management and implementation and development of corporate governance principles.

2.1. Objectives

2.1.1. Administration component

The administration component of the Management Plan for the period 2018-2022 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, and Government Decision no. 722/2016 for the approval of the Methodological Norms for the application of provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, by the Board of Directors of SNGN Romgaz SA – Filiala de Îmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL (Gas Storage Subsidiary DEPOGAZ Ploiesti SRL) appointed by the Decision of the Sole Shareholder no. 161/18.09.2018.

The administration component of the Management Plan was approved by the Decision of the Board of Directors no. 15/11.10.2018.

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.

2.1.1.1. Strategic Objectives

The company's strategic objectives for the period 2018-2022 are formulated in order to capitalize on the opportunities and strengthen the existing strengths at DEPOGAZ level.

- A. Increasing the daily withdrawal capacity from storage facilities
In order to achieve this objective, DEPOGAZ has proposed "Modernization of the infrastructure of the Bilciuresti UGS gas storage system."
- B. Increasing the gas storage capacities in existing underground storage facilities
In view of achieving this objective, DEPOGAZ has proposed to update the feasibility studies on:
- Increasing the underground storage capacity of natural gas in Sarmasel storage facility from 900 million m³/cycle to 1,550 million m³/cycle – Step II
 - Increasing the underground storage capacity of natural gas in Ghercești facility from 150 million m³/cycle to 600 million m³/cycle – Step II
- C. Conversion of newly 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;
 - Elaboration of a feasibility study for the transformation into a underground storage facility of a reservoir located in the south-western area of Romania (OLTENIA) with an active capacity of approx. 400 million cubic meters/cycle.

2.1.1.2. General Objectives

1. Optimising, development, and diversification the underground storage of natural gas by reconsidering its importance to ensure security of continuity and flexibility in gas supply.
2. Increasing the storage capacity.
3. Increasing the performance of the Subsidiary.
4. Increasing the efficiency of underground storage facilities in order to improve the natural gas withdrawal capacity.
5. Increasing the daily withdrawal capacity from storage facilities, through investments that reduce dependence on natural gas imports.
6. Optimization and improvement of the organizational structure of the Subsidiary.
7. Expanding the activity of the Subsidiary at regional level by identifying new business opportunities.
8. Strengthening the position in the markets for the provision of underground gas storage services.
9. Implementation of corporate governance and a code of ethics and integrity.
10. Developing risk reporting, control, and management capabilities.
11. Responsible and active involvement in corporate social responsibility actions.

2.1.2. Management Component

The management component of the Management Plan for the period 2018-2022 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, and of Government Decision no. 722/2016 for the approval of the Methodological Norms for the application of provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, by the General Manager of DEPOGAZ appointed by the Decision of the Board of Directors no. 17/09.11.2018.

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 (Gas Storage Subsidiary 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, starting with 28.11.2022, ending with this Mandate Contract.

In 2022, the General Manager of the company has the attributions stipulated in the Mandate Agreement no. 228/15.11.2018, 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 Management 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 approval;
- 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 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 2018-2022 Management Plan was based on the managerial vision of the General Manager for the strategic development of DEPOGAZ during 2018 – 2022, based on the evolution to date of the natural gas storage activity, 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, operator that provides quality services to customers and meets the expectations of stakeholders, responsible economic operator towards society and the environment, under conditions of sustainable development.

The Management Component of the 2018-2022 Management Plan was approved by the Decision of the Board of Directors no. 19/04.12.2018.

The Management Component of the 2018-2022 Management 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 expected results.

The Management Component of the 2018-2022 Management Plan was drafted based on the strategic goals and objectives of DEPOGAZ 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 Management Component, the Management of DEPOGAZ took into account 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.

The strategic objectives of DEPOGAZ for the period 2018-2022 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.

2.1.2.1. Strategic lines of action

I. Increasing the performance of the Subsidiary

Strategic directions:

- ✓ Rational use of the company's financial resources by substantiating, tracking and analysing budget implementation;
- ✓ Increasing the profitability of the activity through the efficient use of material, human and financial resources;
- ✓ Optimizing operating expenses and maintaining a level of growth below the operating income growth index;
- ✓ 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;
- ✓ 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:

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.

Human Resources management:

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

On 1 January 2022, the Subsidiary had 501 employees.

Evolution of the number of employees of the company in the period January 01 - December 31, 2022:

| Specifications | 2022 |
|---|-------------|
| Number of employees at the beginning of the period | 501 |
| Number of new employees | 31 |
| Number of persons who have ceased employment with the Subsidiary | 24 |
| Number of employees at the end of the period | 508 |

Personnel structure at the end of 2022 is as follows:

a) By educational background

- Higher education 186
- Secondary education 181
- Others 141

b) Age distribution

- Under 30.....51
- 30 – 40.....83
- 40 – 50.....124
- 50 – 60.....229
- Over 60.....21

c) By activities – 100% gas storage

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

| Entity | Workers | Foremen | TESA | Total |
|-------------------------|----------------|----------------|-------------|--------------|
| Headquarters | 22 | 0 | 159 | 181 |
| Craiova Workshop | 50 | 3 | 5 | 58 |

| | | | | |
|---------------------------------|------------|-----------|------------|------------|
| <i>Transylvania Workshop</i> | 19 | 3 | 4 | 26 |
| <i>South Storage Department</i> | 91 | 7 | 7 | 105 |
| <i>Compression Department</i> | 115 | 15 | 8 | 138 |
| TOTAL | 297 | 28 | 183 | 508 |

During 2022 (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 requirements, for the employees of the Subsidiary.

As a result, during this period, **297 employees** attended training courses, their expenses being of **RON 239,884.52**.

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

- 222 persons participated in professional training programs with specialized themes imposed by the nature of the activity;
- 75 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:

- Implementation of the National Standards for the Protection of Classified Information in Romania; knowledge of the procedures for accreditation of information systems processing classified information; treatment of security incidents; implementation of an effective information security system; ways to combat cyber-attacks, by participating in the training program with the theme "Cyber-Security and Classified Information;"
- Analysis of investment projects in terms of expected return; understanding how to use the elements of financial forecasting and the issue of sustainable growth; organizing the activity on cost and profit centres, by participating in the refresher course with the theme "Finance for non-specialists;"
- The unitary application at DEPOGAZ level of the provisions contained in the normative acts with an impact on the procedures for awarding sectoral contracts – namely the award of works, services, and products contracts, by the participation of the personnel directly involved in the refresher course with the theme "Public procurement expert;"
- Acquiring practical skills for the correct implementation of the provisions of Decision no. 1269/2021 regarding the approval of the National Anticorruption Strategy 2021-2025 and the related documents;
- Knowledge of the essential elements of effective communication and the structure of the communication process, understanding the parties and overcoming the communication bottlenecks, by participating in the refresher program with the theme "Communication skills;"
- Compliance with the provisions of art. 10(1) of Law no. 319/2006 on occupational safety and health, as subsequently amended and supplemented, as well as of Decision no. 74/21.03.2022 issued by the General Manager of DEPOGAZ, by the participation of the staff involved in the training course with the theme "First Premedical Aid";
- Training of the personnel within the Development-Supervision Department regarding the tracking and control of the works performed on site, by participating in the IWCF certification course – level IV held within UPG Ploiesti;

- Compliance with the minimum training requirements in the field of occupational safety and health, corresponding to the upper level, in accordance with the legislation in force, by the participation of the employees directly involved in the process in the program with the theme "Risk Assessor and Auditor in Occupational Safety and Health";
- Increasing the level of anti-corruption education, knowledge and understanding of integrity standards by employees, through the participation of 15 employees in the refresher course on "Ethics and organizational integrity";
- Acquiring the changes in the legal and fiscal regime through the participation of the specialized personnel in the seminar on "Taxation – changes in the tax regime brought by the Government Ordinance 16/2022 – legal and tax regulations applied from 18.06.2022 and 01.01.2023";
- Meeting the legislative requirements in the field of annual professional training of internal public auditors, through the participation of employees involved in the field in the specialization seminar "Audit of the accounting system;"
- The possibility of accessing non-reimbursable funds through the CEF ENERGY 2022 mechanism for the project of common interest promoted by DEPOGAZ – "Increasing the daily withdrawal capacity within the Bilciurești UGS"- CODE 6.20.7, as well as Regulation 2018/1046 of the European Parliament and of the Council on the Financial Rules applicable to the general budget of the Union, by the participation of the employees directly involved in the process in the refresher course on "Project Management";
- Increasing the level of professional training of employees who carry out activities specific to the field of natural gas withdrawal/compression, in conjunction with the requests of the Southern Gas Compression and Storage Sections, included in the Annual Vocational Training Plan for 2022, approved and registered with the number 13732/17.12.202, by the participation of 55 employees in the training courses on "Natural gas compression", respectively "Operator in the withdrawal, treatment, transport and distribution of gas";
- Efficient organization of the DEPOGAZ maintenance program through the participation of the personnel involved in the training program on the implementation of the "Maximo Asset Management" application produced by IBM;
- Reducing the impact of corruption on employees, increasing the level of anti-corruption education, knowledge and understanding of integrity standards by employees, through the participation of 12 employees in the refresher course on "Implementing the National Anti-Corruption Strategy";
- For the staff, whose authorizations expire, participation in seminar and/or examination programs in order to extend/obtain 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 2022.

Within DEPOGAZ there are two **trade union organisations**, namely: "Sindicatul Liber Romgaz"(Romgaz Free Trade Union), which is composed of 75 members and "Sindicatul Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești" (Ploiesti Natural Gas Storage Subsidiary Union), which is composed of 418 members.

Thus, the total number of union members in the company is 493 out of the total number of employees of 508, resulting in a degree of unionization of 97.04%.

Relations between manager and employees: as of June 1, 2022, a new Collective Bargaining Agreement has entered into force following negotiations with the "Depogaz Ploiesti Natural Gas Storage Subsidiary Union", 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.

Risk management:

- Designing, implementing, and strengthening the performing managerial internal control system by developing the Program for the development of the managerial internal control system, which is updated annually. The development program includes the objectives of the Subsidiary in the field of internal managerial control, depending on the stage of its implementation and development, and at the level of each internal managerial control standard are established activities, responsibilities, and deadlines, as well as other relevant elements in the implementation and development of the internal managerial control system.

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 risks of the public entity;
- identifying significant/strategic risks, which may affect the effectiveness and efficiency of the activities related to the specific objectives, without ignoring the rules and regulations, trust in 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;
- reducing the vulnerabilities of the Subsidiary by implementing a risk management according to its risk profile, namely the realization of the Risk Register, the Risk Profile, and the Implementation Plan of the control measures;
- Developing a risk management culture at the level of the Subsidiary by implementing and developing an efficient risk management system, as an integral part in the decision-making process.

At the DEPOGAZ level, following the self-assessment for 2022, the Report on the internal management control system on 31 December 2022 – Annex 4.3 – OSG no. 600/2018 was prepared by the General Manager, document containing the following specifications:

- *The Monitoring Committee is functional;*
- *The program for the development of the internal management control system is implemented and updated annually;*
- *The risk management process is organized and monitored.*
- *The Depogaz Risk Register is updated annually and whenever necessary.*
- *The documented procedures are elaborated in proportion of 100% of the total inventoried procedural activities;*
- *The performance monitoring system has been established and evaluated for the objectives and activities of the entity, through performance indicators.*

- Within the public entity there is the Internal Public Audit Office, which is functional and consists of two persons.

The report provides a clear picture of the stage of implementation and development of the Subsidiary's internal control system. Based on the results of the self-assessment on December 31, 2022, the internal management control system of SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL (SNGN ROMGAZ SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiesti SRL) complies with the standards contained in the Internal Management Control Code.

Integrated Management System:

Following the successful completion of the recertification process, SRAC granted DEPOGAZ the certificates attesting the conformity of the management system implemented in the organization. These were posted on the DEPOGAZ website at <https://www.depogazploiesti.ro/ro/despre-noi/sistem-management-integrat>.

I. Carrying out the measures ordered by the General Manager following the Management Review

| N° Item | Recommendations/measures ordered in the internal audit | Done | | |
|------------|---|------|----|-------------|
| | | Yes | No | In progress |
| 1. | Correlation of risks identified in procedures/instructions, by activities, with risks identified in the Risk Register 00R-071 | x | - | - |
| 2. | Analysing the objectives identified by each organizational unit | x | - | - |
| 3. | Review of applicable documents (procedures/instructions/forms, etc.). | x | - | - |

II. Field of improvement recommended by SRAC CERT following external audit.

| | Referenc e | Improvement Area | Activity/ Area | Term | Done | |
|----|------------------------|---|--|----------------|-------------|----|
| | | | | | Y e s | No |
| 1. | ISO 14001 ISO 45001 | Review the process of assessing compliance with applicable legal requirements taking into account the manifestations of compliance obligations risks, as well as process monitoring and measurement | Environment/OSH /ES/ Process Owners | 15.10. 2022 | x | |

III. Maintain and continuously improve the Integrated Management System (IMS) documentation in accordance with the standards, legal requirements, and other requirements to which DEPOGAZ has subscribed.

The system (IMS) provides quick access to consult any procedure/instruction and facilitates the quick creation, modification, and communication of procedures/instructions to personnel.

Once issued and implemented, the procedures/instructions must, on the one hand, be permanently updated with the applicable legislative changes/standards and, on the other hand, be adapted to the economic evolution of company.

The main objective is the maintenance and continuous improvement of the Integrated Management System (IMS) developed within DEPOGAZ, according to SR EN ISO 9001:2015, SR EN ISO 14001:2015, SR ISO 45001:2018 and the adaptation of its processes and related documentation to the new organizational structure, in order to ensure its operation and effectiveness, according to the defined organizational context.

Objective achieved by:

- *Appointment by Decision of a Management Representative at the highest level for the Integrated Management System of DEPOGAZ;*
- *the appointment by decision of the Process Owners of the Integrated Management System;*
- *the appointment by decision of the Department Officers of the Integrated Management System (IMO);*
- *appointing by decision the persons responsible for determining and monitoring the normative acts;*
- *Harmonization of integrated management system documentation by:*
 - *continuing the process of drafting/reviewing the entire IMS documentation of DEPOGAZ;*
 - *harmonization of responsibilities in IMS documents;*
 - *continuing the process of harmonization of the legislation at the company level by permanently monitoring the occurrence and/or modification of the normative acts governing the specific activity, or with an impact on the DEPOGAZ activities, by centralizing them in the Matrix of applicability of the legislation in the field of activity/processes, code: 00F-092.*
 - *continuing the documentation training process (procedures/instructions).*
- *reviewing the strengths, weaknesses, opportunities, and threats (PESTEL Analysis) in 2022 taking into account the strategic role of DEPOGAZ;*
- *Reassessment of environmental aspects, how risks and opportunities relating to environmental aspects to prevent and limit their consequences on the work of DEPOGAZ are identified in:*
 - *list of identified environmental aspects and associated impacts/locations of DEPOGAZ;*
 - *SWOT analysis to identify the risks and opportunities of the environmental management system;*
 - *SWOT analysis to identify the risks and opportunities of the occupational health and safety management system.*

In order to avoid situations in which IMS documents may become unenforceable, to eliminate the confusion of responsibilities and to eliminate potential errors in the implementation process, the heads of the organizational units involved fill in the Application form for the elaboration/modification of a document, code: 00F-014, which I submit to the Process Owner (Directorate Manager) for approval.

Documents of the Integrated Management System analysed by the auditors within the Integrated Management Office that require revision.

| No. of Procedures/ Recommended instructions for modification | Number of requests for drafting/ amending a document, code: 00F-014 | Procedures/ instructions developed/ modified from the total recommended documents in the IMS audit. | Procedures/ instructions approved by the General Manager | Procedures/ instructions at work |
|---|--|--|---|---|
| 54 | 39 | 39 | 39 | 15 |

IV. Identification of direct and indirect environmental aspects and determination of significant environmental aspects

Within the scope of the Integrated Management System implemented within the organization, the environmental aspects of its activities, products, and services that it can control and those that it can influence, as well as the environmental impacts associated with them, from a life cycle perspective, have been determined, according to the procedure PS-12 Identification and assessment of environmental aspects.

When determining environmental aspects, the Integrated Management Office, in collaboration with the organizational units, takes into account:

- a) all activities and sub-activities related to the processes included in the scope of the IMS, in all foreseeable and probable operating situations (normal, abnormal, and emergency situations).
- b) materials, goods, and services that are likely to generate environmental impacts and are supplied through suppliers.
- c) whenever significant changes occur (new activity/cessation of activity, upgrades, changes in technology, new materials, replacement of old equipment with other performances, work equipment, chemical substances or preparations used, modified legal requirements and other requirements to which DEPOGAZ subscribes, etc.) within a process.
- d) unintended products (emissions into the atmosphere, discharges of wastewater, waste, noise, vibration, etc.) that produce or may produce environmental impacts, for normal, abnormal, and emergency operation situations.

The organization shall keep documents relating to:

- its environmental aspects and their associated impacts;

- the criteria for use to determine its significant environmental aspects;
- its significant environmental aspects.

The assessment of the identified environmental aspects is made using the assessment criteria from the form "Algorithm for assessing the significance of the environmental aspect," code: 00F-130, according to procedure PS-12 Identification and assessment of environmental aspects for each site.

| Item No. | No. of locations/determined aspects. | Determined environmental aspects | Significant environmental aspects |
|-----------------|---|---|--|
| 1. | 8 | 12 | - |

Environmental aspects that exceed the determined threshold, in the assessment, are considered significant environmental aspects (ASM) for which DEPOGAZ will establish measures and solutions and will be taken into account in setting the objectives, as well as in the elaboration of the "Programme of Actions to Achieve the Environmental Objectives," code: 00F-129.

Depogaz did not cause significant environmental issues.

V. Internal audit on DEPOGAZ Integrated Management System

Following the completion of the recertification process, SRAC recommended an area of improvement that has become the objective of the Integrated Management Office.

Taking into account the scope of improvement, the provisions of SR EN ISO 9001:2015, SR EN ISO 14001:2015, SR ISO 45001:2018 and the applicable legal requirements, the Integrated Management Office has drawn up the Quality-Environment-Health and Occupational Safety Internal Audit Program for 2022 approved by the Director Quality, OSH, Environment and approved by the General Manager.

➤ **Audit objective and criteria**

| Audit objective | Audit criteria |
|------------------------|-----------------------|
|------------------------|-----------------------|

| | |
|---|--|
| <p><i>Assessment of compliance with applicable legal requirements taking into account:</i></p> <ul style="list-style-type: none"> - <i>manifestations of risks on compliance obligations that need to be monitored and measured in the activity/process;</i> - <i>monitoring, measurement, and assessment methods required.</i> | <ul style="list-style-type: none"> - <i>Relevant stakeholders; relevant stakeholder expectations and needs:</i> - <i>Laws; permits, licenses or other forms of authorization; orders issued by regulatory agencies; treaties, conventions, and protocols; relevant standards; contracts that have been concluded; agreements with public authorities or customers, organisational requirements; commitments relating to the environment, health, safety at work, energy management;</i> - <i>Procedures/instructions applicable to the audited organisational unit;</i> - <i>PS -09 Identification and evaluation of compliance obligations;</i> - <i>List of normative acts, code: 00F-091:</i> - <i>Legislation matrix 00F-092</i> |
|---|--|

➤ **Planned audits.**

| Number of planned audits | Number of audits performed | Non-conformities | Number of referrals | Goal achievement status |
|---------------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------------|
| 43 | 43 | - | 70 | 100% |

The recommendations are identified in the management analysis carried out by the Board of Directors of the Integrated Management System of Depogaz on 06.10.2022.

The indicator of achievement of the objective is analysed in the end-of-year meeting of the Board of Directors of the Integrated Management System.

The audit conclusions should establish the organization's ability to meet legal requirements.

VI. Management review carried out by the General Manager of DEPOGAZ

The process is carried out under the direct guidance of the General Manager according to the procedure 04PO-01 Management Review.

The analysis was carried out by the Board of Directors of the Integrated Management System of DEPOGAZ to assess the capability of the integrated management system to continue to meet the requirements of the standards SR EN ISO 9001:2015, SR EN ISO 14001:2015, SR ISO 45001:2018.

The measures necessary for the maintenance and development of the IMS that can be identified in Chapter II 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.

The Management Review Report is based on the results of the monitoring of the processes contained in the Integrated Management System implemented within DEPOGAZ and the evidence provided by the internal and external audit reports.

VII. External Surveillance Audit

The surveillance audit carried out by the certification body SRAC CERT took place between 10 and 14.10.2022, according to Audit Plan no. 1/03.10.2022.

The auditors of the Integrated Management Office regularly participated in the audits carried out by the team of auditors of SRAC CERT.

DEPOGAZ must take into account that the signatures of the external auditors do not in any way engage personal responsibility in case of incidents, accidents or errors committed by the organization, after carrying out the external audit.

The General Manager of DEPOGAZ has demonstrated that he supports the activity of the Quality, OSH, Environment Directorate, implicitly of the Integrated Management Office and provides all the necessary resources to maintain and continuously improve the effectiveness of the Integrated Management System for quality - environment - health and safety at work.

➤ **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 |

➤ **Audit team conclusions:**

The audit was carried out properly, according to the provisions of the contract concluded with SRAC CERT, in compliance with the applicable SRAC CERT procedures.

Certification implies compliance of the management system with the reference standards and does not imply compliance with the laws in force, the implementation of which is the sole responsibility of the organization. Management standards require the organization to meet all applicable legal and regulatory requirements within the management system.

During the external audit, the staff of the organization cooperated with the audit team and presented objective evidence of the audited activities.

The management system implemented shall comply with the requirements of the reference standards and shall operate effectively.

DEPOGAZ MAINTAINS ITS CERTIFICATIONS.

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

Strategic directions

- 1. Increasing the total storage capacity so as to provide security, continuity, and flexibility in natural gas supply by:**
 - a. Capacity building by increasing capacity, according to an investment program carried out for a period of 5 years, respectively 20 years, taking into account the evolution of the natural gas market.
 - b. Developing the daily withdrawal capacity from underground storage facilities, ensuring Romania's energy independence;
 - c. Developing the storage capacity in order to play an important role in the SE area of Europe.
- 2. Ensuring high flexibility in offering new services on the storage market by:**
 - a. Implementation of multicycle services;
 - b. Carrying out hourly withdrawal/injection services so that the DEPOGAZ service recipients can also have flexibility in delivering natural gas to their customers.
- 3. Making new underground storage facilities so as to ensure the security of supply of areas deficient in terms of natural gas supply, namely:**
 - a. Moldova area – supplying the north-eastern area of the country and providing natural gas to the Republic of Moldova;
 - b. S-W area of Romania and possibly the natural gas supply of Serbia and Bulgaria;
 - c. Reducing Romania's dependence on natural gas supply to import gas;
 - d. DEPOGAZ to become a major regional player in the South-Eastern part of Europe.

Forecasted Investment Program of the Natural Gas Storage System 2018-2022

The natural gas market in Romania is a relatively mature market and one of the most developed at European level in terms of annual consumption, available reserves and underground gas transmission, distribution, and storage infrastructure. At the same time, Romania is among the few European states with a low degree of dependence on external gas sources to cover domestic consumption, most of the natural gas consumption being covered by domestic production.

Currently, in Romania there are 6 storage facilities, arranged in depleted storages, of which DEPOGAZ Ploiesti operates 5, with a storage capacity of 2,770 billion m³.

At national level, the ratio between the work gas volume and the annual consumption was about 24.95% in 2020, located in the first half of the ranking of values practiced in Europe, according to the latest information published on the website www.anre.ro, in the *Annual Report ANRE 2020*.

In 2020, the ratio between the volume of stored gas and the working volume of storage warehouses was 94.03%, according to the latest information published on the website www.anre.ro, in the *Annual Report ANRE 2020*.

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, 2022 - March 31, 2022) | Tariff (April 01, 2022 - December 31, 2022) |
|--|--|--|---|
| Capacity reservation tariff for underground gas storage services | RON/MWh/annual underground storage cycle | 9.31 | 11.44 |
| Natural gas injection tariff | lei/MWh | 2.29 | 4.50 |
| Natural gas withdrawal tariff | lei/MWh | 1.74 | 3.48 |

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 90.23% of Romania's total storage capacity.

The capacity of underground storage facilities operated by DEPOGAZ as of 1 January 2021 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] |
| Bălăceanca | 50 | 0535 | 1200 | 12840 | 1000 | 10700 |
| Bilciurești | 1310 | 14017 | 14000 | 149800 | 10000 | 107000 |
| Ghercești | 150 | 1605 | 2000 | 21400 | 2000 | 21400 |
| Sărmășel | 900 | 9630 | 7500 | 80250 | 6500 | 69550 |
| Urziceni | 360 | 3852 | 4500 | 48150 | 3000 | 32100 |
| Total | 2770 | 29639 | 29200 | 312440 | 22500 | 240750 |

Balaceanca storage facility

Balaceanca structure is located about 4 km from Bucharest.

The fixed assets competing in 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 storage facility

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

The fixed assets competing in the gas storage process are as follows:

- 61 wells of which 57 injection/withdrawal wells, 3 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 57 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;
 - ✓ wastewater injection station.

Ghercesti storage facility

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

The fixed assets competing in 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 storage facility

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 competing in 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 storage facility

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

The fixed assets competing in 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.

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

| | |
|----------------------------------|--|
| Project No. and Name | <u>1. Modernization of Bilciuresti UGS</u> |
| Purpose | The project aims to increase the daily gas delivery capacity in Bilciurești storage facility up to 20 million m ³ /day and to ensure an increased degree of operational safety. |
| Required investment works | <ul style="list-style-type: none"> • Modernization of separation, measurement, and drying facilities in Bilciuresti groups; |

| | |
|--|--|
| | <ul style="list-style-type: none"> • Systematization and modernization of piping system and cooling system of Butimanu Compression Station; • Modernization of 19 injection/withdrawal installations; • Drilling 4 new wells; • Gas pipeline 16" Bilciuresti –Butimanu |
| Estimated completion time: | 2025 |
| Estimated total value | RON 271.15 million |
| Project progress status in 2022 | <p>During 2022:</p> <ul style="list-style-type: none"> • The works on the drilling of wells L1, L2, L3 and L4 related to the Bilciurești UGS were started. • The procurement procedure of the intellectual services for the elaboration of the "Business Plan and Cost-Benefit Analysis" and "General Estimate Update," corresponding to the project "Study on the analysis of the possibilities of increasing the daily natural gas withdrawal capacity in the Bilciurești UGS," was completed. • In order to access non-reimbursable funds, within the CEF-Energy 2022 Project Call, the project with PIC CODE 6.20.7 - Increasing the daily withdrawal capacity within the Bilciurești UGS was enrolled. The project was successfully assessed, thus obtaining a non-reimbursable financing of approximately EUR 38 million, respectively 35% of the eligible costs presented in the Cost-Benefit Analysis of the Project. |

| | |
|--|--|
| Project No. and Name | <u>2. Modernization of Urziceni UGS</u> |
| Purpose | The project aims to maintain the daily gas delivery capacity from the Urziceni UGS and to ensure an increased degree of safety in operation. |
| Required investment works | <ul style="list-style-type: none"> • Modernization of 8 injection/withdrawal installations; • Drilling 2 new wells; |
| Estimated completion time: | 2022 |
| Estimated total value | RON 23.95 million |
| Project progress status in 2022 | - |

| | |
|-----------------------------|--|
| Project No. and Name | <u>3. Modernization of Bălăceanca UGS</u> |
|-----------------------------|--|

| | |
|--|---|
| Purpose | The project aims to maintain the daily gas delivery capacity from the Bălăceanca UGS and to ensure an increased degree of safety in operation. |
| Required investment works | <ul style="list-style-type: none"> • Modernization of heating installations, separation, measurement of Bălăceanca groups; • Modernization of energy installations and automation of Bălăceanca compression station; • Modernization of 9 injection/withdrawal installations; • Drilling 2 new wells; |
| Estimated completion time: | 2022 |
| Estimated total value | RON 32.2 million |
| Project progress status in 2022 | - |

| | |
|--|---|
| Project No. and Name | <u>4. Increasing the underground gas storage capacity of the Sarmasel (Transylvania) gas storage facility</u> |
| Purpose | The project aims to develop the existing underground storage facility in Sărmășel from the capacity of 900 million m ³ /cycle to 1550 million m ³ /cycle (an increase of 650 million m ³ /cycle), increase the injection capacity by 4 million m ³ /day to a total of 10 million m ³ /day, increase the withdrawal capacity by 4 million m ³ /day to a total of 12 million m ³ /day. |
| Required investment works | <ul style="list-style-type: none"> • Extension of compression station; • Extension of drying installations and gas metering; • Technological installations for injection/withdrawal wells; • Modernization of 46 injection/withdrawal installations; • Drilling 15 new wells; • Inactive gas stock. |
| Estimated completion time: | 2024 |
| Estimated total value | RON 756.350 million |
| Project progress status in 2022 | <p>During 2022:</p> <ul style="list-style-type: none"> • The documentation necessary for the execution phase "Tender Specifications for the modernization of wells and roads for access to the SARMĂȘEL UGS" was completed. • Also during this period, the elaboration of the technical project for "Design of drilling storage wells, technological installations, square and access road to the Sărmășel UGS wells" continued. |

| | |
|--|---|
| Project No. and Name | <u>5. Increasing the underground gas storage capacity of the Ghercești gas storage facility</u> |
| Purpose | The project aims to complete the infrastructure of Ghercești natural gas storage system to ensure the operating conditions at the capacity of 600 million m ³ /cycle. |
| Required investment works | <ul style="list-style-type: none"> • Compression station; • Extension of drying installations and gas metering; • Modernization of 20 injection/withdrawal installations; • Ghercești UGS Collector - NTS; • Inactive gas stock. |
| Estimated completion time: | 2025 |
| Estimated total value | RON 564.45 million |
| Project progress status in 2022 | <p>During 2022:</p> <ul style="list-style-type: none"> • Continued the elaboration of the technical project for natural gas compression, drying and measurement installations to increase the underground gas storage capacity in the Ghercești UGS from 150 million cubic meters/cycle up to 600 million cubic meters/cycle. • Also in 2022, the update of the reservoir study for the Ghercești UGS was elaborated and approved, the working capacity of the UGS being increased to 250 million cubic meters/cycle. |

| | |
|----------------------------------|---|
| Project No. and Name | <u>6. New underground gas storage unit in Moldova (Fălticeni)</u> |
| Purpose | The project aims to develop a new underground storage facility in northeastern Romania (Moldova region) at a capacity of approximately 200 million m ³ /cycle, injection capacity of approximately 1.4 million m ³ /day, withdrawal capacity of approximately 2 million m ³ /day, by transforming into underground storage facility one or more of the following depleted fields: Pocoleni, Comănești, Todirești and Davideni. |
| Required investment works | <ul style="list-style-type: none"> • Compression station; • Drying and gas metering installations; • Technological installations for injection/withdrawal wells; • Injection/withdrawal wells; • Gas collector UGS - NTS; • Inactive gas stock. |

| | |
|--|-------------------|
| Estimated completion time: | 2025 |
| Estimated total value | RON 405.7 million |
| Project progress status in 2022 | - |

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.

2.2. Key Performance Indicators

The financial and non-financial key performance indicators (KPIs) for the calculation of the variable component of the remuneration are defined in compliance with the provisions and criteria set out in Chapter II *Methodology for establishing the financial and non-financial key performance indicators and the variable component of the remuneration* - of GD no. 722/2016 for the approval of the *Methodological Norms* for the application of some provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented.

- **The key performance indicators for the calculation of the annual variable component of the remuneration of the Executive Director - General Manager for the period 2018-2022** were approved by the Decision of the Sole Shareholder no. 4/05.02.2019 regarding the approval of the indicators - financial and non-financial key performance for the non-executive and executive directors – General Manager, and by the Decision of the Sole Shareholder no. 3/15.04.2022 the partial amendment of art. 3.5, chapter 3 "Object of the mandate" of the DEPOGAZ administrators' mandate contracts, respectively of the target values for 2022 for the key performance indicators for the calculation of the annual variable component of the remuneration of the non-executive directors and of the executive director - General Manager was approved.

2.2.1. Target values

- **Target values for key performance indicators for the calculation of the annual variable component of the executive director's remuneration – General Manager – Annex to the mandate contract**

a. Target values

| No. | Key Performance Indicators (KPIs) | 2022 |
|-----|--|--------|
| | Financial KPIs | |
| 1 | EBITDA [%] | 14 |
| 2 | Turnover (TO) [K RON] | 375035 |
| 3 | Outstanding payments [K RON] | 0 |
| 4 | Level of outstanding receivables (K RON) | 1500 |
| | Operational KPIs | |
| 5 | Reserved capacity (%) | 85 |

| | | |
|-------------------------------------|---|-------|
| 6 | Implementation of the investment program [%] | 85 |
| Public service oriented KPIs | | |
| 7 | Customer satisfaction degree [%] | 90-95 |
| Corporate governance KPIs | | |
| 8 | Monitoring the stage of S.C.I.M. implementation [%] | 90 |

b. Weighting coefficient of performance indicators

| No. | Key Performance Indicators (KPIs) | Objective | KPI weight |
|-------------------------------------|---|---|------------|
| Financial KPIs | | | 45% |
| 1 | EBITDA [%] | 14 | 10% |
| 2 | Turnover (TO) [K RON] | Achievement of the target assumed through the Management Plan | 15% |
| 3 | Outstanding payments [K RON] | Maintenance at 0 level | 10% |
| 4 | Level of outstanding receivables (K RON) | Maintaining the level approved by BVC | 10% |
| Operational KPIs | | | 25% |
| 4 | Reserved Capacity [%] | Achievement of the declared operational capacity | 15% |
| 5 | Implementation of the investment program [%] | Quarterly and annual reporting on the degree of realization of the investment program | 10% |
| Public service oriented KPIs | | | 10% |
| 6 | Customer satisfaction degree [%] | 90-95 | 10% |
| Corporate governance KPIs | | | 20% |
| 7 | Monitoring the stage of S.C.I.M. implementation [%] | Achievement of $\geq 90\%$ of the S.C.I.M. development programme | 20% |

2.2.2. Achievement of KPIs - General Manager

| No. | Key Performance Indicators (KPIs) | Achieved values 31.12.2022 | Target Values 2022 Approved | Degree of achievement | KPI weight | Weight % |
|-----|-----------------------------------|-------------------------------|-----------------------------------|-----------------------|------------|----------|
| 1 | EBITDA [%] | 27.45 | 14 | 196.09 | 10% | 19.61 |
| 2 | Turnover (TO) [K RON] | 475.989 | 375.035 | 126.92 | 15% | 19.04 |
| 3 | Outstanding payments [K RON] | 0 | 0 | 100.00 | 10% | 10.00 |

| | | | | | | |
|---|---|--------|-------|--------|-----|--------|
| 4 | Level of outstanding receivables (K RON) | 155 | 1.500 | 100.00 | 10% | 10.00 |
| 5 | Reserved capacity (%) | 101.51 | 85 | 119.42 | 15% | 17.91 |
| 6 | Implementation of the investment program [%] | 93.97 | 85 | 110.55 | 10% | 11.06 |
| 7 | Customer satisfaction degree [%] | 99.89 | 90-95 | 105.15 | 10% | 10.51 |
| 8 | Monitoring the stage of S.C.I.M. implementation [%] | 90 | 90 | 100.00 | 20% | 20.00 |
| | | | | | | 118.13 |

Calculation of Key Performance Indicators for 2022:

- The turnover for 2022 was RON 475,989 K;
- Regarding the outstanding payments, DEPOGAZ did not register any outstanding payments in 2022.
- EBITDA = Total operating income - (total operating expenses - amortization) =

$$= 476,021 - (357,589 - 12,247) = \text{RON } 130,679 \text{ K}$$
- EBITDA (%) = (EBITDA/Total operating income) × 100 =

$$= (130,679/476,021) \times 100 = 27.45\%$$

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

| | |
|---|---------------|
| Turnover | 475989 |
| Operating revenue | 476021 |
| Operating expenses | 357589 |
| Depreciation | 12247 |
| EBITDA % | 27.45 |
| Reserved Capacity MWh as at 31.12.2022 | 30085839 |
| Declared operational capacity | 29639000 |
| Reserved capacity % | 101.51 |
| Investment program 2022 | 45.000 |
| Investments achieved on 31.12.2022 | 42.286 |
| % / Year | 93.97 |

Note: The difference of **RON 10.78 K** (RON 42,296.96 K - Achievements of the Investment Plan and RON 42,286.18 K - Achievements of investments recorded in the financial accounting in the tangible and intangible assets accounts in progress) refers to the Technical Assistance for the "Computer application for the preparation of Doclib estimates", reported as an investment expense, as it was approved in the Investment Plan as an investment expense, and in the financial accounting it was classified as production expenses.

The value taken into account in the indicator "Achieving the Investment Program" is the one recorded in the financial accounting in the assets accounts in progress.

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

The table below summarises the financial position as of 31 December 2022.

(RON)

| Indicator | December 31, 2021 | December 31, 2022 |
|---|----------------------|----------------------|
| ASSETS | | |
| <i>Non-current assets</i> | | |
| Property, Plant And Equipment | 117292600 | 148366050 |
| Other intangible assets | 870223 | 918452 |
| Other fixed assets | 34527 | 34527 |
| Total Fixed Assets | 118197350 | 149319029 |
| <i>Current assets</i> | | |
| Inventories | 12276316 | 9472043 |
| Trade receivables and other receivables | 39032877 | 62441720 |
| Cash and cash equivalents | 33325365 | 105682510 |
| Total Current Assets | 84634558 | 177596273 |
| Prepaid expenses | 238227 | 412593 |
| TOTAL ASSETS | 203070135 | 327327895 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| <i>Capital and reserves</i> | | |
| Registered Capital | 66056160 | 66056160 |
| Substitution | 78800419 | 87046223 |
| Retained result - loss | (274,113) | |
| <i>Loss/profit of the financial period</i> | 35914546 | 105353267 |
| | 158439086 | 250209846 |
| <i>Current liabilities</i> | | |
| Short-term trade liabilities | 6325532 | 27636637 |
| Liabilities to group entities | 11130540 | 14944627 |
| Other liabilities | 11276466 | 19890631 |
| Total other current liabilities | 28732538 | 62471895 |
| <i>Provisions</i> | | |
| Provisions for employee benefits and other provisions | 15897144 | 14618479 |
| Deferred income | 1367 | 27675 |
| <i>Non-current liabilities</i> | | |
| 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 | 203070135 | 327327895 |
|-------------------------------------|------------------|------------------|

Of the total assets of RON **327,327,895**, the fixed assets represent **RON 149,319,029**, namely 45.62%, and the current **assets** RON **177,596,273**, namely 54.26%

The share capital of DEPOGAZ is RON 66,056,160, fully paid up on December 31, 2022.

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 48,800,000 lei, and in November 2018 with a contribution in kind (material stocks), amounting to 16,056,160 lei.

Trade and other receivables are detailed below:

| Receivables (RON) | Balance as of 31 December 2022 | Liquidity term | |
|--|--------------------------------------|---------------------|-------------|
| | | Under 1 year | over 1 year |
| Trade receivables | 55518470 | 55518470 | |
| Amounts receivable from affiliated entities. | 3861064 3062186; | 3861064 3062186; | |
| Other receivables | | | |
| TOTAL | 62441720 | 62441720 | |

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 2023.

Cash and cash equivalents are represented by:

| Cash and cash equivalents (RON) | Balance as at December 31, 2022 |
|---------------------------------|------------------------------------|
| Accounts at banks | 31957 |
| Cash in vault | 4290 |
| Other values (bank deposits) | 105646263 |
| Total | 105682510 |

The liabilities shown in the balance sheet are as follows:

| |
|----------------------|
| Maturity term |
|----------------------|

| Liabilities (Ron) | Balance as of 31 December 2022 | Under 1 year | over 1 year |
|---|-----------------------------------|-----------------|----------------|
| Suppliers - invoices to be received | 17434724 | 17434724 | |
| Suppliers | 10201913 | 10201913 | |
| Liabilities to personnel | 4496377 | 4496377 | |
| Fees and taxes related to salaries | 3130380 | 3130380 | |
| Profit tax | 5625156 | 5625156 | |
| Tax - VAT | 1563682 | 1563682 | |
| Amounts payable to affiliated entities. | 14944627 | 14944627 | |
| Royalty and environment fund | 4313630 | 4313630 | |
| Other liabilities | 761407 | 761407 | |
| Total | 62471895 | 62471895 | |

b. Statement of comprehensive result - profit and LOSS ACCOUNT

Summary of the profit and loss account (Ron):

| Indicator | Year 2021 | Year 2022 |
|--|------------------|------------------|
| Total operating revenue | 313772552 | 476021261 |
| <i>Raw materials, materials, electricity expenses</i> | <i>54224840</i> | <i>123080821</i> |
| <i>Personnel expenses</i> | <i>68608517</i> | <i>71152663</i> |
| <i>Value adjustments of tangible and intangible assets</i> | <i>8424518</i> | <i>12247460</i> |
| <i>Value adjustments of current assets</i> | <i>1713566</i> | <i>623597</i> |
| <i>Other operating expenses (external services, etc.)</i> | <i>141104186</i> | <i>151763561</i> |
| <i>Provisions</i> | <i>1971625</i> | <i>-1278665</i> |
| Operating expenses - total | 276047252 | 357589029 |
| Loss/ Profit from operations | 37725300 | 118432232 |
| <i>Financial income - interest</i> | <i>534008</i> | <i>2547243</i> |
| <i>Financial expenses - exchange rate differences</i> | <i>1214</i> | <i>1157</i> |
| Financial profit | 532794 | 2546086 |
| Total Revenue - | 314306560 | 478568504 |
| Total expenses | 276048466 | 357590186 |
| Accounting profit /loss | 38258094 | 120978318 |
| Profit tax | 2343548 | 15625051 |
| Net profit/loss | 35914546 | 105353267 |

Of the total of RON 476,021,261 operating revenues recorded in 2022, RON 475,938,711 and 99.92% respectively, represent revenues from the provision of storage services.

Of the total of RON 357,589,029 operating expenses, the most significant are:

- Raw materials and materials expenses amounting to RON 43,200,891 of which, technological consumption, including fuel: RON 36,890,193;
- Electricity Energy: RON 79,138,150;
- Personnel costs, including taxes: RON 71,152,663;
- Third party services expenses: RON 131,800,315;
- Fees and taxes expenses: RON 16,918,032.

From the total expenses related to provisions set up in 2022, the significant values are: RON 3,385,755 represents employees' benefit provision, RON 1,066,995 variable component provision members of the Board of Directors and General Manager, RON 219,379 provision for rest leave not carried out by the employees.

The financial income is represented by interest income on deposits amounting to RON 2,547,243.

| | |
|--|------------------|
| Cash and cash equivalents as at the end of the financial year | 105682510 |
|--|------------------|

2.3. Financial and economic indicators

We present below the main economic and financial indicators registered by the company in 2022:

| | 2022 |
|---|-------|
| 1. Liquidity Ratios | |
| Current liquidity indicator | 2.84 |
| Immediate liquidity indicator | 2.69 |
| 2. Risk ratios | |
| Indebtedness ratio | 19.08 |
| 3. Activity ratios | |
| Days Payable Outstanding (no. of times) | 10.47 |
| Total assets turnover ratio | 1.45 |
| 4. Profitability ratios | |
| Gross margin on sales | 24.88 |

| | |
|------------------------|-------|
| Economic profitability | 32.18 |
|------------------------|-------|

Taxation

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

The company is subject to corporate tax. The tax calculated for 2022 was in the amount of RON 15,625,051.

- Operational KPIs**

- a. Reserved capacity**

Declared operational capacity: 29,639,000 MWh;

Reserved capacity on 31.12.2022: 30,085,839 MWh;

Reserved capacity % 101.51

- b. Implementation of the investment program**

In 2022, DEPOGAZ had an approved investment program worth RON 45,000.00 K, structured as follows:

Chapter II: Operation of fields and gas underground storages, infrastructure and utilities in fields and storage facilities - RON 22.651 K;

Chapter III: Activities for underground gas storage - RON 389.75 K;

Chapter V: Modernization and refurbishment of facilities and equipment, utilities surface infrastructure - RON 14,078.48 K.

Chapter VI: Equipment and independent machinery - RON 3.825 K

Chapter VII: Consultancy, studies and projects, software, and licenses - RON 1.352,73 K

During 2022, works worth RON 42.297 K were executed, representing 93.99%, as follows:

| Program chapter | Objective name | - Thousands RON - | |
|--|---|-----------------------|--------------------------------|
| | | 2022 Thousands RON | Achieved 2022 Thousands RON |
| Chapter II: Exploitation of underground gas fields and deposits, infrastructure and utilities in fields and storage facilities | | | |
| 1 | Foraj sonde Bilciurești | 24624.00 | 22449.20 |
| 2 | Surveillance and security system | 35.00 | 34.95 |
| 3 | Modernization of DEPOGAZ Headquarters - ALA SHELTER | 90.00 | 58.76 |
| 4 | Modernization of IT infrastructure | 110.00 | 108.12 |

| | | | |
|--|---|-----------------|-----------------|
| TOTAL CHAPTER II | | 24859.00 | 22651.03 |
| Chapter III: Activities for underground gas storage | | | |
| 5 | Compensation and land acquisition | 400.00 | 387.52 |
| 6 | Butimanu – Bilciuresti Collector | 5.00 | 2.23 |
| TOTAL CHAPTER III | | 405.00 | 389.75 |
| Chapter V: Modernization and refurbishment of facilities and equipment, utilities surface infrastructure | | | |
| 7 | Modernization of 12 wells Sărmășel | 335.00 | 330.53 |
| 8 | Modernization of outdoor lighting system Urziceni well groups | 150.00 | 0.00 |
| 9 | Modernization of outdoor lighting installation Bălăceanca well groups | 120.00 | 0.00 |
| 10 | Modernization of the Bilciuresti UGS Gas Measurement System | 1105.00 | 1103.91 |
| 11 | Systematization of the Butimanu gas compression station suction and discharge manifolds | 8840.00 | 8835.82 |
| 12 | Upgrading of cooling system M3 Butimanu; | 3490.00 | 3463.37 |
| 13 | Modernization of SC Butimanu heating system | 345.00 | 344.85 |
| 14 | Modernization of outdoor lighting installation Bălăceanca Compression Station | 120.00 | 0.00 |
| TOTAL CHAPTER V | | 14505.00 | 14078.48 |
| Chapter VI: Independent equipment and machinery | | | |
| 15 | Cars | 520.00 | 515.51 |
| 16 | Portable computers | 130.00 | 129.95 |
| 17 | Network equipment (load balancer) | 200.00 | 196.30 |
| 18 | Data storage unit | 615.00 | 613.13 |
| 19 | Automatic calibration systems for pressure transducers, pressure gauges, etc. | 569.00 | 567.95 |
| 20 | Integrated HART Multifunction Calibrator and Console | 80.00 | 75.99 |
| 21 | Gas heaters | 762.30 | 750.00 |
| 22 | Process water softening station SC Bălăceanca | 37.00 | 36.80 |
| 23 | Industrial Lasers - Laser Pulley Alignment Kit | 18.00 | 17.00 |
| 24 | Air conditioners | 120.00 | 118.78 |
| 25 | GPS system consisting of receiver and control unit | 145.00 | 141.00 |
| 26 | GSM mobile terminals | 36.00 | 35.17 |
| 27 | Wall-mounted boilers | 26.00 | 23.60 |
| 28 | Gas Fuel Convectors | 7.00 | 6.97 |
| 29 | TRSV control unit | 375.00 | 375.00 |
| 30 | The Lighting banner - Headquarters Building Subsidiary | 4.70 | 4.70 |
| 31 | Bilciurești Group Network Infrastructure | 220.00 | 217.12 |
| TOTAL CHAPTER VI | | 3865.00 | 3824.97 |
| Chapter VII: Consultancy, studies and projects, software, and licenses | | | |
| 32 | Drilling 6 wells Sărmășel | 5.00 | 4.04 |
| 33 | Ghercești compressor station | 895.00 | 893.24 |

| | | | |
|-------------------|---|-----------------|------------------|
| 34 | Documentation for Urbanism Certificate and Environmental Notification for "Increasing the Daily Withdrawal Capacity in Bilciurești UGS" | 119.00 | 115.00 |
| 35 | PRIMAVERA P6 Licenses | 112.00 | 112.00 |
| 36 | IBM MAXIMO Licenses | 120.00 | 120.00 |
| 37 | Computer application - drawing up estimates (DOCLIB) | 15.00 | 10.78 |
| 38 | Microsoft Enterprise Agreement (EA) | 100.00 | 97.67 |
| TOTAL CHAPTER VII | | 1366.00 | 1352.73 |
| GRAND TOTAL: | | 45000.00 | 42,296.96 |

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

In the storage cycle 2022 - 2023, within the specialized organizational unit (Commercial Service), the commercial activities for the **63 beneficiaries of the** storage services were managed. 92 storage contracts and 284 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 06.12.2022, 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 **99.89%**.

The specific objective in 2022 of the Commercial Service was "Increasing customer satisfaction degree".

The Key Performance Indicator "Global Satisfaction Index/year for 2022 had the target value of **95%**.

- **Corporate governance KPIs: *Monitoring the stage of S.C.I.M. implementation.***

The internal control management 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 its 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 management control system so as to comply with the general framework established by the legal provisions.

The internal managerial control, at the level of the Subsidiary, has the role of ensuring compliance with the legislation in force, the application of the decisions made, the proper functioning of the 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 management 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 Management Internal Control Code of public entities.

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

At the beginning of 2022, the General Manager approved the Report on the Annual Development Program of the Internal Management Control System within DEPOGAZ - year 2021, report prepared, analysed, and endorsed by the Monitoring Commission.

Also, the General Manager approved the Annual Program for the development of the internal management control system within DEPOGAZ for 2022, 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, the following were achieved through the actions taken, during 2022:

- The Director General - Chairman of the Monitoring Commission approved the documented procedures and instructions developed/revised at DEPOGAZ 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 management control system within DEPOGAZ.
- The Decision of the General Manager amended the composition of the Monitoring and Coordination Commission for the implementation and development of the internal management control system within DEPOGAZ and the Monitoring Subcommittee for establishing the requirements on environmental protection, health, occupational safety and energy management in the documented procedures and instructions of the Integrated Management System.
- The Director General decided the composition of the Commission for the implementation of the National Anticorruption Strategy 2021 - 2025 at DEPOGAZ level and to establish the necessary measures for the implementation of the provisions of GD no. 1269/2021.
- The Director General decided to update the Decision on the appointment of the Risk Determination and Management Officers at the level of each organizational unit in DEPOGAZ.
- The Code of Conduct no. of registration 5701/20.05.2022 was approved in the meeting of the DEPOGAZ Board of Directors by Decision no. 5 of 12.06.2018 and revised by Decision no. 8 of 26.05.2022.

- After approval, through the care of the Ethics Advisor, the Subsidiary personnel was informed about the elaboration, 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 the analysis of the level of learning and awareness of its provisions was carried out by completing an Assessment Questionnaire by them.
- The General Manager approved the Declaration on the assuming of an organizational integrity agenda for the period 2022 - 2025 adopted by DEPOGAZ. After approval it was posted on the DEPOGAZ website and distributed/disseminated within the Subsidiary.
- The Decision of the General Manager approved the Integrity Plan of DEPOGAZ 2022 - 2025 and appointed the Integrity Plan Implementation Coordinator, at management function level, as well as the contact persons, at execution function level. The duties of the persons so designated were detailed in the job descriptions.
- The Secretary of the Commission for the implementation of SNA 2021 - 2025 informed the Subsidiary staff about the elaboration, approval and posting of the Integrity Plan, which can also be viewed on the DEPOGAZ website.
- The ROF/ Organization and Operation Regulation of Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL (Gas Storage Subsidiary 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. 5/22.04.2021, registration no. 910/20.04.2021.
- The employees were informed of the updated ROF provisions, and the analysis of their level of learning and awareness was carried out by filling in an Assessment Questionnaire and drawing up the Training Report, code form: 01F-44, by the Training Officer.
- 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 June 2022, the "List of documented procedures and instructions developed and approved in correlation with the inventory of procedural activities, as well as the activities newly identified to be carried out in 2022 at the level of SNGN ROMGAZ SA - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL (Gas Storage Subsidiary 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 2022 have been described in 100% documented procedures/ instructions.
- In compliance with the provisions of the operational procedure 01PO-04: The Professional Performance Management System, at the level of the DEPOGAZ in 2022, carried out the annual/ intermediate assessment process of the Employees.
- At the level of the Subsidiary, the organized professional training with external lecturers took place, the participating employees acquiring competences regarding the development of skills and the provision of information and knowledge regarding the ethics and institutional integrity, the implementation of the measures from the National Anti-Corruption Strategy, the Integrity Plan, and the Inventory of institutional transparency measures, etc.

- In September 2022, the General Manager decided to carry out the inventory, centralization, and management of sensitive functions at Subsidiary level for 2023, according to the provisions of the PS-16 system procedure: Inventory of sensitive functions.
- It was approved the List of sensitive functions at DEPOGAZ level, form code: 00F-23-Act 0, for the year 2023. Considering that the level of exposure of the risks associated with sensitive functions is tolerable, according to the provisions of the PS-16 system procedure: Inventory of sensitive functions, issue 2, rev. 1/February 18, 2022, it was not necessary to draw up the Register of Employees holding sensitive positions at the DEPOGAZ level, code: 00R-014-Act 0, by the Secretary of the Monitoring Commission, by selecting risks for which the risk exposure (probability x impact) is over 12. The risks associated with sensitive functions (probability x impact = risk exposure (1-12)) were re-submitted to the organizational units, as appropriate, for their management.
- At the level of the Subsidiary, general and specific objectives were identified, as well as risks related to the identified objectives.
- The General Manager approves the Risk Register at the level of DEPOGAZ updated annually, and whenever necessary.
- The General Manager approves the Summary List with the objective proposals at DEPOGAZ level updated annually, and whenever necessary.
- The hypotheses/ assumptions underlying the setting of the objectives for 2022 were analysed, as well as the emergence of new risks to the objectives identified by the heads of the organizational units within the Subsidiary.
- The hypotheses/ assumptions underlying the setting of the objectives, the identified objectives and the risks associated with them are periodically evaluated.
- According to the provisions of the specific system procedures in force, on a half-yearly and annual basis, each organizational unit presented the stage of achievement of the identified objectives, as well as the Report on the progress of the risk management process to objectives.
- 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 analysis carried out showed that the risks to the objectives identified by the organizational units within DEPOGAZ are closely related to the activities within the specific objectives whose achievement could be affected by the materialization of the risks.
- In compliance with the provisions of the procedures PS-08: Objectives Management, issue 2, rev. 0/09.10.2020 and PS-07: Risk Management, issue 2, rev. 0/09.10.2020, at the level of the Subsidiary were identified the general and specific objectives, as well as the risks related to the objectives identified for 2023.
- The Monitoring Commission has reviewed and endorsed the following documents at DEPOGAZ level:
 - Document of Objectives (centralized) - 2023;
 - Subsidiary Risk Register - 2023;
 - The implementation plan for control/prevention measures in case of risks to objectives for 2023, which is submitted for approval to the General Manager - Chairman of the Monitoring Commission.
- The performance monitoring system has been established and evaluated for the objectives and activities of the Subsidiary, through performance indicators.

- 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 at DEPOGAZ level for 2022, the members of the Monitoring Committee have established the development of the self-assessment action of the internal managerial control system at the level of each organizational unit within the Subsidiary during the period 12 - 25.01.2023.

The documents that formed the basis for reporting on the implementation status of the internal management control standards according to Government Emergency Ordinance 600/2018 on 31.12.2022 are the following:

- The self-assessment questionnaire of the stage of implementation of the internal management control standards/2022 (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 state of implementation and development of the internal management control system on December 31, 2022 (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 Chair of the Monitoring Commission.

Based on the above-mentioned documents at DEPOGAZ level, the Report on the internal management control system on December 31, 2022 - Annex 4.3 - Order SG no. 600/2018 was drafted and approved by the General Manager.

The report provides a clear picture of the stage of implementation and development of the Subsidiary's internal control system. Based on the results of the self-assessment as of December 31, 2022, DEPOGAZ internal management control system complies with the standards contained in the Management Internal Control Code.

Financial management control activity

Since 2018, DEPOGAZ is the main storage operator in Romania, a strategic entity, a main component of the natural gas energy system.

The activity of financial management control, within DEPOGAZ, is carried out by the staff of the Financial Management Control Office, organizational unit functionally and administratively subordinated to the General Manager. The financial management control activity, in 2022, was carried out based on the Financial Management Control Program no. 144/04.01.2022, approved by the General Manager of DEPOGAZ.

The basic components of the system of reporting the results of the control activity are represented by the control minutes, endorsed by the control team, on the one hand, and by the controlled organizational unit, on the other

hand, and the notes of findings, which are drawn up at the end of each control action and approved by the General Manager. They contain the findings, conclusions, measures, and recommendations formulated by the control team in order to improve the activity of the controlled unit, as well as the normative acts and internal rules from which the deviations formulated were found. In 2022, a number of 6 (six) control assignments were carried out within the areas corresponding to the legislative framework applicable to the financial management control (budgetary field, financial accounting field, sectoral acquisitions specific to the company), as a result of which 11 implementing measures were formulated. The recommendations/measures formulated by the members of the Financial Control Management Office, which were ordered by the notes of findings approved by the General Manager, are the tools for improving the financial-accounting activity, in the sense of increasing its performance in relation to external control entities (court of accounts, ANAF).

The objectives and risks associated with them, established, and assumed by the Financial Control Office for the year 2022, were defined in close correlation with the general objectives of DEPOGAZ, recalling the following:

- implementing the measures and recommendations, ordered by the notes of findings;
- increasing efficiency in carrying out specific control actions;
- more efficient management of material and financial resources;

All actions in the Financial Control Management Program for 2022 were carried out within the deadlines set by the program, were carried out in accordance with the activity specific theme. The checks carried out took into account the control criteria established on the basis of the normative acts applicable to the controlled area.

The report on the financial management control activity on 31.12.2022 was prepared in January 2023 and approved by the General Manager, being registered with no. 16/11.01.2023.

The stage of realization and implementation of the measures ordered by the control acts is permanently monitored by the specialized organizational unit in order to implement them within the deadlines and within the applicable legislation.

Internal public audit activity

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 its own Methodological Norms, issued on the basis of 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 DEPOGAZ 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 2022 (no. 13716/17.12.2021), derived from the audit strategy included in the Multiannual Audit Plan 2022 - 2024 (no. 13717/17.12.2021).

According to the Annual Internal Audit Plan 2022 no. 13716/17.12.2021, during 2022, 4 assurance assignments and an informal counselling assignment were carried out.

The assignments carried out, defined based on the internal public audit regulations as belonging to the specific fields of activity of the Subsidiary (2 assignments), other fields of activity (1 assignment), respectively the financial – accounting field (1 assignment), had the following themes:

- "Management of monitoring activities of standard measuring and monitoring equipment (EMM)" (specific field of activity),
- "Assessment of the method of substantiation, procurement and performance of contracts for carrying out special operations at wells" (specific field of activity),
- "Management of transport, operation and coordination of fleet activities" (other areas - transport),
- "Settlements with employees/obligations of the company according to CBA - Rest and treatment tickets" (financial - accounting field).

The recommendations made by the auditors within the assignments carried out aim at eliminating the dysfunctions and preventing the materialization of the identified risks, especially aspects arising from the lack of harmonization between the provisions of the ROF and the actions that contribute to the achievement of the company's objectives. The recommendations were accepted by the company's management.

In accordance with the Decision of the General Manager, the internal audit carried out an informal advisory activity within the project "PCI 6.20.7 - Bilciurești underground gas storage" – "Daily withdrawal capacity increase – Bilciurești UGS" - Ares(2022)8537684. The advisory activity carried out consisted in participating in the project team that prepared the documentation that was submitted by the company in order to obtain the grant through the European financing mechanism CEF. Following the EC Decision, DEPOGAZ obtained the desired funding through the CEF Energy mechanism.

During the fourth quarter, the implementation of the recommendations made during the audit assignments in 2021 was completed.

During the assignments carried out in the first half of 2022, 7 recommendations were made, which were fully implemented. The auditors, in the assignments completed in the second half of 2022, made 19 recommendations whose implementation deadline is during 2023.

The conclusions of the completed internal audit assignments were presented to the Board of Directors through the Audit Committee. The Internal Public Audit Office reports quarterly to the Audit Committee.

The activity carried out within the Internal Audit Office was reported in accordance with the requirements of UCAAPI, as an entity under authority, to the Internal Public Audit Service of SNGN Romgaz SA Medias within January 2023.

In accordance with the requirements of the legislation on internal public audit, based on the analysis of the identified risks related to the activities carried out by DEPOGAZ, the following were elaborated and approved within the deadline (20 December 2022):

- Multiannual internal public audit plan for the period 2023 – 2025, registered under no. 15136/16.12.2022 and
- Internal public audit plan for 2023, registered under no. 15137/16.12.2022.

The plans were approved by the General Manager and endorsed at the meeting of the Audit Committee on 16.12.2022.

At the level of the Internal Public Audit Office, the Action Plan on ensuring and improving the quality of the internal public audit activity - DEPOGAZ – 2023, registered under no. 14372/05.12.2022 was developed. The plan was endorsed at the meeting of the Audit Committee on 16.12.2022.

Ensuring the continuous professional training of auditors was a constant concern during 2022, ensuring for each auditor the 15 days of professional training required by the legislative framework of the internal public audit activity.

The audit activity was carried out under the conditions of ensuring the independence required by Law no. 672/2002 on internal audit, with the assurance of the resources necessary for the proper conduct of the activity.

Assessment of the General Manager

During the meeting of the Nomination and Remuneration Committee dated 26 February 2020, the Assessment Policy of the Board of Directors of SNGN Romgaz SA - Natural Gas Storage Subsidiary Depogaz Ploiești SRL was approved, the document being approved by the Decision of the Board of Directors no. 4/ 26 February 2020.

For 2022, at DEPOGAZ level, the assessment process of the General Manager of SNGN Romgaz SA - Natural Gas Storage Subsidiary Depogaz Ploiești SRL was applied based on a questionnaire model developed based on 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.

The assessment resulted in the following conclusions:

- the objectives and key performance indicators for 2022 have been met;
- The decisions of the Sole Shareholder, the Decisions of the Board of Directors as well as the key performance indicators of the Directors for 2022 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 sentence of value 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;
- The General Manager has implemented a functional organizational structure designed to achieve the objectives;
- The General Manager 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. 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);
- The General Manager communicated the financial and non-financial performance to the interested parties at least 2 times/year;
- professionally managed the communication with the media, ensured a climate of permanent dialogue in relation to the trade unions, ensuring the best level of employee satisfaction, within the limits of the allocated budget;
- 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.
- 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 in temeiul autorizației nr. 24325 din data de 17.11.2008, eliberată de Ministerul Justiției din România, certific exactitatea traducerii efectuate din limba engleză în limba română, 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 45 pagini, poartă titlul de **Raport de evaluare a activității Directorului General pe anul 2022**, a fost emis de către **Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL** și mi-a fost prezentat mie în întregime pe e-mail.

Traducerea înscrisului prezentat are un număr de 45 pagini si a fost efectuată potrivit cererii 1831/24.04.2023, păstrate în arhiva subsemnatei. S-a încasat onorariul conform Contract Cadru nr. 73/20.02.2020, Act Adițional nr. 1/ 26.08.2022

Interpret și Traducător Autorizat,

Epure Livia

