



SUSTAINABILITY REPORT RELATED TO 2020



We are

**the ones who transport gas on the Romanian
territory**

And support investments in people and the environment!

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THE MESSAGE OF MR. ION STERIAN, DIRECTOR GENERAL OF SNTGN TRANSGAZ SA

Dear partners,

The present world lives under the rule of three great challenges: globalization, sustainable development and competitiveness. In this current context, companies are increasingly evaluated not only in terms of economic performance, quality of management and communication policy but also in terms of their contribution to the sustainable development of the community they are part of.



I am pleased to present to you the first sustainability report of SNTGN TRANSGAZ SA, through which our non-financial performance is brought to the attention of the stakeholders, offering an image of the company's progress in terms of sustainability.

The report was prepared in accordance with the non-financial reporting standards GRI (Global Reporting Initiative) and ESG (Environmental, Social and Governance) and aligned with national legislative requirements on non-financial reporting. It includes both the management policy dedicated to the protection of the environment, safety and health of employees and the principles underlying the company's corporate governance and the social responsibility projects carried out.

As you know, SNTGN TRANSGAZ SA is the technical operator of the National Gas Transmission System (NTS) and ensures the fulfillment based on efficiency, transparency, safety conditions the non-discriminatory access and competitiveness of the national strategy on domestic and international natural gas transmission, gas dispatching as well as research and design in the field specific to its activity, in compliance with the requirements of European and national laws, quality standards, performance, environment and sustainable development.

In the last decades, we have strived to offer gas transmission services in conditions of increased safety and security, high quality, at high standards of performance and environmental protection and we have successfully achieved what we set out to do. However, the processes that got us where we are have not always been in line with climate and environmental challenges and therefore, within SNTGN TRANSGAZ SA the approach of sustainability policies has become an undertaken priority.

SNTGN TRANSGAZ SA also develops programs for monitoring pollution sources with impact on the environment, which led to obtaining ISO 14001/2015 certification. We are concerned about the Green Deal and how new technologies will provide the mechanisms for the transition to the green economy.

The company is concretely involved in the life of the community through actions of financial support of the educational, cultural-sports, cult and health institutions. Only in the period 2019-2020 we provided total financial support of approximately 8 million lei for the medical, cultural, educational, social and religious fields.

We managed to implement investment projects of strategic importance for increasing the energy security of Romania and the European Union, investments undertaken through the Long-Term Development Plan of the gas transmission infrastructure.

In this context I would like to mention the BRUA phase 1 project, a project of strategic interest for Romania and for Europe, an investment budgeted at 479 millions euros, of which a 180 millions euros grant from the European Commission and achieved with 423 million euros, with a saving of 11%. This project was completed in November 2020 and allows the business environment and local communities access to the gas necessary for economic development and to increase the quality of life of the inhabitants, in conditions of predictability, while ensuring the maximum capacity available to the gas transmission network users in Romania towards Hungary and Bulgaria.

Therefore, beyond the numbers, the projects we develop are investments in a sustainable future.

We are proud of a well-implemented, high-performance corporate governance system that allows us to effectively manage all the resources employed and maximize the extremely advantageous conditions for long-term investments, through competitive partnerships with international financial-banking institutions. We are a company with a healthy financial structure, which meets all the circumstances for a broad development, as evidenced by the success that the TGN symbol has on the Bucharest Stock Exchange, recently declared an emerging market.

Complying with the principles of good corporate governance, we pursue with maximum responsibility the objectives we have set for operational efficiency, optimization of technological processes and sustainable development of the company. The company's administrators fulfill their mandate in a professional and responsible manner both to shareholders and to all stakeholders.

By sustainability we mean the complex link between economic, ecological and social criteria that meet both the needs of today's population and those of future generations.

Therefore, we are aware that sustainable development is a process that needs to be continuously improved and that the process of integrating the principles of sustainability into our activities must be continuous. Only in this way will we ensure a sustainable development of the business and come to support the real needs of the society.

*SNTGN TRANSGAZ SA, through everything it does for social purposes, is ethically committed and contributes through the practice of transparent and responsible business to the sustainable development of the economy, to social cohesion, while improving both the quality of life of employees and their families and the life of the community in which it operates, thus proving that it is "**A RESPONSIBLE COMPANY, A COMPANY OF THE FUTURE**".*

ION STERIAN
DIRECTOR GENERAL

1. BACKGROUND

1.1. Mission, Vision, Organizational Values

Transgaz is a joint stock company, operating according to the provisions of the Romanian legislation and its updated Articles of Incorporation. It is a company listed for 13 years on the Bucharest Stock Exchange, stock exchange symbol – TGN.

Mission

In line with the European energy policy requirements, Transgaz's mission represents the fulfilment in conditions of efficiency, transparency, safety and competitiveness of the national energy strategy established for domestic and international gas transmission, natural gas dispatching and research and design in the field of natural gas transmission in compliance with national and European laws and standards of quality, performance, environment and sustainable development.

Vision

In the near future, Transgaz intends to become a transmission operator recognized on the international gas market, a leader on the energy market in the region with a modern gas transmission system integrated at European level and with an effective management system.

The organisational values defining Transgaz's business ethics are:



1.2. Strategic objectives related to the company's management

The general objective of Transgaz is the achievement of the gas transmission service in safety and efficiency conditions according to the laws in force and the performance standards in order to develop a solid and efficient future of the national gas transmission infrastructure, of the Romanian energy sector.

The strategic objectives and the company's directions of action are in line with the requirements of European energy policy on ENERGY SAFETY AND SECURITY, COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT and are grouped into four BALANCE SCORE CARD perspectives, as follows:

Perspective of the stakeholders:

Strategic objective: The continuity of the activity and ensuring energy safety and security

Lines of action:

- Increasing the level of NTS security and ensuring the security of gas supply;
- creating the necessary technical conditions for the development of the gas market;
- Upgrading the Corporate Governance System.

Internal perspective of the processes:

Strategic objective: Streamlining the quality of execution of operational and management processes and systems, increasing their efficiency and competitiveness

Strategic lines of action:

- Increasing the degree of the company's COMPETITIVITY, by the development and upgrading of all operational processes;
- increasing energy efficiency and reducing the negative impact of technological processes on the environment.

Personal development perspective

Strategic objective: Increasing the degree of SUSTAINABLE DEVELOPMENT of the company due to the increase of the human, informational, organizational capital of the company, and the alignment to the European regulations related to the activity of the company and ensuring sustainability

Lines of action:

- Optimization of the management processes of human resources by optimizing the need for human resources in relation to the real needs of activity and development of the company, improving the process of training, education and professional development of staff, improving occupational safety and security;
- alignment with European regulations related to the company's activity and ensuring sustainability.

Financial outlook:

Strategic objective: Maintaining the financial balance and improving the performances of the activity

Lines of action:

- Ensuring the sustainable financial, economic and social performance.

It is important that all of TRANSGAZ employees, regardless of their hierarchical position in the company, understand the general policy statement, know the strategic objectives for the company's development in the next four years and make every effort to effectively achieve the undertaken objectives.

2. INFORMATION ON THE SUSTAINABILITY REPORT

Transgaz publishes this year the first sustainability report of the Group, in which it presents the non-financial situation of the company related to the international standards of sustainable development, as of 2019 and until now.

Sustainability reporting, also called non-financial reporting, is the way in which a company or organization publishes information on the environmental, social and economic impact and performance of its current activities.

A non-financial and sustainability report presents the company's values as well as its business model, while demonstrating the link between its strategy and its commitment to a sustainable local and global economy.

The structure of the report begins with the message of Transgaz' Director General and then it is divided into 12 chapters.

The topics addressed in them are in line with the values and principles established by the international reporting standards GRI (Global Reporting Initiative) and ESG (Environmental, Social and Governance) used mainly in the non-financial reporting of companies in the energy sector.

At the same time, Transgaz report meets the legislative requirements No. 1938/2016, respectively No. 2844/2016, provided by the Orders of the Ministry of Public Finance transposing the provisions of Directive 2014/95/EU.

Thus, entities with an average number of more than 500 employees have to report information on the development, performance and position of the entity, as well as the impact of their activity on the environment and society.

All the information presented reflects the entire context of sustainability in which the company operates, that comply with the good practices in the field and is aligned with the guidelines of IPIECA (International Petroleum Industry Environmental Conservation Association) specific to the oil and gas industry on activities related to sustainable development.

The report illustrates TRANSGAZ' commitment to openly communicate to all stakeholders the impact of its activities on the economy, society and the environment. Reporting the company's actions against international GRI standards is an important step in our strategy to contribute to a sustainable future and a developed community.

2.1. The sustainability policy of SNTGN TRANSGAZ SA



We incorporate the principles of sustainability into business operations, thus recognizing that long-term evolution can only be achieved through sustainable development.

The concern for the safety of employees and the fulfillment of the objectives of the development plan, for the respect and protection of the environment and for the harmonious coexistence with the society in which we operate are the main aspects of the sustainability of our company.

The sustainability policy of SNTGN TRANSGAZ SA is determined by the senior management, which is committed to:

▪implementing the sustainability policy at all levels and by involving all the organizational entities of the company;

▪strict compliance with applicable law and full implementation of internal standards, policies, guidelines and procedures applied by the company, as well as other commitments arising from voluntary agreements, countersigned and accepted by the company;

▪communication with all stakeholders in order to identify and record their needs and expectations;

▪ensuring a safe and healthy work environment for our employees, partners and any third party involved;

▪supporting the local community, out of the desire to contribute to the sustainable development of the space in which we operate;

▪continue efforts to reduce the environmental footprint, by implementing liability actions and preventive measures, in accordance with the best available techniques;

▪protecting human rights and ensuring a working environment with equal opportunities, without discrimination;

▪creating added value for shareholders and all stakeholders.

In order to fulfill the mentioned commitments, we have voluntarily and responsibly planned and implemented projects and programs approved by the general management, establishing at the same time strategic priorities in terms of sustainability.

The areas in which we have been active in this regard are illustrated below.

Economic growth and corporate governance

We aim to achieve positive financial results by implementing a sound corporate governance system, through which to assess and manage business risks and compliance policies, in order to protect the interests of stakeholders.

At the same time, we are developing procedures and taking measures both to increase transparency and integrity, and to prevent and fight corruption.

Technological projects

We focus on obtaining the best and most complete standards of quality and customer satisfaction and invest in research and development to provide new products and high quality solutions.

We are thus improving our position in a constantly evolving business environment. In addition, the company expects responsible business conduct from its suppliers and partners.

Human resources: occupational health and safety

The company complies with and upholds internationally recognized human rights and implements fair rewards (meritocracy) and equal opportunities for all its employees; without discrimination and respecting the diversity of its staff. It also provides opportunities for human resource development through continuous training and continuous evaluation.

A healthy and safe work environment is a matter of paramount importance to us. Professional challenges are approached proactively, by designating interdisciplinary working groups, in which initiative and personal development are cultivated and encouraged.

Environment

Regarding environmental management, we apply the principle of prevention and take systematic measures to minimize the impact on environmental factors in the entire operation of the national gas transmission network and in the investment development activity.

The company's research plan includes projects to reduce GHGs (greenhouse gases), in line with European concerns and policies for the transition to a green economy.

We also comply with the principles of the circular economy, ensuring optimal management of natural resources and waste management, recycling and selective collection.

Social responsibility – Stakeholder engagement

We stand by the community we belong to and respond responsibly to the issues that concern it, building a close relationship based on dialogue and cooperation.

We also design and implement actions to meet the fundamental needs of the society in terms of: employment, development, education, health, environment and culture.

In addition, we encourage volunteering and support initiatives to develop the local community.

The relevant policy, the results of SNTGN TRANSGAZ SA's performance in terms of sustainability issues, as well as the implementation of the programs and the achievement of the established objectives, are monitored by the company's management and are published annually, to keep all stakeholders informed.

The opinions and views of stakeholders are taken into account in a regular review of management actions that takes place annually and addresses all of the issues illustrated above.

In the activity we carry out and especially in the projects of extension of the gas transmission network, both for increasing the degree of interconnection of the network to the European gas transmission network, and for ensuring the connection to the gas network of new investments that generate jobs and the population, SNTGN TRANSGAZ SA paid special attention to the engagement of stakeholders. Mutual respect, transparent behavior and open dialogue are the best bases for a good relationship with the various stakeholders we interact with.

The identification and response to their needs can positively influence our activity and long-term success.

Given the importance of an adequate response to the needs of stakeholders, in all investment projects to expand the gas transmission network, including the BRUA project, public debates and an open dialogue were organized at the level of all local administration units affected by the projects, with the presentation of the project and the possible social and environmental impact, debates attended by representatives of local communities, administration, local police, local control and regulatory authorities, associations, foundations, administrators of protected natural areas, NGOs.

Objectives for a sustainable development

The sustainability strategy of SNTGN TRANSGAZ SA for the following 5 years is an integral part of the company's administration strategy, of the business strategy.

This is defined by the following areas of interest:

- health;
- safety and environment;
- employee protection;
- professional development;
- business principles;
- social responsibility actions.

Cumulatively, the objectives we have set for each of these areas represent, for the company, a vector of sustainable development.

Supporting health, employee safety and the environment will remain a priority in all activities carried out by the company. We will continue to financially support the health sector through donations to hospitals and medical centers and we want to improve the internal occupational risk management plan.

In this regard, we will regularly assess occupational hazards and employees will be trained, as usual, properly to perform their duties.

We will not only protect them, but we will support them even more professionally, by adding new training courses and through the existing unions within the company.

We also want to reduce, by as much as possible, greenhouse gas emissions resulting from the operation of the natural gas transmission network, especially fugitive methane (CH₄) emissions and reduce technological consumption. We would like to mention that methane (CH₄) is in second place after carbon dioxide (CO₂) as a contributing factor to climate change.

According to European policies, accelerating methane action is key to achieving climate neutrality by 2050 and reducing greenhouse gases by at least 55% by 2030.

The upgrading of gas odorization systems is another measure to protect the environment.

An objective of strategic importance for SNTGN TRANSGAZ SA deriving from the *Green Deal for a transition to the green economy*, is the establishment and implementation of a strategy for upgrading and adaptation of the existing gas transmission infrastructure for the use of Hydrogen and other green gas for decarbonization.

The business principles we are guided by will be broadly the same.

At the forefront will be technological development, fruitful strategic partnerships, relations with investors and all stakeholders.

At the same time in the coming years, the company will engage in completing and improving the legislative framework, but also in its harmonization with the specific regulations of the European Union law.

Moreover, SNTGN TRANSGAZ SA will strive to maintain equally high ethical standards in all its headquarters and in all its regional offices, fully committing itself over the next few years (and not only) to complying with the UN guidelines on business and human rights.

In terms of social responsibility, we will strive in terms of innovation and focus on optimizing the activity by finding new smart technical solutions and adopting digital technologies.

Compared to previous years, one of the notable changes from this point of view will be the implementation of several CSR programs and partnerships, in order to increase the degree of social cohesion.

The development component of the company aims at starting new major projects with a positive impact in the communities in which we operate. We will invest in ensuring environmental protection and improving the level of energy efficiency, significantly contributing to the reduction of greenhouse gas emissions.

Achieving most of the mentioned objectives will help SNTGN TRANSGAZ SA to consolidate its strategic position in the natural gas sector and to meet the national energy demand in a responsible way.

Therefore, we know very well that in order to fulfill our mission, ambitious medium- and long-term goals must be set for both financial and non-financial performance.

3. THE PROFILE OF THE COMPANY SNTGN TRANSGAZ SA



The national gas transmission company TRANSGAZ SA established based on Government Resolution no 334/28 is a Romanian legal entity with the legal form of a joint stock company and carries out its activity in accordance with Romanian laws and its by-law.

SNTGN TRANSGAZ SA aims to fulfill the national strategy established for the domestic and international gas transmission, gas dispatching and research-design in the field of gas transmission by performing, in compliance with Romanian law, trading acts corresponding to the activity approved by the Articles of Incorporation.

SNTGN TRANSGAZ SA may also carry out other related activities to support the main object of activity, in accordance with the laws in force and its own by-laws, being able to purchase gas from domestic production or import only for its own technological consumption or balancing the National Transmission System.

3.1. The activity of the company

The National Gas Transmission Company TRANSGAZ SA is the licensed technical operator of the National Gas Transmission System and ensures performance in terms of efficiency, transparency, safety, non-discriminatory access and competitiveness of the national strategy established for domestic and international transport, dispatching, research and design in the field of gas transmission, in accordance with national and European laws and standards of quality, performance, environment and sustainable development.

SNTGN TRANSGAZ SA is responsible for the most important construction sites in Romania. The company is engaged in the development of several strategic investment projects, consisting in the construction of gas pipelines for gas transmission, investments that will confirm the regional scope of the company and its role as the first Romanian multinational with majority state owned capital.

The strategic vision of those who today bear the responsibility of this company's destiny is to implement professional and efficient management, to focus on the ability to face challenges and constraints, on the development and upgrading of the national gas transmission infrastructure, competitiveness and capitalization of existing and future opportunities, so that SNTGN TRANSGAZ SA becomes a recognized carrier on the international gas market, leader on the energy market in the region, an important bridge in the national and European energy chain.

Pursuing its proposed objectives regarding SNTGN TRANSGAZ SA - a responsible company, a company of the future, the role and importance of the company in national and European context, operational efficiency, performance optimization and sustainable development of the company and complying with the principles of good corporate governance, the company's administrators fulfil their mandate in an efficient, transparent and professional manner towards all shareholders and stakeholders.



3.2. Shareholding

SNTGN TRANSGAZ SA is organized and operates as a joint stock company, pursuant to the provisions of Law no. 31/1990, regarding the commercial companies, republished and of its rules of organization and operation approved by G.D no. 334/2000.

SNTGN TRANSGAZ SA is the second largest majority state owned capital company in the utilities sector which, in order to materialize the strategic objectives included in the Government Program " **A Strong Market - Capital market development** " promoted an initial primary public offering for the sale of shares, respectively 10% of the increased share capital, as established by GD no. 1329/2004 on the mandate of the public institution involved and approval of the privatization strategy by public offering of some companies in the Ministry of Economy and Trade, amended by GD no. 708/2005.

In the context of the development of the capital market, the listing on the Bucharest Stock Exchange of the only licensed operator for gas transmission in Romania was a strategic and important decision both for the future of the company and for the increase of the stock market capitalization.

The **IPO** carried out by SNTGN TRANSGAZ SA between 26 November and 7 December 2007 was authorized by the National Securities Commission by Decisions no. 2199/14.11.2007 and 2266/21.12.2007 and was carried out in accordance with the provisions of the capital market law. This was the first IPO in the history of the Bucharest Stock Exchange to which allocation rights were attached, thus offering investors the opportunity to trade these rights before the start of trading the shares, the conversion ratio being 1 right to 1 share.

Following the IPO, the shareholding structure of SNTGN TRANSGAZ SA and its participation in the share capital became the following:

- The Romanian State through the Ministry of Economy and Finance-75%;
- Fondul Proprietatea SA Bucharest - 15%;
- Other shareholders (natural and legal persons) -10%.

Subsequently, in accordance with GD no. 827/2010 SNTGN TRANSGAZ SA Mediaș sold on the capital market a package of shares representing 15% of the company's share capital, through a secondary public offer for the sale of shares.

The **SPO** carried out by SNTGN TRANSGAZ SA between 4 April and 16 April 2013 was authorized by the National Securities Commission by Decision no. 301/03.04.2013 and was carried out in accordance with the provisions of the capital market law.

Following the SPO, the shareholding structure of SNTGN TRANSGAZ SA and its participation in the share capital became the following:

- The Romanian state through the Ministry of Economy – 58,5097%;
- Fondul Proprietatea S.A. – 14,9876 %;
- Other shareholders (natural and legal persons) – 26,5027%.

In December 2013, Fondul Proprietatea a vândut pe piața de capital, întregul pachet de acțiuni deținut la SNTGN TRANSGAZ SA, respectiv 14,9876% din capitalul social. În urma vânzării, structura acționariatului a devenit următoarea:

- Statul Român prin Ministerul Finanțelor Publice – 58,5097%;
- Alți acționari (persoane fizice și juridice) – 41,4903%.

The share capital of SNTGN TRANSGAZ SA consists of 11,773,844 registered, ordinary, dematerialized, indivisible, freely tradable shares from the date of admission to trading on the regulated market managed by the Bucharest Stock Exchange, with a nominal value of 10 lei/share.

Each share confers on the holder a right to vote, under the conditions provided by law.

Currently, the shareholding structure of SNTGN TRANSGAZ SA is as follows:

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by the General Secretariat of the Government	6.888.840	58,5097
Free float - Other shareholders (natural and legal persons)	4.885.004	41,4903
Total	11.773.844	100,00

Table 1- The shareholding structure of SNTGN TRANSGAZ SA

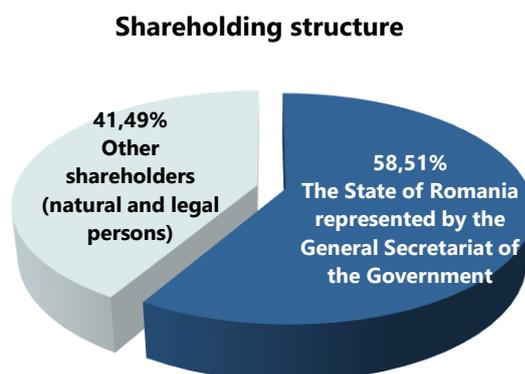


Chart 1- The shareholding structure SNTGN TRANSGAZ SA

The number of shareholders, according to the register of shareholders of SNTGN TRANSGAZ SA is presented in the following chart:

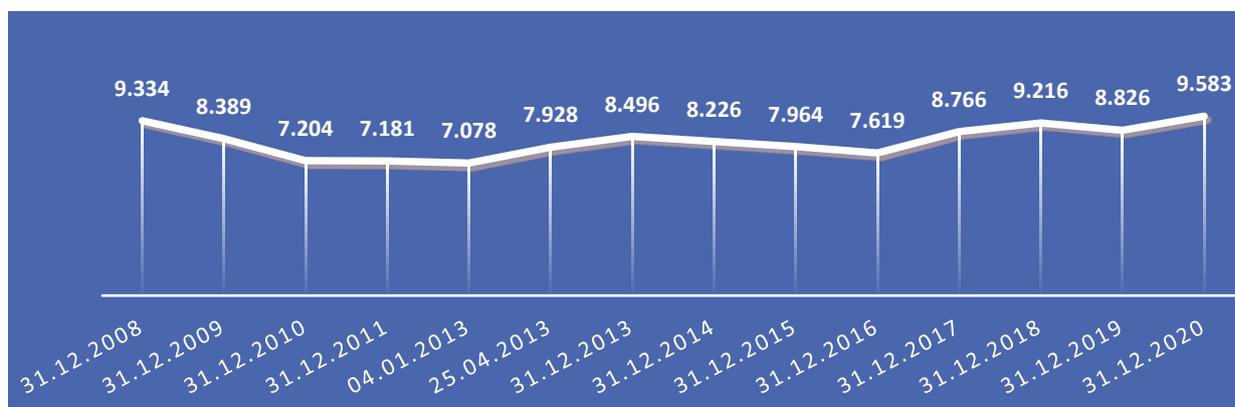


Chart 2- Evolution of the number of shareholders of SNTGN TRANSGAZ SA since listing and until 31.12.2020

3.3. Organization and management

The national gas transmission company TRANSGAZ SA, is a Romanian legal entity with the legal form of a joint stock company and carries out its activity in accordance with Romanian laws, the Articles of Incorporation and its own Regulation of Organization and Operation.

Through its main object of activity, respectively, through its place in the gas industry in Romania (and not only) SNTGN TRANSGAZ SA is the turntable, the determining unit both for the upstream partners (producers, suppliers) but also for the downstream ones (users, consumers).

Ensuring third-party access to the National Transmission System (NTS) in non-discriminatory conditions of economic efficiency and transparency is one of the basic conditions for the proper operation of the natural gas market.

From this point of view, the internal legislative changes, harmonized to the European framework, required the adoption of an organizational structure of the company as a whole but also of the component entities in order to streamline information and operational flows to improve decision-making and streamline the entire activity.

Upon the preparation of the organizational structure, it was taken into account that SNTGN TRANSGAZ SA presents a series of particularities, namely:

- business to business public service;
- territorial dispersion;
- processes and technologies with a high degree of danger;
- high degree of normalization.

The current organizational structure is a mixed type: hierarchical-functional with staff, combined with elements of the matrix structure.

In this way, the advantages of a pyramidal structure are combined: unity of action, unity of conception, correlation of objectives, harmonization of resources, standardization of procedures, informational, operational set, efficient verification, discipline, etc. with those of the functional structure: the unit of conception, the optimal use of specialists, the application of "best practices" (methodologies, procedures), functional and operational autonomy, initiative, etc.

Also, the current structure ensures the balance between decentralization-autonomy: corroboration of responsibility at the lowest level, management through objectives/budgets, a medium and long-term strategy well outlined.

SNTGN TRANSGAZ SA has in its structure operational entities (departments, divisions, units, offices, compartments, etc.) and production entities (regional operating centres, sectors, laboratories, working units, etc.), established based on the structure norms approved by the board of administration. SNTGN TRANSGAZ SA is led by the general meeting of shareholders (GMS) and the board of administration (BA).

SNTGN TRANSGAZ SA carries out its activity in the following locations:

- Transgaz registered office: Mediaș, 1 C. I. Motaș Square, Sibiu County, code 551130;
- Exploitation and Maintenance Division: Mediaș, 11 George Enescu Street, Sibiu County, code 551018;
- Design and Research Division: Mediaș, 6 Unirii Street, Sibiu County, code 550173;
- VTP Operation Unit: Bucharest, Calea Dorobanți no. 30, sector 1, code 010573;
- Transgaz Representative Office - Romania: Bucharest, 55 Primaverii Blvd.;
- Transgaz Representative Office - Brussels – Belgium: Brussels, 23 Luxembourg Street;
- Design and Research Working unit - Brașov, 2 Nicolae Titulescu Street.
- Limited liability company EUROTRANSGAZ: MD-2004, Bvd.Ștefan cel Mare și Sfânt, 180, of.506, Chișinău city, Republic of Moldova.
- Transgaz secondary office: Mediaș, 3 I.C. Brătianu, building 3, flat 75, Sibiu County.

The representative office of SNTGN TRANSGAZ SA - Brussels was established based on the Decision of the Extraordinary General Meeting of Shareholders (EGMS) SNTGN TRANSGAZ SA no. 2/29.04.2014 and operates as a structure within the European Funds and International Relations Division, starting with 28.01.2016, according to the Decision of the Board of Administration of SNTGN TRANSGAZ SA no. 4/2016.

The representative office of SNTGN TRANSGAZ SA in Brussels aims to create new opportunities for a direct and constructive dialogue, both with the institutions of the European Union, with important actors in the energy field and with our company's partners, to promote the company's mission and vision at EU level, to contribute to strengthening and closer relations with relevant partners in the European Union and, in general, to stimulate the achievement of the main strategic objectives of SNTGN TRANSGAZ SA.

They aim to transform our company into an internationally recognized transmission system operator, with a top position in the regional energy market and a modern and integrated transmission system.

The representative office of SNTGN TRANSGAZ SA in Brussels aims to identify through a proactive attitude those developments in European and international policies that may affect or influence SNTGN TRANSGAZ SA's business model, the company's strategic objectives and the energy sector in general. By identifying the changes and evolutions of the policies in the field in their incipient phases, the Representative office aims to develop analyzes, information and proposals that reflect and support the interests of SNTGN TRANSGAZ SA in particular and of Romania in general. In this sense, the Representative office regularly prepares various analyzes and information on topics of interest for the activity of our company.

The Representative office also dedicates an important part of its activity to developing the portfolio of direct relations with counterparts - coordinators of the Brussels representative offices of other transmission system operators, to develop a dialogue with the European Union institutions and important players in the energy field, to establish new relationships, with significant added value, with relevant actors in the institutional and private sectors, present in Brussels.

3.4. Affiliations and partnerships

- **Gas Infrastructure Europe (GIE)** - is an international non-profit association, established with the aim of promoting the interests of the gas infrastructure operators and providing a framework for their cooperation at European level;
- **European Network of Transmission System Operators for Gas (ENTSO-G)** - facilitates cooperation between operators of national gas transmission systems to meet the European Union's energy objectives;
- **The Romanian National Committee of the World Energy Council (CNR-CME)** - is a non-governmental association that active since 1924 and a legal entity since 1998. It is a founding member of the World Energy Council since 1924. The purpose of CNR-CME is active integration of Romania's economic and energy development policies in the major options and trends that are manifesting worldwide, aiming at sustainable economic development through the efficient use of energy resources of all forms;

- **The Oil and Gas Patronal Federation (FPPG)** – - aims to develop and implement best practices in the field of energy, designed to strengthen free competition and the performance of the Romanian business environment;
- **The Romanian Energy Centre (CRE)** - is a professional non-governmental organization and aims to represent the interests of institutions in the Romanian energy sector in relation to European institutions, other institutions and international organizations representative in the field, as well as information and consulting in the field of energy;
- **The Society of Oil and Gas Engineers (SIPG)** - aims to create a partnership between members of the association and public authorities in substantiating the decisions and normative acts issued by them, on the development and capitalization in national interest of existing mineral hydrocarbon resources and oil and gas infrastructure;
- **The Association for Investor Relations on the Romanian Stock Exchange (ARIR)** - supports the promotion of the implementation by the listed companies of the best practices in the relationship with investors; supports the professional development of members; represents the interests of members before regulators, the investor community and public authorities. The association functions as a discussion forum for companies listed on the Stock Exchange and the investor community.
- **The American Chamber of Commerce in Romania (AmCham)** - is an independent non-governmental association with 20 years of tradition and experience in Romania. It is one of the most important professional business organizations, with a significant contribution in the process of consulting laws and regulations with effects on the business environment in our country. AmCham intends to promote the economic relations between Romania and the United States of America, to develop in Romania a productive business environment for the members of the Association, to facilitate an open dialogue between the authorities and the business community it represents, to expand the business activity of the Association members;
- **The ICC National Committee Romania** – is part of the International Chamber of Commerce (ICC), based in Paris, a prestigious, traditional organization, founded in 1919, having as members thousands of world-renowned companies, as well as chambers of commerce from more than 130 countries. The ICC Committee is a business sector organization, the only representative that fully represents the international business community, addressing in this capacity governments and international regulatory bodies to strengthen financial stability and protect entrepreneurs, in order to develop a favourable business climate;
- **The Chamber of Commerce, Industry and Agriculture of Sibiu** - - is an autonomous, non-governmental, non-political organization, without patrimonial purpose, of public utility, with legal personality, created in order to represent, defend and support the interests of its members and the business community in relation to public authorities and bodies in the country and abroad.

The integration of SNTGN TRANSGAZ SA at European and international level as a prestigious company, through active participation in projects of interest and through dynamic partnerships with other companies with similar activity is the stake of international cooperation.

SNTGN TRANSGAZ SA developed such an international partnership with **ITOCHU Corporation**, a Japanese company headquartered in Umeda, Kita-ku, *Osaka* and Aoyama, Minato, *Tokyo*. Itochu is one of the largest multisectoral enterprises in Japan, with activities covering various sectors such as: energy and chemicals, agriculture, food, equipment,

machinery, metals and minerals, information and communications technology, real estate, textile industry.

The discussions between SNTGN TRANSGAZ SA and Itochu had as a starting point a first contact between the two companies in the context of the January 2018 visit to Bucharest of the Japanese Prime Minister Shinzo Abe. The Japanese delegation included representatives of over 30 companies in Japan who planned to have the opportunity to establish business connections with other companies in Romania.

The subsequent discussions led to the conclusion of a Memorandum of Understanding between SNTGN TRANSGAZ SA and ITOCHU Corporation, signed during an event held at the headquarters of SNTGN TRANSGAZ SA in Bucharest, on 26 July 2019, a document that lays the foundations for a joint collaboration for projects in the gas infrastructure sector in Europe.

3.5. Economic dimension of SNTGN TRANSGAZ SA

Individual comprehensive income

The situation of the individual profit and loss account in 2019-2020:

Specification	Obtained (thousand lei)		Dynamics (%)
	31.12.2020	31.12.2019	
1	2	3	4=2/3
TOTAL revenue of which:	3.180.957	2.868.664	110,89%
Operating revenue before balancing and the construction activity according to IFRIC12	1.333.504	1.576.667	84,58%
Revenue from the balancing activity	199.239	324.688	61,36%
Revenue from the construction activity according to IFRIC12	1.587.548	868.357	182,82%
Financial revenue	60.666	98.952	61,31%
TOTAL costs of which:	2.971.779	2.449.562	121,32%
Operating costs before balancing and the construction activity according to IFRIC12	1.165.836	1.228.699	94,88%
Cost of balancing	199.239	324.688	61,36%
Cost of constructed assets according to IFRIC12	1.587.548	868.357	182,82%
Financial costs	19.156	27.818	68,86%
GROSS PROFIT, of which:	209.178	419.102	49,91%
Result from operation	167.668	347.968	48,19%
Financial result	41.510	71.134	58,35%
PROFIT TAX	34.177	70.843	48,24%
NET PROFIT	175.001	348.259	50,25%

Table 2- Individual profit and loss account 2020 vs. 2019

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in 2020 vs 2019 is as follows:

No.	Specification	Obtained (thousand lei)		Dynamics (%)
		2020	2019	
0	1	2	3	4=2/3*100
1.	Revenue from the transmission activity			
	- Thousand lei	1.150.465	1.192.598	96,47
	- MWh	133.235.593	145.615.593	91,50
	- lei/MWh	8,63	8,19	105,43
3.	Revenue from the international transmission activity			
	- Thousand lei	114.223	327.696	34,86
4.	Other operating revenue			
	- Thousand lei	68.816	56.373	122,07
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12		1.333.504	1.576.667	84,58

Table 3 - Revenue from the operating activity –Obtained in 2020 vs. 2019

No.	Indicator	Obtained at 31 December (thousand lei)				Dynamics (%)
		2017	2018	2019	2020	
0	1	2	3	4	5	6=5/4*100
1.	Turnover	1.800.079	1.741.929	1.850.405	1.474.078	79,66
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.719.993	1.608.398	1.575.925	1.338.015	84,90
3.	Revenue from balancing	120.686	235.427	324.688	199.239	61,36
4.	Revenue from the construction activity according to IFRIC12	63.950	405.794	868.357	1.587.548	182,82
5.	Financial revenue	190.548	48.634	101.618	68.929	67,83
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.055.371	1.052.177	1.234.622	1.173.521	95,05
7.	Cost of balancing gas	120.686	235.427	324.688	199.239	61,36
8.	Cost of constructed assets according to IFRIC12	63.950	405.794	868.357	1.587.548	182,82
9.	Financial cost	150.228	26.973	30.779	33.872	110,05
10.	Gross profit	704.942	577.882	412.143	199.552	48,52
11.	Profit tax	125.305	98.323	86.676	47.511	54,81
12.	Deferred profit tax revenue	3.876	10.927	15.833	13.183	83,26
13.	Net profit	583.513	490.486	341.394	165.224	48,40
14.	Total comprehensive result related to the period	601.338	487.868	340.426	153.134	44,98
15.	Transmitted gas thousand cm	12.869.908	12.975.921	13.227.501	12.380.266	93,59
16.	Investment cost	95.599	468.151	892.739	1.898.974	179,92
17.	Rehabilitation cost	13.954	21.646	12.687	17.258	136,03
18.	Technological consumption thousand lei	73.831	70.003	66.257	79.187	119,51
19.	Technological consumption thousand cm	95.243	81.034	65.208	69.325	106,31

Table 4- Main economic-financial indicators in 2017-2020

3.5.1. Description of the national gas transmission system

The first pipeline of the National Gas Transmission System was put into operation in **1914, and the system has a tradition of more than a century.**

The NTS has an interconnected radial-ring structure, being developed around and having as starting points the large natural gas fields in the Transylvanian Basin (centre of the country), Oltenia and later Eastern Muntenia (south of the country).

Consumption was directed to big consumers from the Ploiești area - Bucharest , Moldova, Oltenia, as well as those from the central area (Transylvania) and the north of the country .

Subsequently, the gas flows underwent significant changes due to the decline in the Transylvanian Basin sources, Moldova, Oltenia and the emergence of other sources (import, OMV-Petrom, concessions by third parties, etc.), in conditions where natural gas transmission infrastructure remained the same.

The National Transmission System consists in main pipelines, their installations, equipment and facilities, operated at pressures between 6 bar and 63 bar, and ensuring the taking over of natural gas from the production blocks or import gas and its transmission for delivery to the domestic gas market participants, export, international transmission, etc.

The main components of the National Gas Transmission System:

NTS objective / component	M.U.	Value
Main pipelines and gas supply connections, of which> - international transmission pipelines (Transit II, Transit III) - BRUA	km	13.925 369 479
Operating metering-regulating stations (MRS)	pc.	1.128 (1.233 metering directions)
Valve control stations (VCS, TN)	pc.	58
Import gas metering stations (GMS) (Giurgiu, Horia, Isaccea Import, Negru Vodă IV, Medieșu Aurit, Isaccea Transit I, Negru Vodă I)	pc.	7
Gas metering stations located on the gas transit pipelines (GMS) (Isaccea Transit II, Isaccea Transit III, Negru Vodă II, Negru Vodă III)	pc.	4
Gas compressor station (CS) (Șinca, Onești, Silișteea, Jupa, Podișor, Bibești)	pc.	6
Cathodic protection stations (CPS)	pc.	1041
Gas odorising stations (GOS)	pc.	982

Table 5- Main components of the NTS on 30.12.2020

Gas transmission capacity

The domestic and international gas transmission is provided through a network of pipelines and supply connections with diameters between 50 mm and 1200 mm at pressures between 6 bar and 63 bar.

The gas delivery to the distributors and end users is performed by the **1.233 MRSs** (metering directions), 948 MRSs are integrated into the SCADA automatic control and monitoring system.

The gas metering regulation stations are included into the modernization/rehabilitation plans for integration into a SCADA automatic supervisory and control system.

The compression capability is provided by **6** gas compressor stations, placed on the main transmission directions, having an installed power of approximately 61MW.

The CS Onești and CS Siliștea compressor stations modernization works were completed in 2020.

Approximately 20% of the existing technological nodes are new or rehabilitated.

During the implementation of the SCADA system, the process of upgrading the technological nodes will continue.

The gas storage system has a total capacity of 33.28 TWh and is one of the elements that contributes to optimizing the gas transmission infrastructure use and system balancing.

NTS has **1,041 cathodic protection stations**. Cathodic protection considerably reduces the corrosion rate of the pipe material, thus increasing the safety in operation and implicitly the life of the buried metal pipelines.

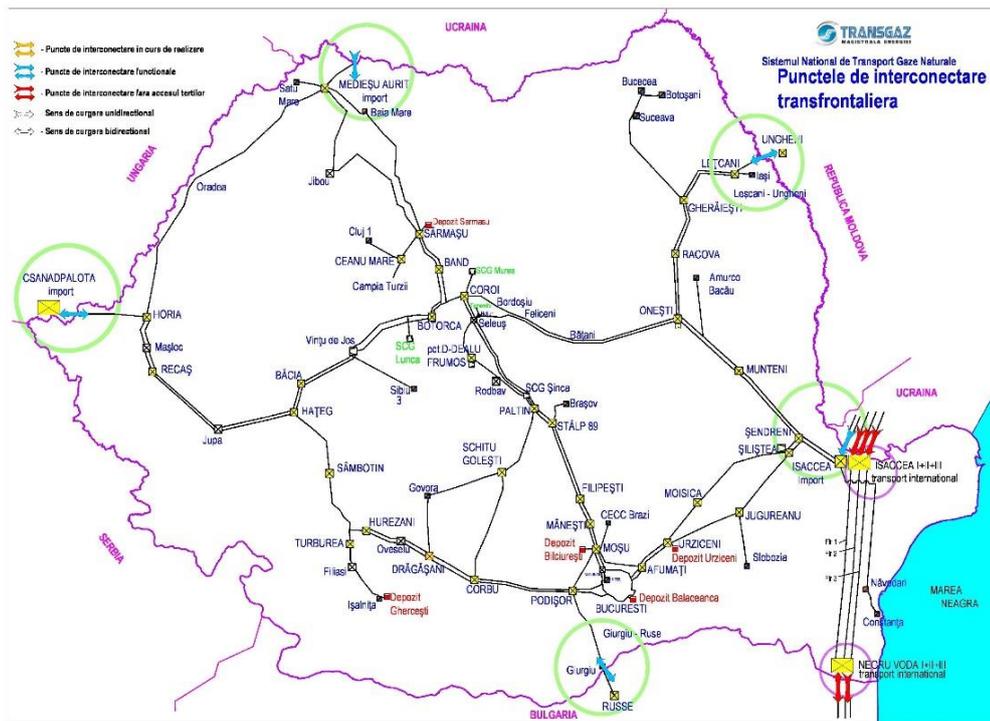
The technical rules on the classification and normal service life of fixed assets establish a normal service life for cathodically protected pipes twice as long (40-60 years) as for non-cathodically protected pipelines. Approximately 96% of the pipelines and connections in operation are cathodically protected.

All these components of the NTS ensure the collection of natural gas from producers/suppliers and their transmission to consumers/distributors or storages.

Cross-border interconnection pipelines

Currently, the import/export of natural gas to/from Romania is achieved by 7 cross-border interconnection points:

Cross-border interconnection pipeline characteristics	
UKRAINE	Orlovka (UA)–Isaccea (RO) - DN 1000, Capacity 8.6 bcma, $P_{max} = 55$ bar
	Tekovo (UA)–Medieșu Aurit (RO) - DN 700, Capacity =4.0 bcma, $P_{max} = 70$ bar
	Isaccea 1/Orlovka 1 , Capacity 6,8 bcma, $P_{max}=49,5$ bar in the import direction and a capacity of 4.1 bcma from 01.10.2020 at a $P_{max}=45$ bar in the export direction
HUNGARY	Szeged (HU)–Arad (RO)–Csanadpalota - DN 700, Capacity =1.22 bcma, $P_{max} = 55$ bar in the import direction, and capacity of 1.75 bcma in the export direction, $P_{max}=55$ bar.
REPUBLIC OF MOLDOVA	Ungheni (MO) – Iași (RO) - DN 500, Capacity =0.55 bcma, $P_{max} = 50$ bar, in the export direction and a capacity of 0.07 bcma, $P_{max}= 16.5-19$ bar in the import direction.
BULGARIA	Ruse (BG)–Giurgiu (RO) - DN 500, Capacity =1.5 bcma $P_{max}=40$ bar in the export direction and $P_{max}=30$ bar in the import direction
	Negru Vodă 1/Kardam , Capacity=6.4 bcma in the export direction and in the import direction, Capacity=5.7 bcma at a $P_{max}=55$ bar in both transmission directions



4. NATURAL GAS MARKET IN THE COUNTRY AND REGION

The Romanian gas market

Romania has the largest natural gas market in Central Europe and was the first country to use natural gas for industrial purposes. The natural gas market reached record levels in the early 1980s as a result of the implementation of government policies aimed at eliminating import dependence. The implementation of these policies has led to an intensive exploitation of domestic resources, resulting in a decline in domestic production.

In the context of radical structural and institutional reforms that characterized the Romanian economy after 1989 and aimed at decentralizing services in order to increase their quality and efficiency, the Romanian energy market was gradually opened to competition, as an integral part of the concept of liberalization of the national economy and free movement of goods and services.

In particular, the Romanian natural gas sector has undergone a process of deep restructuring, having as main pillars:

- separation of activities in autonomous sectors of production, storage, transport and distribution;
- reducing the concentration of natural gas production and imports by granting licenses and authorizations to an increasing number of companies;
- regulating the non-discriminatory access of third parties to the natural gas transmission system.

The current structure of the Romanian natural gas market includes:

- 1 National Transmission System operator -SNTGN TRANSGAZ SA;

- 9 natural gas producers: OMV Petrom SA, SNGN Romgaz SA, SC Amromco SRL, SC Foraj Sonde SA, SC Raffles Energy SRL, Stratum Energy România LLC Wilmington Sucursala București, SC Hunt Oil SRL, SC Lotus Petrol SRL, SC Serinus Energy România;
- 2 operators for underground storage facilities: SNGN Romgaz– Natural Gas Storage Branch Ploiești SRL, SC Depomureș SA;
- 32 natural gas distribution and supply companies - the largest being SC Distringaz Sud Rețele SRL și SC Delgaz Grid;
- 184 licensed natural gas suppliers.

The internal gas market has two components:

- **the competitive segment** that comprises:
 - wholesale market operating on the basis of:
 - (i) bilateral contracts between natural gas economic operators;
 - (ii) transactions on centralized markets, managed by the natural gas market operator or the balancing market operator as the case may be;
 - (iii) other types of transactions or contracts.
 - the retail market in which suppliers sell natural gas to final customers through contracts at negotiated prices.
- **the regulated segment** that includes the activities with the character of natural monopoly, the activities related to them and the supply at a regulated price also based on the framework contracts approved by ANRE.

Increasing the share of the competitive market is achieved gradually by ensuring access to this market for more participants, suppliers and end customers.

End customers can choose their supplier and can directly negotiate sales-purchase contracts with them.

The natural gas market in Romania has been gradually opened since 2001, from 10% of total consumption, reaching in January 2007 100% for industrial consumers.

For residential consumers, the natural gas market was liberalized in July 2007, currently, according to the provisions of Directive 2009/73 / EC, the degree of openness of the national natural gas market being 100%.

The development of the internal natural gas market considers the following:

- developing competition at the level of natural gas suppliers;
- continuing to implement "ceiling" pricing methodologies;
- stimulating the discovery and / or rehabilitation of some natural gas deposits, in order to increase the quantities of natural gas from domestic production and limit the import dependence;
- diversification of import / export sources;
- flexibility of the storage system.
- setting up a natural gas hub.

Romania HUB GAZIER is AN AMBITIOUS PROJECT that involves building a new vision on the natural gas market, that of building a free, liquid, responsible, closely monitored market, developing ways to support vulnerable customers, uniquely dispatched to prevent crises in exceptional and total situations integrated into the European Energy Union.

The HUB involves rethinking all activities in the natural gas sector for a single purpose, that of facilitating the trading of natural gas in order to obtain the best prices and ensure the quality of the natural gas transmission service.

Natural gas HUBs are located in the center of natural gas transmission networks: natural gas transmission pipelines, natural gas storage systems, liquefied natural gas (LNG) terminals, etc. and are used as central price points for natural gas.

SNTGN TRANSGAZ SA, as a technical operator of the NTS, has a particularly important role in ensuring the security of the country's natural gas supply and in the proper functioning of the national natural gas market.

The orientation of natural gas transmission system operators in neighboring countries towards the creation of new cross-border transmission capacities or the expansion of existing ones clearly shows the concern for a significant increase in the degree of interconnection in an area of Europe where much remains to be done for a perfectly integrated market:

- **Ukraine** has reversed flow with Hungary and implemented the project to ensure reversible flows with Slovakia; it is important to emphasize the interest shown by Ukraine both for the physical reverse flow at the interconnection points with the Romanian system, but especially at Isaccea 1 point, thus being able to ensure natural gas deliveries from the southeast through the Bulgarian transport system and of the first natural gas transmission line;
- **Hungary** has planned investments for the development of natural gas transmission capacities between the eastern and western parts of the country, but at the same time pays special attention to the implementation of a north-south corridor to ensure the connection between Slovakia and Croatia;
- **Serbia** will benefit from interconnection with Bosnia, Herzegovina, Bulgaria and Romania;
- **Bulgaria**, at its turn, is working to build the Greece-Bulgaria interconnector and a new interconnection with Turkey in order to benefit from both natural gas from the Caspian Sea region and liquefied natural gas from LNG terminals in Greece, in order to transport them to markets in central Europe.

In all this picture, **Romania** is the country with the market with the lowest dependence on imported natural gas.

By adding to this landscape, in addition to the favorable geostrategic position, the resources discovered in the Black Sea, Romania could obviously play a defining role in the region.

In this context, the natural gas transmission infrastructure becomes probably the most important factor, and **SNTGN TRANSGAZ SA** is currently facing a major challenge: the development, in the shortest possible time, of natural gas transmission paths that ensure both the necessary degree of interconnection at European level as well as sufficient natural gas transmission potential to capitalize on resources in the domestic and regional markets.

5. DIRECTIONS FOR THE DEVELOPMENT OF THE NATIONAL GAS TRANSMISSION SYSTEM (NTS)

Given the latest developments and trends in the field of natural gas transmission routes at European level, the profiling of two important sources of natural gas supply is clear: **natural gas from the Caspian Sea region** and **the Black Sea**.

Thus, the projects planned by the company have in mind:

- ensuring an adequate degree of interconnectivity with neighboring countries;
- creation of natural gas transmission routes at regional level to ensure the transport of natural gas from new supply sources;
- creation of the necessary infrastructure for taking over and transmission of natural gas from off-shore perimeters in order to capitalize on the Romanian market and other markets in the region;
- expanding the natural gas transmission infrastructure to improve the supply of natural gas to some deficient areas;
- creating the integrated single market at the level of the European Union.

The geostrategic position, the primary energy resources, the major investment projects in the natural gas transmission infrastructure can help Romania become a significant player in the region, but only in the conditions in which it will keep up with the technological progress and will succeed in attracting the necessary funding.

Through the projects proposed for the development and modernization of the natural gas transmission infrastructure, through the implementation of intelligent control, automation, communications and network management systems, SNTGN TRANSGAZ SA aims **to maximize energy efficiency** throughout the chain of activities and create an intelligent, efficient, reliable and flexible natural gas transmission system.

As a natural gas system and transmission operator certified according to the Third Energy Package, since July 2010 SNTGN TRANSGAZ SA is a member of ENTSO-G (European Network of Natural Gas Transmission System Operators), an organization within which the company cooperates with all European operators of natural gas transmission systems.

Major Projects

For the sustainable development of the natural gas transmission infrastructure in Romania, through the 10 years National Natural Gas Transmission System Development Plan, SNTGN TRANSGAZ SA proposes an extensive investment program for the strategic and sustainable development of the natural gas transmission infrastructure in Romania which allows the alignment of the NTS to the European transport and operation requirements while pursuing its compliance with the requirements of European regulations in the field of environmental protection. In this sense, SNTGN TRANSGAZ SA pursues:

- promoting investment projects that contribute to the realization of a sustainable natural gas transmission system under the safety conditions provided by the legislation in force, with the limitation of the impact on the environment and the population;
- carrying out projects so that the impact on the natural and anthropic environment is minimal;
- carrying out projects so that the impact on biodiversity is minimal.

The development plan of the National Natural Gas Transmission System includes large-scale projects aimed at reconfiguring the natural gas transmission network which, although extensive and complex, was conceived at a time when the emphasis was on the supply of natural gas to large industrial consumers and creating their access to resources concentrated in the center of the country and in Oltenia, as well as to the only source of imports.

The Development Plan of the National Natural Gas Transmission System (NTS) drafted in accordance with the provisions of **Law no. 123/2012** on electricity and natural gas, with subsequent amendments and completions, with the objectives proposed in the Energy Strategy of Romania 2021-2030 with a view to 2050, meets the requirements of the European energy policy on:

- ensuring security of natural gas supply;
- increasing the degree of interconnection of the national natural gas transmission network to the European network;
- increasing the flexibility of the national natural gas transmission network;
- liberalization of the natural gas market;
- creation of the integrated natural gas market at the level of the European Union;
- ensuring the connection of third parties to the natural gas transmission system, according to the specific regulations, within the limits of the transport capacities and with the observance of the technological regimes;
- extension of the pipeline network, until the entrance in the localities certified as tourist resorts of national and local interest, respectively, when these localities are at a maximum distance of 25 km from the connection points of the transmission and system operators;
- ensuring the connection to the natural gas network of the new investments generating jobs.

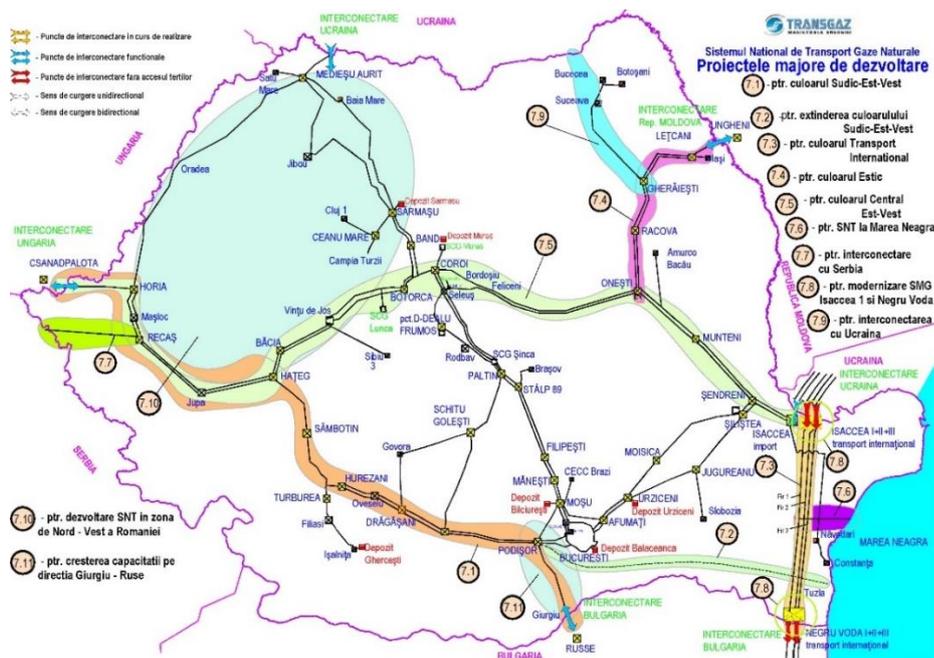


Figure 1 - Map of major projects in the NTS

No.	Project no.	Project	Estimated value mil. Euro	Deadline	The importance of the project	Project status
1	7.1.1	Development on the Romanian territory of the National Natural Gas Transmission System on the Bulgaria-Romania-Hungary - Austria Corridor (Phase I)	478,6	2020	Ensuring a natural gas transmission capacity to Hungary of 1.75 bcm/year, respectively of 1.5 bcm/year to Bulgaria. The importance of the project at the level of the European Union is reflected by the nomination of the Project "Gas pipeline from Bulgaria to Austria via Romania and Hungary" both on the first and on the	Completed

No.	Project no.	Project	Estimated value mil. Euro	Deadline	The importance of the project	Project status
					second and third list of projects of common interest.	
2	7.1.2	Development on the Romanian territory of the National Natural Gas Transmission System on the Bulgaria-Romania-Hungary - Austria Corridor (Phase II)	74,5	2023	Ensuring a natural gas transmission capacity to Hungary of 4.4 bcm/year, respectively of 1.5 bcm/year to Bulgaria. The importance of the project at the level of the European Union is reflected by the nomination of the Project "Gas pipeline from Bulgaria to Austria via Romania and Hungary" both on the first and on the second and third list of projects of common interest	A non FID
3	7.2	Development on the Romanian territory of the Southern Transport Corridor for taking over the natural gas from the Black Sea coast	371,6	2022	The takeover of natural gas to be produced in the Black Sea in the NTS for transport to Romania and European markets is of strategic importance for SNTGN TRANSGAZ SA. The importance of the project at the level of the European Union is reflected by the nomination of the Project on the second and third list of projects of common interest..	A non FID
4	7.3	Interconnection of the national natural gas transmission system with the international natural gas transmission pipeline T1 and Isaccea reverse flow	77,7 Stage 1: 8,8 Stage 2:68,9	Stage 1: 2018 Stage 2: 2020	SNTGN TRANSGAZ SA <i>implements this project to increase safety in natural gas supply while meeting the requirements of the European Commission.</i> We mention that this project is part of the first, second and third list of projects of common interest at EU level and will be carried out in two phases..	Completed
5	7.4	Developments of NTS in the North-East area of Romania in order to improve the natural gas supply of the area as well as to ensure the transport capacities to the Republic of Moldova	174,25	2021	Ensuring a transmission capacity of 1.5 bcm/year at the point of interconnection between the natural gas transmission systems of Romania and the Republic of Moldova.	FID
6	7.5	Extension of the bidirectional natural gas transmission corridor Bulgaria - Romania - Hungary - Austria (BRUA-Phase III)*	530	2026	Depending on the increase in the offshore production in the Black Sea, we consider the further development of the network: an additional route through the center of Romania and a new interconnection with Hungary.	LA non FID
7	7.6	New developments of the NTS in order to take over the gas from the Black Sea coast	9,14	2021	Creation of an additional natural gas collection point from the offshore exploitation perimeters in the Black Sea.	FID
8	7.7	Romania-Serbia interconnection	56,21	2023	Establish an interconnection pipeline with Serbia in order to diversify sources of supply and increase energy security in the region.	A non FID
9	7.8.1	Upgrade GMS Isaccea 1	13,88	2020	Modernization of gas metering stations at interconnection points to increase energy security in the region.	Completed
	7.8.2	Upgrade Negru Vodă 1	12,77	2021		FID
10	7.9	Interconnection of the national natural gas transmission system with	150	2026	Achievement of an interconnection with Ukraine in the direction of Gherăiești-Siret, in addition to the project on the	LA non FID

No.	Project no.	Project	Estimated value mil. Euro	Deadline	The importance of the project	Project status
		the natural gas transmission system in Ukraine, on the direction of Gherăești – Siret			development of NTS in the North-East area of Romania, in order to improve the natural gas supply of the area.	
11	7.10	Development / Modernization of natural gas transmission infrastructure in the North-West area of Romania	405	Stage 1 2023 Stage 2 2025 Stage 3 2026	Increasing the transmission capacities in the North-West area of Romania in order to ensure the growth trends of consumption in the region.	LA non FID
12	7.11	Increasing the natural gas transmission capacity of the Romania-Bulgaria interconnection on the Giurgiu-Ruse direction	51,8	2027	Improving the area's natural gas supply.	LA non FID
13	7.12	Eastring–Romania	Phase 1: 1.297 Romania Phase 2: 357 mil. Romania	Phase 1: 2027 Phase 2: 2030	EASTRING will be open to well-established sources as well as alternative sources. It will bring gas from new sources in the Caspian / Eastern Mediterranean / Black Sea / Middle East Regions. At the same time, it will supply South East Europe with European gas HUBs. Total capacity will be available to any carrier or supplier.	LA non FID
14	7.13	Monitoring, control and data acquisition system for cathodic protection stations related to the National Natural Gas Transmission System	8	2023	It offers the possibility to set, monitor and remotely clearly and accurately operate the points of interest of the system, eliminates the costs of reading data, avoids situations where due to weather conditions it is not possible to read data and human errors, allows distributed location control, reduces operating and maintenance costs, significantly reduces setup time.	LA non FID
15	7.14	Development of the SCADA system for the National Natural Gas Transmission System	5,5	2023	Modernization of natural gas transmission infrastructure by modernization of hardware and software architecture.	LA non FID
16	7.15	Modernization of GMS Isaccea 2 and GMS Negru Vodă 2 in order to achieve bidirectional flow on the T2 pipe	26,65	2024	Creating the possibility of bidirectional flow on the T2 pipeline, part of the Trans-Balkan corridor	LA non FID
17	7.16	Modernization of GMS Isaccea 3 and GMS Negru Vodă 3 in order to achieve bidirectional flow on the T3 pipe	26,65	2028	Creating the possibility of bidirectional flow on the T3 pipeline, part of the Trans-Balkan corridor	LA non FID
18	7.17	Interconnection to NTS at the LNG Terminal located on the Black Sea coast	19,6	2028	Creating transport capacity to take over natural gas from the LNG terminal located on the Black Sea coast	LA non FID

6. CORPORATE GOVERNANCE

Corporate governance refers to the way in which rights and responsibilities are divided between the categories of participants in the company's activity, such as the board of administration, directors, shareholders and other interest groups, while specifying how decisions are made regarding the company's activity, define the strategic objectives, what are the means to achieve them and how to monitor economic performance.

The general and specific strategic objectives of the activity of SNTGN TRANSGAZ SA are established in the context of alignment with the requirements of the new European energy policy on energy safety and security, sustainable development and competitiveness.

In this context, the implementation and development of the principles of corporate governance as well as the development of responsible, transparent business practices, is becoming more and more a necessity in the substantiation and application of companies' business strategies and policies.

By subscribing to this desideratum, SNTGN TRANSGAZ SA, aims also through the efficient application of the Corporate Governance Regulation to ensure a rigorous framework for sizing and regulating the corporate governance at the company level..

The corporate governance regulation of SNTGN TRANSGAZ SA was approved by the General Meeting of Shareholders of March 2, 2011, by the GMS Decision no. 1/2011 (art. 4).

The document has a structure in line with the relevant requirements and thus comprises a number of **9 chapters**:

- Chapter 1 - Corporate governance structures : Board of Administration, Advisory Committees, Executive Management, Code of Professional Conduct
- Chapter 2 - Rights of shareholders : rights of shareholders, treatment of shareholders
- Chapter 3 - Board of Administration : role and obligations of the Board of Administration, structure of the Board of Administration, appointment of members of the Board of Administration, remuneration of members of the Board of Administration
- Chapter 4 - Transparency, financial reporting, internal control and risk management : transparency and financial reporting
- Chapter 5- Conflict of interest and transactions with interested parties : conflict of interest; transactions with interested parties
- Chapter 6 – Corporate information regime
- Chapter 7 – Social responsibility
- Chapter 8 - Management system
- Chapter 9 - Final provisions

Annually, SNTGN TRANSGAZ SA prepares and reports to the capital market structures the Apply or Explain Declaration, on the basis of which the corporate governance system at the company level is evaluated. At the same time, the current organizational structure of the company is hierarchically functional and ensures the balance between decentralization-autonomy: corroboration of responsibility at the lowest level, management through objectives / budgets, a well-defined medium and long-term strategy.

ORGANISATIONAL STRUCTURE

GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders of SNTGN TRANSGAZ SA is the governing body that decides on its activity and on its economic policy. The general meetings of shareholders are ordinary and extraordinary. The Articles of Incorporation of the company regulate the main attributions of the General Meeting of Shareholders.

BOARD OF ADMINISTRATION

SNTGN TRANSGAZ SA is managed according to the unitary management system by a Board of Administration composed of 5 members, for a term of 4 years.

The Board of Administration fulfills all the necessary and useful acts for the realization of the object of activity of the company except those which are provided by law and by the Articles of Incorporation in the competence of the General Meeting of Shareholders.

The Board of Administration establishes in accordance with the Articles of Incorporation of SNTGN TRANSGAZ SA the main development directions of the company and elaborates the Management Plan during their term of office. The Management Plan for the period 2017 - 2021 was approved by the Decision of the Board of Directors no. 26 / 10.10.2017.

The key financial and non-financial performance indicators included in the Management Plan approved by the Board of Administration are subject to the approval of the GMS. For the mandate 2017 - 2021, they were approved by the Decision of the Ordinary General Meeting of Shareholders no. 12 / 19.12.2017.

Selection of members of the Board of Administration and their remuneration

The members of the Board of Administration are selected in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises with subsequent amendments and completions and the Methodological Norms for its application approved by GD no. 722/2016.

The evaluation of the administrator' activity is done annually by the General Meeting of Shareholders and concerns both the execution of the mandate contract and of the management plan. For 2020, the evaluation of the fulfillment of the key financial and non-financial performance indicators that are annexed to the mandate contracts of non-executive administrators, in accordance with the provisions of GEO no. 109/2011 on corporate governance of public enterprises, with subsequent amendments and completions was approved by DOGMS nr.3 / 27.04.2021.

The remuneration of the non-executive members of the Board of Administration consists of a fixed monthly allowance and a variable component and is approved by the General Meeting of Shareholders within the limits established by the legal provisions in force.

The remuneration of the executive members of the Board of Administration consists of a fixed monthly allowance and a variable component is approved by the Board of Directors within the limits established by the legal provisions in force.

As of December 31, 2020, the Board of Administration had the following composition:

No.	Surname and name	Position in BoA	Appointment document	Term of office
1.	Lăpușan Remus Gabriel	Chairman, Independent Non-Executive Administrator	DOGMS nr.13/28.12.2017	29.04.2021
2.	Sterian Ion	Director General, Executive Administrator	DOGMS nr.1/27.04.2021	29.04.2021
3.	Văduva Petru Ion	Non-executive Administrator	DOGMS nr.1/27.04.2021	29.04.2021
4.	Iliescu Bogdan George	Independent Non- executive Administrator	DOGMS nr.1/27.04.2021	29.04.2021
5.	Minea Nicolae	Independent Non- executive Administrator	DOGMS nr.13/28.12.2017	29.04.2021

At the level of the Board of Administration of SNTGN TRANSGAZ SA, 5 advisory committees were set up:

1. **The Nomination and Remuneration Committee**, with responsibilities in coordinating the process of appointing the members of the Board of Administration, elaborating the selection procedure of the members of the Board of Administration and the directors, elaborating the remuneration policy for administrators and directors, preparing the annual report on remunerations and other advantages granted to the administrators and directors during the financial year, report that is presented to the general meeting of shareholders and includes information provided in GEO no. 109/2011 on the corporate governance of public enterprises.

Structure:

VĂDUVA PETRU ION
MINEA NICOLAE
ILIESCU BOGDAN GEORGE

2. **Audit and rating committee**, with responsibilities for monitoring the entity's internal quality control and risk management systems and, where appropriate, the internal audit regarding the audited entity's financial reporting, without violating its independence, monitoring the statutory audit of the annual financial statements and consolidated annual financial statements, in particular taking them into account, taking into account the findings and conclusions of the competent authority, conducting an annual evaluation of the internal control system, evaluating the reports of the internal audit team; audit firms in accordance with art.21-25, 28 and 29 of Law no.162 / 2017 on the statutory audit of annual financial statements and consolidated annual financial statements and amending certain normative acts and with art.6 of the EU Regulation no.537 / 2014 and, in particular, the opportunity to provide some serum defects that are not audited to the audited entity in accordance with art. 5 of the respective regulation.

Structure:

ILIESCU BOGDAN GEORGE
MINEA NICOLAE
LĂPUȘAN REMUS GABRIEL

3. **NTS Security and Safety Committee**, with responsibilities in monitoring / updating its own programs for preventing and combating terrorism through optimal physical and organizational protection measures, with recommendations in this regard to the Board of Administration, monitoring the implementation of NTS maintenance and modernization programs as well as the way of observing the technical norms of exploitation and maintenance of the production capacities.

Structure:

STERIAN ION
VĂDUVA PETRU ION
LĂPUȘAN REMUS GABRIEL

4. **Strategy and Development Committee**, with responsibilities in assisting the Board of Administration in fulfilling its responsibilities in developing and updating the company's overall development strategy, analyzing identified opportunities for business development, analyzing the company's development and international cooperation directions, monitoring and analyzing performance strategic / action plans / programs regarding the obligations of SNTGN TRANSGAZ SA as technical operator of SNT and issuer on the stock exchange, monitoring and analyzing the fulfillment of the performance indicators of the transport system and of the economic-financial performance of the company's activity.

Structure:

STERIAN ION
VĂDUVA PETRU ION
ILIESCU BOGDAN GEORGE
MINEA NICOLAE

5. **The Regulatory and Relations with Public Authorities Committee**, with attributions in analyzing the regulatory activity and the legal obligations incumbent on the company in this field, monitoring the company's fulfillment of the obligations provided by the regulations incident to the activity, monitoring the collaboration relations with public authorities and assisting The Board of Administration in establishing and managing the collaboration policy.

Structure:

STERIAN ION
VADUVA PETRU ION
LĂPUȘAN REMUS GABRIEL

DIRECTOR GENERAL

The Board of Administration delegated the management of the company to the Director General of SNTGN TRANSGAZ SA. The Director General of SNTGN TRANSGAZ SA represents the company in relations with third parties. The Director General is responsible for taking all measures related to the management of SNTGN TRANSGAZ SA within the limits of the company's object of activity and in compliance with the exclusive competencies reserved by law or by the Articles of Incorporation, the Board of Administration and the General Meeting of Shareholders..

EXECUTIVE MANAGEMENT

The executive directors and the directors of the branches are appointed by the Director General and are subordinated to him, are officials of SNTGN TRANSGAZ SA, execute its operations and are responsible to it for fulfilling their duties, under the same conditions as the members of the Board of Administration.

The attributions of the executive directors and of the directors of the branches are established by the Organization and Functioning Regulation of SNTGN TRANSGAZ SA. The persons who are incompatible according to the Companies Law no. 31/1990, republished, with the subsequent modifications and completions, cannot exercise the function of executive directors or branch directors.

6.1. Integrity, ethics and business responsibility

The standards of ethics and business conduct of SNTGN TRANSGAZ SA represent the synthesis of the most important policies and procedures for carrying out the company's activities in a responsible and legal way. The principles provide company employees with specific instructions designed to facilitate compliance with these policies and procedures. Good corporate governance is essential for the integrity of the company and ensures compliance by SNTGN TRANSGAZ SA with the highest moral and ethical standards in the conduct of all its business activities.

Our integrity principles and SNTGN TRANSGAZ SA's standards of conduct and business ethics provide general guidance on conducting business in an ethical and compliant manner. These principles embody our high standards of ethical behavior and form the basis of our interactions with our employees, partners, customers, shareholders and the global community. These principles do not provide a complete explanation of all laws, regulations, policies and procedures that SNTGN TRANSGAZ SA has and employees must follow. We face many complex situations every day, which makes it difficult to create a set of rules comprehensive enough to cover each situation. Our principles help us decide how to act when specific rules or guidelines are not available.

The principles apply to all employees of SNTGN TRANSGAZ SA as well as to contractors working on behalf of the company. The principles are the foundation on which our Policies and other procedural documents of SNTGN TRANSGAZ SA are built.

Together, they form a significant part of our compliance program. Adherence to our Compliance Program is extremely important to ensure that SNTGN TRANSGAZ SA and its employees can operate properly and efficiently in a complex, competitive and regulated industry.

The human resources managers from SNTGN TRANSGAZ SA have additional responsibilities regarding these Principles and our procedural documents. Managers are expected to promote a culture of compliance and lead by personal example, demonstrating a commitment to our principles and acting with the highest standards of integrity.

Managers must also be clear about policies and other procedural documents that specifically affect the activities they manage and ensure that employees who report to them receive the training they need to perform their tasks properly, efficiently and adequately. Managers should be available to answer questions and receive reports of potential violations.

When managers receive reports of potential violations of the law, policy or procedure, they should continue to report these concerns to the Compliance and Ethics Department. Each leader and manager of SNTGN TRANSGAZ SA should encourage the ongoing discussion of these principles and promote a working environment in which the consideration of these principles is an integral part of business decisions.

The code of ethics

The Code of Ethics defines the values, principles and norms that the contractual staff of SNTGN TRANSGAZ SA must respect and apply:

- in the activity carried out within the company - in accordance with the values and objectives of the company, in order to maintain a positive organizational climate;
- in the activity carried out outside the company - in the relations it develops with all categories of public, for the development of notoriety and the maintenance of the reputation of SNTGN TRANSGAZ SA.

The principles that govern the professional conduct of the contractual staff of SNTGN TRANSGAZ SA are the following:

- **professionalism** - principle according to which the contractual staff of SNTGN TRANSGAZ SA has the obligation to fulfill their duties with responsibility, competence, efficiency, correctness and conscientiousness; for this purpose, the staff has the duty to apply the knowledge, experience and skills necessary in the exercise of their duties;
- **the priority of the company's interest** - principle according to which the contractual staff of SNTGN TRANSGAZ SA has the duty to consider the company's interest above the personal interest, in the exercise of the attributions incumbent on the profession / function;
- **impartiality and non-discrimination** - principle according to which the contractual staff of SNTGN TRANSGAZ SA is obliged to have an objective attitude, neutral towards any political, economic, religious or other interest, in the exercise of the duties of the position / profession;
- **moral integrity** - principle according to which the contractual staff of SNTGN TRANSGAZ SA is forbidden to request or accept, directly or indirectly, for themselves or for another, any moral or material advantage or benefit, or to engage in activities, directly or indirectly, which would give rise to conflicts of interest;
- **freedom of thought and expression** - principle according to which the contractual staff of SNTGN TRANSGAZ SA can express and substantiate their opinions, respecting the rule of law and good morals;
- **honesty and fairness** - principle according to which, in the exercise of their function and in the performance of their duties, the contractual staff of SNTGN TRANSGAZ SA has to act in good faith and for the proper performance of their duties;
- **confidentiality** - principle according to which the contractual staff undertakes that for the duration of the contract concluded with SNTGN TRANSGAZ SA but also after its termination, not to transmit data or information of a confidential nature that they became aware during the execution of the contract, under the conditions set in the internal regulations, in the collective employment agreement, in the individual employment contracts, as well as in the mandate contracts;
- **loyalty** - principle according to which the contractual staff of SNTGN TRANSGAZ SA manifests a loyal behavior towards the company, and the company encourages and ensures the access to a professional training and continuous development, stimulating and rewarding the performance at work.

SNTGN TRANSGAZ SA may be notified by the company's staff regarding:

- violation of the provisions of this code by the contractual staff of SNTGN TRANSGAZ SA;
- coercion or threat exerted on them meant to cause them to violate or to improperly apply the legal provisions in force.

The contractual staff of SNTGN TRANSGAZ SA who notifies or suspects the violation of the provisions of this Code of Ethics can address directly to the Ethics Adviser at the level of the company or at the level of Territorial Exploitation or at the e-mail address etica@transgaz.ro.

The contractual staff of SNTGN TRANSGAZ SA may not be sanctioned or prejudiced in any way for notifying in good faith the competent bodies, in accordance with the law.

SNTGN TRANSGAZ SA verifies the documents and facts for which it was notified, respecting the confidentiality regarding the identity of the person who made the notification.

The Ethics Adviser addresses in an independent and objective manner all the issues that are reported and will treat all the information that is brought to his/her attention with the utmost discretion.

Throughout the specific activity, the ethics advisor cooperates and consults with the integrity advisor appointed by decision of the Director General. The Integrity Adviser manages the way of reporting irregularities on the integrity line, as well as the monitoring of the cases notified according to the "Prevention of Corruption" procedure.

6.2. Sustainability and human resource development

Human resources objectives and strategy

SNTGN TRANSGAZ SA through the Management Plan established the following strategic objective regarding human resources:

Increasing the degree of SUSTAINABLE DEVELOPMENT of the company by increasing the human and organizational capital and aligning with the European regulations incident to the company's activity and ensuring sustainability.

Directions for action:

- Optimization of human resources management processes;
- Alignment with European regulations related to the company's activity and ensuring sustainability.

Starting from the general objective of the company, we set ourselves the following general objectives related to the human resources area:

- Optimal sizing of the human resources needs in relation to the real needs of activity and development of the society;
- Improving the training, education and professional development process of the staff;
- Improving occupational safety and security;
- Ensuring compliance with legal requirements regarding the authorization and licensing of the company in the field of natural gas;

- Documentation and information on the obligations and related implementation deadlines stipulated in European regulations;
- Participation in public consultations initiated by various authorities / institutions;
- Collaboration with European transmission system operators.

The company's strategy in the field of human resources aims to cover the operational needs of the organization, through the efficient use of human resources.

In this sense, it is considered to define the requirements by developing regulations for basic activities, identifying and removing any restrictive limits on the availability of human resources that, by their nature, could affect the implementation and development of ongoing projects.

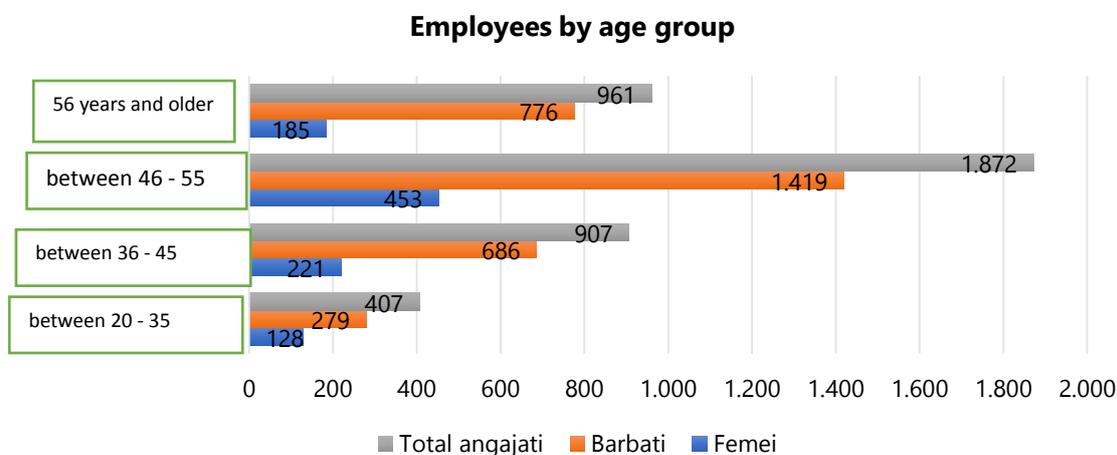
The company's personnel policy aims to ensure the necessary staff in correlation with the development objectives of the company, anticipating possible fluctuations in deficit or surplus staff. The main directions of action are:

- attracting, professional training within professional development plans and maintaining qualified staff with the necessary skills, knowledge and competencies;
- reducing the dependence on external recruitment, when there is a shortage of qualified staff in the fields of activity in which new technologies are applied, by carrying out employee training programs;
- the development by the managers of the organizational structures, using principles and mentoring programs, of well-prepared and flexible teams, teams able to adapt to a dynamic environment, in continuous change;
- promoting constructive discussions and the exchange of knowledge and information related to the activity, in order to increase solidarity within the company;
- improving the use of staff by introducing flexible organizational models.

Personnel structure

SNTGN TRANSGAZ SA has a number of 4,147 employees, employed with individual employment contracts, of which 4,132 full-time and 15 part-time employment contracts. Of the 4,147 employees, 3,993 have permanent employment contracts and 154 employees contracts with limited duration.

The average age of the company's staff is 48 years. By age ranges we have the following distribution of employees (women, men):



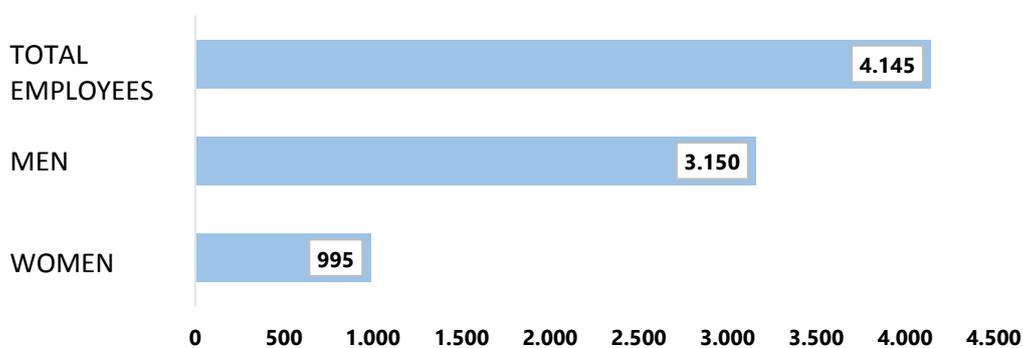
Graph 3- Structure of SNTGN TRANSGAZ SA staff by age categories

The evolution of the number of employees in the period 2018-2020:

Specification	2018	2019	2020
Number of employees at the beginning of the period	4.405	4.202	4.089
Number of newly hired people	187	233	282
Number of people who have stopped working for the company	390	346	226
Number of employees at the end of the period	4.202	4.089	4.145

Out of the total causes that determined the termination of the employment relations, the significant share was represented by the exits through the program of voluntary departures, approximately 70%, followed by the retirements of the employees, approximately 15%.

Staff structure of SNTGN TRANSGAZ SA (women, men)



Graphic 3- The structure of the staff of SNTGN TRANSGAZ SA (women, men)

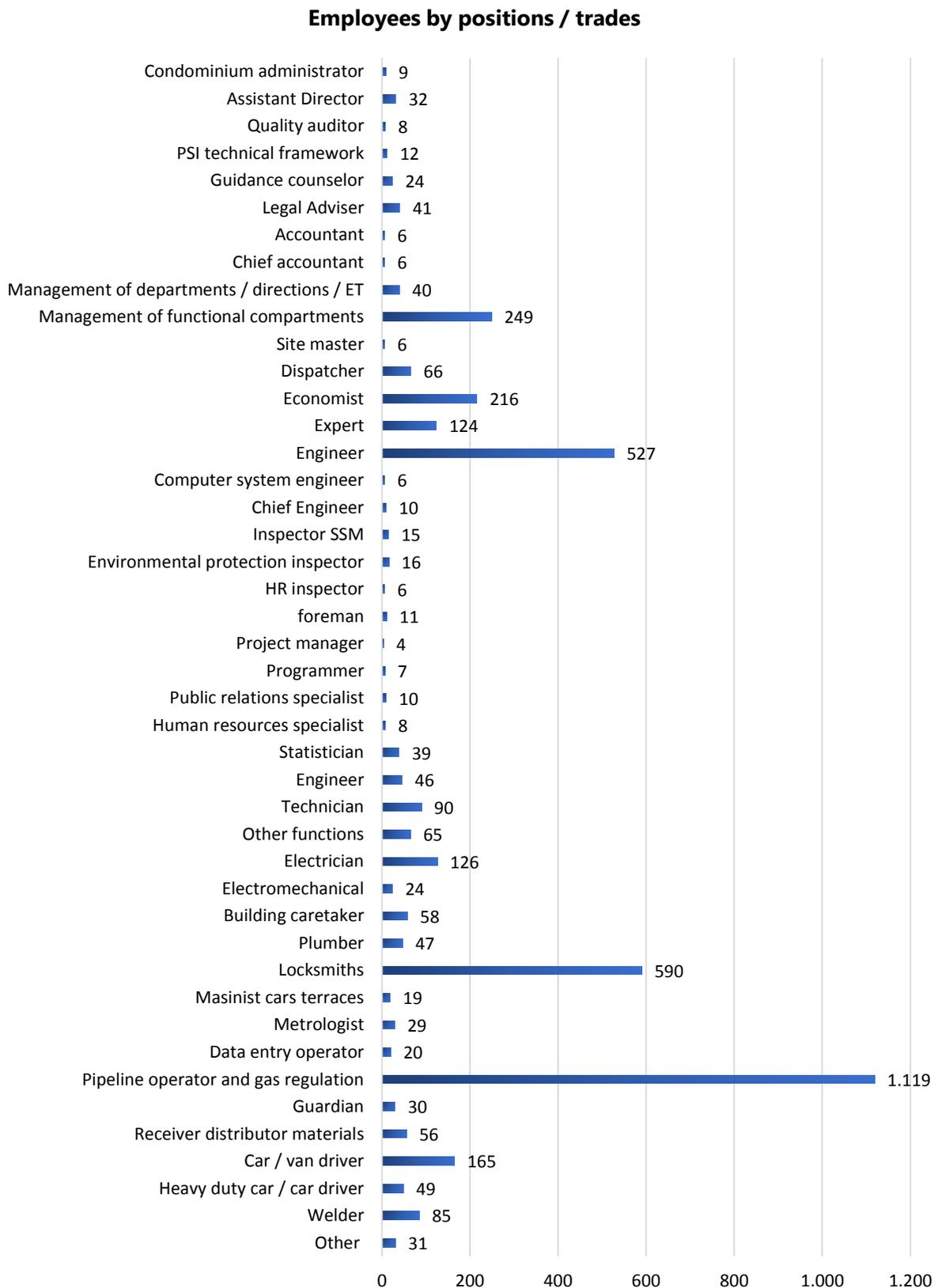
THE SITUATION BY CATEGORIES OF FEMALE EMPLOYEES



Graph 5- Structure of SNTGN TRANSGAZ SA employees by categories

Within SNTGN TRANSGAZ SA out of the total number of employed women, the percentage of women in the execution area is over 62.4% and the percentage of women in management positions is 9.6%.

The structure of employees by specializations is as follows:



Graph 6- The structure of SNTGN TRANSGAZ SA employees by specializations

Training programs, internships

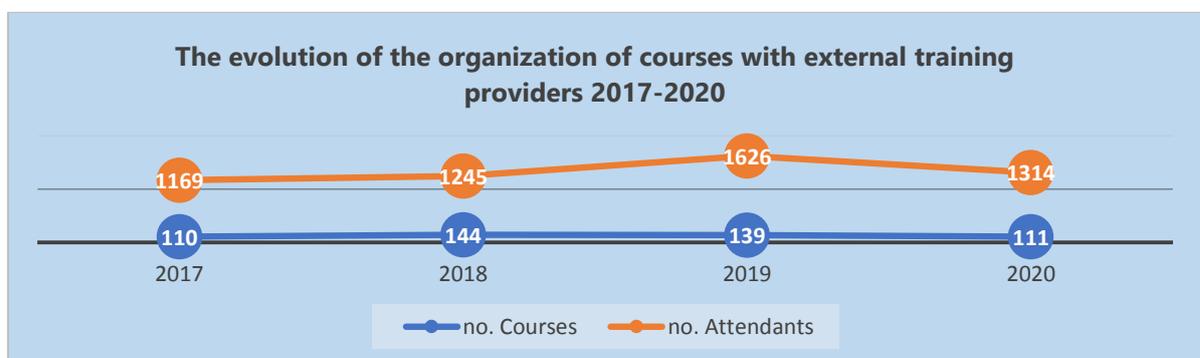
The high level of professional competence of employees is considered a premise in achieving the objectives of any organization, which is why SNTGN TRANSGAZ SA invests with priority in training its employees. Thus, we want our employees to perceive SNTGN TRANSGAZ SA as a place of learning, growth, connection and collaboration - an excellent place to work.

The process of training, improvement and professional development of employees is carried out continuously and planned, by carrying out two categories of training, of a technical nature (eg improving digital skills for using HLIGHT applications) and developing relational skills (eg work in a team, company values, time management, conflict and stress management, leadership) conducting courses with external training providers in the country and abroad and through in-house trainers, based on the "*Annual Training and Professional Development Program for Employees*", and also with in-house trainers or co-opted specialists from within the company. Within the process of training, improvement and professional development of employees we consider the alignment with European policies in the field.

The topics addressed in the courses cover the areas of interest for the company's activity, both for the basic activity and for the support functions, respectively, the field of engineering, the management of natural gas transmission systems, including SCADA, research and design, economics, human resources, corporate strategy and management, information and communication technology, quality - environment, occupational safety and health, internal audit, internal control and financial management, as well as other topics of general interest necessary for ensuring the efficiency and performance of the activity carried out by the employees within the company.

Table 1: Training and further training courses organized with external training providers:

Year	Nr. courses with external trainers	Nr. course attendants
2017	110	1169
2018	144	1245
2019	139	1626
2020	111	1314



Graph 7 - Evolution of professional training courses 2017-2020

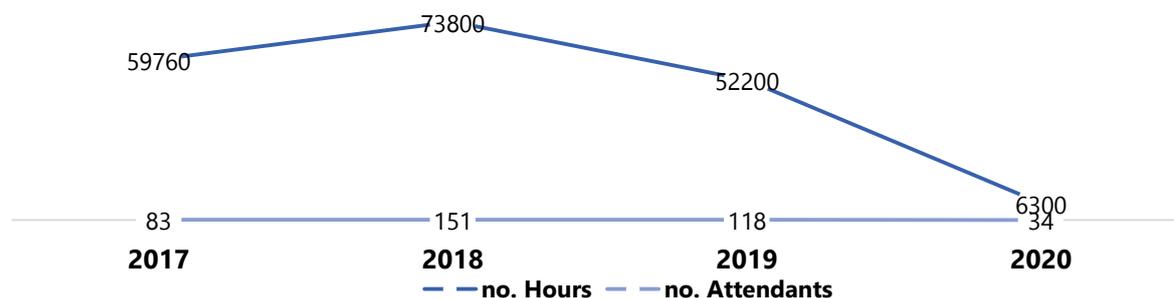
In 2020, due to the measures to prevent the spread of COVID-19 infections in Romania, it was necessary to organize and conduct training and refresher courses in the online version, where the topic of the courses allowed this.

Employees' participation in courses organized with **in-house trainers** and other co-opted specialists within the company aims at either acquiring skills specific to another profession different or related to the one practiced (qualification courses), or developing / improving professional skills in the same occupation or related occupations (training and further training courses).

Table 2: *Qualification courses organized with **in-house trainers** and other specialists within the company:*

Year	No. Hours with in-house trainers	No. attendants
2017	59.760	83
2018	73.800	151
2019	52.200	118
2020	6.300	34

THE EVOLUTION OF THE ORGANIZATION OF QUALIFICATION COURSES WITH IN-HOUSE TRAINERS 2017-2020



Graph 8 - Evolution of qualification courses with in-house trainers 2017-2020

We run **qualification programs** for the professions of *Gas Transmission and Regulation Operator, Repair and Maintenance Locksmith, Welder and Security Agent*, programs for which our company is authorized as a professional training provider. The respective programs, structured in theoretical course and practical training, had a pass rate of 100%. The qualification certificates obtained after the promotion are issued by the Ministry of Labor and Social Protection together with the Ministry of National Education and Scientific Research and have national validity, offering employees the opportunity of a professional retraining or a double specialization..

Starting with 2020, SNTGN TRANSGAZ SA is authorized as a professional training provider for the specialization course in the occupation of **Trainer**. The participants were selected from specialists in their fields of activity. The aim is to provide trainers to develop qualification and advanced training courses in their field, in order to cover the training needs of employees in a way that is as adapted and close to the needs of our field of activity.

Table 3: Training courses organized with in-house trainers and other specialists within the company's structures:

Year	No. Hours with in-house trainers	No. attendants
2017	26 144	817
2018	23 840	745
2019	15 232	952
2020	20 415	860



Graph 9 - Evolution of training courses with in-house trainers

Between 2017-2019, the training programs, given by trainers and internal specialists, were carried out annually for employees who have the profession of welder, electrician, operator and locksmith. The 4 programs had a 100% pass rate and ended with the issuance of "certificates of professional competence" internally, and with recognition at the company level.

During 2020, in terms of training courses, in addition to the 4 courses for working staff, were organized, with in-house trainers a series of professional skills development courses, addressed to employees in support positions. These courses are intended for managers and employees of the departments and support departments of the company (Human Resources, Legal, Economic, etc.), and aim to increase and develop professional skills in the area of management, organizational communication, teamwork.

Another component of professional training, of major importance for the company's field of activity is the **authorization** and / or, respectively, the **attestation** of employees, as follows:

- authorization as an authorized natural gas plumber (transmission facilities, distribution facilities, utilization facilities),
- authorization as an authorized electrician,
- authorization as site manager (natural gas installations / networks, electrical installations / networks, civil, industrial and agricultural constructions)
- authorization for the design and execution of installations in explosive environments (INSEMEX)
- authorization as welding technician (RTS)
- attestation as crane, forklift driver, RSVTI operator
- attestation in the field of road freight and passenger transport.

Our company develops collaborations with higher education institutions with technical and economic profile, within the company internships were carried out by students in different fields of activity.

Table 4: Number of hours of internships performed by students in the company:

Year	No. hours
2017	370 hours
2018	1104 hours
2019	1310 hours
2020	240 hours

Performance evaluation

SNTGN TRANSGAZ SA employees are involved annually in a performance evaluation process, an action that aims to strengthen the link between employees and managers, emphasizing positive performance indicators and establishing steps to obtain better results for the next evaluation interval..

The evaluation of the professional performance of the employees is an annual process that is carried out according to the internal procedure and has the following objectives:

- Evaluation of the way in which the employees fulfill their attributions in relation to the established criteria;
- Establishing the directions and modalities of professional development of employees and increasing their performance.

The evaluation procedure and criteria were revised during 2020, and the new procedure will apply from 2021.

In the new system, the evaluation of individual professional performance is based on the systematic and objective assessment of performance, quality of work, behavior, initiative, efficiency and creativity for each employee.

In the new evaluation system, the criteria according to which the evaluation is made are relevant and with an important impact on the sustainable development of our company.

Equal opportunities and treatment

SNTGN TRANSGAZ SA gives great importance to the observance in the labor relations of the following principles:

- **the principle of freedom of work** - any person is free to choose the job and the profession, trade or activity to be performed;
- **prohibition of forced labor** - forced labor is prohibited;
- **the principle of non-discrimination** - the principle of equal treatment of all employees - aims to ensure that every employee, regardless of the work they perform, is treated with **RESPECT** and **CONSIDERATION**.

The SNTGN TRANSGAZ SA team is made up of people with different professional and cultural experiences. A fundamental principle for society is the elimination of any discrimination based on gender, marital status, sexual identity, religion, political choices, ethnicity, race, nationality, genetic characteristics, etc., in the processes of employment, promotion or pay.

The company's mission is to create an atmosphere of fairness and equality that includes all employees and makes the company more competitive.

Through the "**Guide on equal opportunities and treatment**" to be implemented we ensure that the company is governed by the principles of equal opportunities and treatment and the person in charge of equal opportunities and treatment between women and men oversees the implementation of the guide and disseminates to the level of the information and novelty material society regarding this concept.

Achieving gender balance has always been a challenge in the industry in which we operate, and SNTGN TRANSGAZ SA wants to maintain a balance between the number of women and men employed, but this share is also influenced by the profile of activities.

Employee satisfaction

Involvement in a permanent dialogue with employees is an important goal for the company. Job satisfaction is directly correlated with professional performance. Employee job satisfaction questionnaires are an important feedback tool, through which they can express their opinion about bosses / organization / work environment / team. Given that this information can often be sensitive, the completed questionnaires are anonymous. In this context, SNTGN TRANSGAZ SA contracted an external service provider, which conducted a comprehensive study and was completed at the end of 2019 with a relevant report on employee satisfaction and organizational climate.

Induction of new employees

The professional integration of new employees has psychological, social and organizational implications. In order to make the integration of new employees easier and more comfortable, a guide has been developed with useful information, which is sent to each new employee of the company and which aims **to facilitate** a quick and effective integration. The guide contains information on the object of activity, the organization, the place occupied in the socio-economic context, the facilities offered to the staff as well as information on the position held, working conditions, expected behavior, people to work with, etc.

Information, consultation and relationship with trade unions

SNTGN TRANSGAZ SA as an employer is constantly concerned with compliance with national and European legislation in the field of labor relations, relations with social dialogue partners, information and consultation of employees. The relations between the employer and the employees are regulated by the Collective Labor Agreement at the company level, as well as by the individual employment contracts of the employees.

At the company level, there has been, since its establishment, a permanent Collective Labor Agreement negotiated and registered according to the provisions of the Law on Social Dialogue. Starting with 25.06.2018, the current Collective Labor Agreement concluded at the level of SNTGN TRANSGAZ SA came into force, with a validity period of 24 months, starting with 25.06.2020 the contract was extended for a period of 12 months.

The Collective Labor Agreement at company level, concluded between SNTGN TRANSGAZ SA and employees represented by the Transport Gaz Mediaș Union, regulates the individual and collective labor relations, as well as the rights and obligations of the parties regarding:

- conclusion, execution, modification, suspension and termination of individual employment contracts
- working conditions, safety and health at work
- professional training
- working time and rest time
- salary
- employment rights and obligations, work discipline
- social protection of employees
- other rights and obligations arising from employment relationships
- mutual recognition, rights and obligations of the employer and trade unions.

Annually, prior to the approval of the Revenue and Expenditure Budget of SNTGN TRANSGAZ SA for the following year, the trade union organization is consulted regarding the chapter of expenses with staff salaries for compliance with the provisions of Government Ordinance no. 26/2013 on strengthening financial discipline at the level of economic operators in which the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold a majority stake.

The relations between the employer and the employees fall within the legal provisions in force, as there are no conflicting elements in connection with these relations.

At SNTGN TRANSGAZ SA there is an active social protection for maintaining employees within the company. The relations between the employer and the employees are regulated by the Collective Labor Agreement at the company level, as well as by the individual employment contracts of the employees.

Labor standardization activity

As a technical operator of the National Natural Gas Transmission System, the mission of SNTGN TRANSGAZ SA is of strategic importance for Romania, respectively to ensure its operation in conditions of quality, safety, economic efficiency and environmental protection.

In the period between 2014 - 2016, in collaboration with the company "Deloitte Consultancy", the project "*Norms including time norms and staff standardization for exploitation, operation, interventions and maintenance of the National Natural Gas Transmission System and related installations*" was carried out which, at the level of SNTGN TRANSGAZ SA, were identified 1803 technical works necessary to be standardized, of which 112 works were standardized.

Starting with 2016, the activity of standardization of technical works continued through the Bureau of Labor Standardization, established at the level of the Department of Organization, Human Resources.

In line with the Management Plan of TRANSGAZ SA, in order to improve the use of qualified personnel to perform the entirety of their duties, increase labor productivity and the efficiency of labor, correlation structure positions with activities and strategic objectives of the company, the Norm with the norms of time and the norm of the personnel for the operation, operation, interventions and maintenance of NTS was drafted.

Following the requests of the Regional Operating centres, analysis were elaborated regarding the dimensioning of the working personnel at the level of the sectors within the Regional

Operating centres, related to the time norms included in the Norm with the time norms and the normation of the personnel for NTS exploitation.

After the elaboration of the consolidated form of the norm, at the level of the company projects will be developed regarding the implementation and verification of time norms, corroborated with the activity of assistance / guidance in the territory regarding the application of time norms.

Also, in order to ensure a proper organizational dimensioning of the activities carried out within the company and their alignment with the performance optimization requirements, it is necessary to continuously improve the time rules, in correlation with the changes in the organization of the company, modernization of existing equipment or implementation of new technologies.

6.3. Protection, security, critical infrastructure

Occupational Safety and Health

General objective:

Ensuring the occupational safety and health SNTGN TRANSGAZ SA employees

Domain specific objective:

Improving the Performance of the Occupational Health and Safety Management System

Actions:

- Hazard identification and risk assessment for each component of the work system;
- keeping own risks under control by evaluating the results of their treatment;
- capitalizing on the identified opportunities;
- monitoring the health of workers in relation to the occupational risks to which they may be exposed;
- preparation, updating, implementation and monitoring of the actions of the prevention and protection plan in order to mitigate/eliminate the risks of occupational injury and diseases.

At the company level, the aim is to maintain and update occupational safety and health procedures applicable within all structures of SNTGN TRANSGAZ SA in order to establish the methodology for the permanent proactive identification of hazards, assessment of risks of occupational injury and diseases, establishing measures and monitoring implementation. them.

The company's objective is to minimize the introduction of new OSH hazards and risks into the work environment as changes occur (technological, equipment, work procedures, design specifications, personnel and standards and regulations).

Hazard identification begins at the design stage of any job, facility, product, or organization. It is an ongoing process, as the project is detailed and then put into practice, as well as throughout the life cycle, to reflect current, changing and future activities.

The Integrated Management System - Quality, Environment, Safety and Occupational Health is implemented within SNTGN TRANSGAZ SA, in accordance with the SR ISO 9001: 2015, SR ISO 14001: 2015 and SR ISO 45001: 2018 standards.

In order to ensure the functioning of the Occupational Health and Safety Management System in accordance with SR ISO 45001: 2018 SNTGN TRANSGAZ SA established the initiation and development of actions in accordance with the provided requirements.

The company has identified the needs and expectations of workers and other relevant stakeholders for the purpose of the Occupational Health and Safety Management System. Planning is an ongoing process that anticipates changing circumstances and continuously determines risks and opportunities for both workers and MS OSH.

Workers' awareness of occupational safety and health risks is done through training, according to the annual training program and the topics for each job.

Therefore, in order to ensure an integrated approach and efficient training of the workers *training programs and testing in health and safety at work in society* and training topics are developed at TRANSGAZ. Also, the training of the third party personnel performing works in the objectives of SNTGN TRANSGAZ SA is performed .

Increasing the degree of competence of workers is done by:

- participation in training and professional development courses (coordinator in the field of occupational safety and health for temporary and mobile construction sites attended by employees of the company. They will ensure the coordination of OSH on construction sites assembly of pipelines within the territorial units, training course qualification in the activity of rescuer at INSEMEX Petroșani, within the pilot rescue station that will be authorized at the level of SNTGN TRANSGAZ SA , with working points within the Medias Regional Office - Sibiu, Făgăraș and Târgu Mureș Sectors.)
- participation in regular training on occupational hazards and risks according to *the Training and Testing Programs in the field of occupational safety and health at company level* and thematic training at all stages (general introductory training - on employment, on-the-job training, regular training and additional training).
- acquisition of own instructions for health and safety at work (General Instructions and Specific Instructions on activities and jobs).
- signs and pictograms identifying hazards.

Compliance with specific laws and requirements of internal regulations is analyzed in internal audits and inspections, which are carried out according to audit and inspection programs, by measuring performance, by reporting based on indicators, by closing actions in established improvement plans and by the results of the analysis. of management.

In order to ensure safety and health at work on the sites organized within SNTGN TRANSGAZ SA for the construction / assembly of gas transmission installations, the coordination of safety and health of contractors and subcontractors is ensured through SSM inspectors , who are specialized for carrying out these activities in accordance with the provisions of *GD no. 300/2006 on minimum occupational safety and health requirements for temporary and mobile construction sites*.

The safety and health coordination of temporary and mobile construction sites is carried out through regular site inspections and coordination meetings with the constructors' representatives, so as to ensure compliance with all prevention and protection measures applicable to construction sites provided for in the Safety and Health Plans.

The events communicated and researched within SNTGN TRANSGAZ SA

Indicators	2018	2019	2020
Number of investigated events	10	3	6
Number of work accidents	2	1	2
Working days of temporary incapacity for work, caused by work accidents.	61	4	111
Number of occupational diseases	0	0	0

Occupational Safety and Health Committee

Workers' representatives are permanently engaged in the establishment, evaluation, operation and improvement of occupational safety and health programs.

At the level of the Company, of the regional offices and of the Mediaş Branch, according to the legislation in force, there is organized an Occupational Safety and Health Committee.

The functioning of the Occupational Safety and Health Committees is regulated by Law no. 319/2006 UPDATED Law on Safety and Health at Work, GD 1425/2006 Methodological Rules for applying the provisions of the updated Law on Safety and Health at Work, the Rules for the Organization and Functioning of the Committee on Safety and Health at Work within SNTGN TRANSGAZ SA , Collective Labour Contract, internal regulations.

The Consultation and Participation of workers procedure was prepared, with applicability within all the structures of SNTGN TRANSGAZ SA.

Occupational Health

Prevention in the field of occupational health is performed by doctors specialized in occupational medicine, the health of workers being monitored and presented at the meetings of the Occupational Health and Safety Committee.

An IT application was developed and implemented at TRANSGAZ, which facilitates the monitoring of the controls at the level of the company/regional offices/the Mediaş Subsidiary, as well as of the results and measures applied.

In order to promote employees' access to medical services outside the workplace, we offer health insurances to which all employees have access on a scheduled basis. Employees with health problems receive financial support for the treatment and investigation of various diseases other than those related to the profession.

Emergency Management

General objectives:

- Ensuring the physical security and integrity of the objectives of SNTGN TRANSGAZ SA;
- Prevention and intervention in case of emergencies;

Domain specific objectives:

- Analysis of the security risk to physical security and taking action to manage it;
- Reducing the impact of technological and / or human emergencies on the NTS.
- Continuous increase of the capacity of prevention and response in emergency situations;
- Providing human and material resources in crisis or war situations.

Main actions:

- Preparation/updating of physical security risk analyses for newly established/modified objectives;
- Preparation and updating of emergency specific documents;
- Preparation and updating of specific intervention plans in case of emergencies;
- Periodic testing of specific intervention plans;
- Personnel instructions on fire protection rules and in case of emergencies
- Installation of technical security systems for all objectives of SNTGN TRANSGAZ SA;
- Implementation of the Integrated Access System to all the Administrative Headquarters of the company
- Ensuring the necessary personnel;
- Ensuring military status;
- Training and equipping of intervention teams.

The main activities in the field of protection, security and emergency situations were carried out in compliance with the laws applicable in the main fields, presented as follows:

A. Field - Fire and Emergency Situations

- The specialized personnel participated in the committees for the evaluation of the causes of events occurred in 2019 in committees, receiving investments involving installing security systems, fire and other technical systems security, at meetings and invitations of competent authorities and local and regional emergency structures.
- The data regarding the completion of the Capabilities Register, which SNTGN TRANSGAZ SA has the obligation to provide, were updated and sent to the county inspectorates for emergency situations .
- In accordance with the legislation in force, the annual training topic in the field of emergency situations was prepared, approved and submitted and, on a monthly basis, the training topics in the field of emergency situations were prepared according to the training schedule. Also, in accordance with the law, the employees were periodically trained and the employees were trained for employment.

For compliance with the legal provisions in the field of civil protection and emergency situations, SPPSU revised all specific intervention plans at the level of SNTGN TRANSGAZ SA , including the Decision on the Emergency Team at the company level and the measures deriving from it. At the same time, *the Defense Plan in case of* specific emergency situations, caused by earthquake and / or landslides at the objectives of SNTGN TRANSGAZ SA was finalized and approved by the specialized forums of the Ministry of Economy.

Assessment of compliance with relevant laws

In 2018-2020, 9 controls were registered by the competent authorities in the field, without financial repercussions on the company.

Indicator	2018	2019	2020
Number of external inspections	6	3	0
Number of sanctions for non-compliance with fire extinction and emergency laws	0	0	0
Value of sanctions for non-compliance with fire extinction and emergency laws	0	0	0

B. Field - Security systems

- Through the specialized personnel, it was ensured the presence of the specialized personnel at the reception of the completed security systems for the works carried out in 2020;
- The installed security systems were maintained in operation, except for those whose failure to function required the purchase and replacement of equipment, a replacement which was started by the specialized company with which the contract was signed for the half-yearly technical review and repairs on request;
- To upgrade the security level of the company's objectives, the procedure for the procurement of the works regarding the installation of an integrated timekeeping and access control system at SNTGN TRANSGAZ SA level was launched, and Contract 720/24.07.2019 was concluded;
- The public procurement procedure was launched for the security systems maintenance service, and Contract 993/29.11.2019 was concluded.

C. Field - Security and Protection of Objectives

- For the personnel that carries out various activities based on service contracts with third parties, access accreditations were issued for the objectives of SNTGN TRANSGAZ SA , and for the foreign persons that carry out activities in the critical infrastructure objectives, the access accreditations were updated.
- For the objectives set, as a result of the preparation of the Physical Security Risk Analysis, the security plans were updated .
- To continuously improve the salaries within the organizational entities of the company, the professional training courses for the job of *security agent* were carried out (according to the framework programme of the occupational standard for the job of **security agent** code NC 5169.1.1) organized by the Training and formation Centre.
- A new Framework Agreement valid for 2 years was concluded for the provision of security services in the objectives of SNTGN TRANSGAZ SA.

D. Domain - Military evidence

Following the Decision issued by the Sibiu County Commission of Requisitions, the situation of the means subject to requisition when the state of mobilization and / or war was declared was updated and the lists with the indications for the designated means were introduced in the sealed container.

To comply with the legal provisions in the field, it was started, the development of the database necessary to update the requests for mobilization at work in case of war, according to the legal provisions, in collaboration with the Department of Organization and Human Resources.

Critical Infrastructure Protection

General objective:

- Ensuring the security of the objectives of SNTGN TRANSGAZ SA designated national and European critical infrastructures (ICN / E.)

Domain specific objectives:

- Installation of integrated security systems for national / European critical infrastructure objectives;
- Permanent monitoring of the security of critical infrastructures;

Main actions:

- preparation of PSO and their revision / updating, whenever necessary for:
 - **the objectives of SNTGN TRANSGAZ SA, designated ICN according to GD no. 1198/2012 on the designation of national critical infrastructures** ; amended and supplemented by *GD no. 639/2015 on the amendment and completion of the Government Decision no. 1198 / 2012 on the designation of national critical infrastructures* ; amended and supplemented by *GD no. 276/2018 for the amendment and completion of Government Decision no. 1198 / 2012 on the designation of national critical infrastructures*;
 - **the objectives of SNTGN TRANSGAZ SA , designated ICE according to GD no. 683/2016 on the designation of European critical infrastructures and for the modification of Government Decision no. 301/2012 on the approval of the Methodological Rules for the application of Law no. 333/2003 on the protection of objectives, assets, values and protection of persons, training of personnel working in the designated objectives, at the level of competence on security requirements for critical infrastructure objective**;
- regular training in the (operational and decision-making) personnel field working within the objectives designated ICN/E., on competence levels, on security requirements for critical infrastructure objectives;
- organizing, coordinating and carrying out activities to test the way staff act in different scenarios, generated by emergency situations;
- ensuring the participation in accredited training and continuous development programs in the field of Critical Infrastructure Protection of designated OLS;
- the permanent evaluation of the NTS and the identification of the potential objectives for the fulfillment of the responsibilities that fall under the provisions of Art. 9 (6) of GEO 98/2010 on the identification, designation and protection of critical infrastructures, owners / operators / administrators of ICN / ICE - with further amendments, on the obligation to participate, at the request of responsible public authorities or MIA through CNCPIC, in the process of identification and designation of ICN/ICE.

The activities proposed to be carried out in 2020 were planned taking into account the specific objectives, the conclusions drawn from the analysis of the activity carried out at the end of 2018, as well as the requirements and priorities imposed by specific legislation in force.

In this respect, from 2020 regarding Critical Infrastructure Protection, were the following were performed:

- Following with priority the completion of the PSO review / update of the objectives designated ICN according to *GD no. 1198/2012 on the designation of national critical infrastructures* and ICE and by *GD no. 683/2016 on the designation of European critical*

infrastructures and their submission to the Ministry of Economy / The Defense Industry Directorate *for approval* .

- Preparation of the PSO for the designated ICN objectives of SNTGN TRANSGAZ SA by *GD no. 276 / 03.05.2018 on the amendment and supplementation of GD no. 1198/2012 on the designation of national critical infrastructures* (the 8 new objectives included in the list) and their submission for approval to the responsible public authority - MINISTRY OF ECONOMY.
- Preparation of PSO sites was made based on risk analysis to physical security, the risk analyzes to fire safety and risk analyzes seismic where appropriate , a site visit sites that were out by OLS assigned to these objectives and completing the goal sheet.
- Training of personnel working in the designated objectives, at the level of competence, with all documents and provisions specific to the status of the objective, according to *the ICN Protection Training Plan for 2020*.
- PSO testing activities on how staff to act in different scenarios (emergencies). In this regard, a *PSO Testing Plan for 2020* was prepared .
- Ensuring the participation in training specific to the field of the employees of the department who did not follow a training and continuous development programme, accredited in the field of Critical Infrastructure Protection.
- Continuation of the project to implement security measures and increase the level of security for the 5 objectives selected to start the action to improve security for all national critical infrastructure objectives, which is a priority and will be resumed as soon as all legislative issues are clarified on public procurement.

The next goal is to implement the same security rigors, resulting from risk analysis, for all objectives with the status of national or European critical infrastructure.

- Preparation of the generating documents of the activity regarding the Critical Infrastructure Protection: *Activity program of the Critical Infrastructure Protection Service for 2020, Planning the training in the field of ICN protection for 2020, Planning the PSO testing for 2020 and their documents* .
- Completion of the steps for updating / revising the 21 Operator Security Plans for the objectives designated by ICN according to *GD no. 1198/2012 on the designation of national critical infrastructures and ICE* and by *GD no. 683/2016 on the designation of European critical infrastructures*. The review was conducted using data from displacement objectives of liaison officers drawn from the Security Service revaluation PIC and assumed scenarios and risk back into the grid. During these trips and meetings with the objective managers, they also verified the completion of the monthly reporting sheets for the ICN / E objectives, with information on: revisions, maintenance, unscheduled interventions (incidents) and measures taken following inspections. internal / external. Updated ICN / E operator security plans (according to Decision no. 166 / 19.03.2013 on the approval of the Methodological Rules for the implementation / equivalence / revision of the security plans of the owners / operators / administrators of the national / European critical infrastructure), classified documents confidential information, were developed on dedicated workstations, registered in the *Register of evidence of confidential information*, submitted for internal approval. In the case of ICN objectives designated according to *GD No. 276 / 03.05.2018 on the amendment and supplementation of GD no.1198 / 2012 on the designation of national critical infrastructures* , the activity of moving to the objective of OLS designated within the Critical Infrastructure Protection Service for conducting site visits and meetings with those responsible for ICN objectives.

Based on the data collected, the following activities were performed:

- completion of the objective sheet;
- preparation of the *Physical Security Risk Assessment and Treatment Report* (according to the Moesller method) *and the Risk Assessment Grid*;
- elaboration of *the Security Plan of the ICN Operator*.

In order to fulfill their responsibilities based on the provisions of Art. 8 (5) of GEO 98/2010 on the identification, designation and protection of critical infrastructures, approved with amendments by Law no. 18/2011, within a maximum of 2 years from the date of authorization - by institutions with competences in the field of educational units for training and professional certification in the field of critical infrastructure protection, responsible public authorities and owners / operators / administrators of ICN / ICE they are obliged to ensure the training of the personnel within the specialized compartments , designated to fulfill the function of liaison officer for the security of ICN / ICE.

In this regard, the Human Resources Unit (by Letter 11721 / 25.02.2019) was requested to take the necessary steps for the participation of an employee of the Critical Infrastructure Protection Service in the courses of *the Postgraduate Program of training and continuous professional development in the field of INFRASTRUCTURE PROTECTION MANAGEMENT*.

According to *the ICN Protection Training Schedule*, monthly topics was prepared for regular Critical Infrastructure Protection training. OLS went to the ICN / E objectives and carried out the periodic trainings provided with the persons within their attributions (security personnel and objective managers), the trainings being recorded in the individual training sheets in the field (and signed by the holders) .

The *Physical Security Risk Assessment and Treatment Reports* prepared for the ICN objectives designated according to *GD no. 276 / 03.05.2018 for the amendment and supplementation of GD no.1198 / 2012 on the designation of national critical infrastructures and Annex no. 12 - Risk assessment grids for units without minimum requirements*.

At the request of the Ministry of Economy, SNTGN TRANSGAZ SA participated in the analysis process of the draft *GD on the amendment and supplementation of Government Decision no. 1110/2010 on the competence, tasks and organization of the Interinstitutional Working Group on Critical Infrastructure Protection*. This normative act was analyzed, and the company expressed its point of view regarding this draft normative act.

5. ENVIRONMENTAL RESPONSIBILITY

General objective:

- Pollution prevention
- Reducing / minimizing the impact on the environment in the entire activity carried out.

Domain specific objectives:

- classification of pollutants in the emission limit values;
- monitoring pollution sources;

Main actions:

- reducing the impact of technological processes on the environment;

- preparation of action plans for compliance, monitoring and reporting of their implementation;
- monitoring the pollution sources at the SNTGN objectives, according to the issued Environmental Permits;
- identification and assessment of environmental issues through the annual *Monitoring of Pollution Sources and Assessment of Environmental Aspects program*;
- assessment of compliance with legal requirements and the provisions of environmental agreements and permits;
- promoting investment projects that contribute to the realization of a sustainable natural gas transmission system under the safety conditions provided by the legislation in force, with the limitation of the impact on the environment and the population;
- carrying out projects so that the impact on the natural and anthropic environment is minimal;
- carrying out projects so that the impact on biodiversity is minimal.

The implementing and maintaining of the certification of **the Integrated Quality Management System - Environment - OSH**, according to ISO 14001, aims at reducing the effects of activity on the environment by preventing pollution, implementing the best available techniques, efficient use of resources and energy, efficient waste management, as well as the protection of ecosystems. We constantly monitor and report on environmental performance through specific key performance indicators.

Activities in the field of environmental protection are approached in the light of the principles underlying environmental legislation, thus pursuing the main objective, *pollution prevention*:

- a. *The principle of integrating environmental requirements* - involves identifying environmental issues relevant to the company's activities, the environmental impacts and measures to mitigate negative impacts on the environment, the implementation of measures identified as well as those set out in regulatory documents issued by competent authorities;
- b. *The principle of preventive action* - involves taking a proactive attitude, responsible involvement. Thus, in the main activities, good practice solutions are considered, so that the impact on environmental factors is as much as possible prevented, diminished, even canceled.
- c. *The principle of retention of pollutants at source* - requires annual monitoring and complete sources of pollution with a potential impact on the environment, the technological installations following are specified for each of these action plans to retain pollutants at source. As such, through the *Pollution Sources Monitoring and Environmental Aspects program*, the company aims to limit and reduce the effects of its activity on the environment.
- d. *The principle of conservation of biodiversity and the ecosystems specific to the biogeographical natural* - involves the conservation and protection of natural habitats and of wild flora and fauna that are essential community objectives of general interest. As such, in order to reduce the impact on biodiversity, especially in the case of developed projects, the company applies measures to avoid as much as possible the impact of protected natural areas, appropriate measures to reduce the negative impact when it cannot be avoided and ecological restoration of affected land.
- e. *The principle of informing the public and its participation in decision-making* - the development of the national natural gas transmission system, by carrying out projects, by going through regulatory procedures, obeys this principle, measures to make the entire

technical-administrative process transparent being adopted, all relevant documents being available to the public concerned, on the website of the competent authorities for environmental protection and also on the website of the beneficiary.

A. Assessment of compliance with relevant laws

The management of environmental permits, meaning of the *16 environmental permits issued for carrying out the activity at the level of the organization*, aims at regulating the company's objectives, according to the legal requirements in the field of environmental protection. In 2020, a request was made for the renewal of the environmental permit, related to the Bacău Regional Office, the regulatory act being obtained from the Bacău Environmental Protection Agency.

At the level of the department, the **review of the environmental permit** of the Botorca Storage was started, considering the change of the storage amount of ethyl mercaptan in the storage, in progress, in final phase, being submitted all the completions requested by the authorities.

From the point of view of water management authorizations, the legislation in the field requires the obtaining of regulatory acts for all objectives related to water.

As a result, the company holds **141 water management permits for watercourse** crossings by natural gas transmission pipelines, and **12 renewal applications** were submitted, obtaining 10 new regulatory acts.

According to the procedures established by the national environmental protection authorities, **the development, repair and maintenance of the National Gas Transmission System**, a number of 52 projects were registered in the Integrated Environmental System.

The department checked the projects that were submitted to the Technical-Economic Committee and issued opinions in the field of environmental protection, seeking observance and compliance with the law.

External evaluation

In 2020 SNTGN TRANSGAZ SA was subjected to a number of 7 external inspections presented in the following table, carried out by the control structures within the Romanian Waters National Administration and the National Environmental Guard.

Indicator	2018	2019	2020
Number of external inspections	12	17	7
Number of sanctions for non-compliance with legal provisions on environmental issues	0	1 warning	0
Value of sanctions for non-compliance with legislative provisions on environmental issues	0	0	0

No **sanctions were imposed** following the inspections. Improvement measures were established, as shown by inspection reports of the control authorities in the field of water management.

In 2020, there were no complaints at company level.

Indicator	2018	2019	2020
Number of complaints received / resolved	1/1	3/3	0/0

Compliance and environmental expenditures

We report environmental costs and investments according to the methodology / regulations in force.

In 2018-2020, the total environmental expenses amounted to 80,669,714 lei, detailed by year according to the table:

Environmental protection costs	2018	2019	2020
	26,668,384 lei	24,285,665 lei	29,685,665 lei

B. Monitoring the sources of pollution to the objectives of SNTGN and identifying, evaluating the environmental aspects

The planning and development of this activity by the Environmental Factors Monitoring Laboratory consisted of the following actions:

- *Monitoring the sources of pollution at sites within the regional offices;*
- *Assessment of environmental aspects for sites within the regional offices.*

In accordance with the requirements of environmental permits issued by the National Environmental Protection Agency / county agencies for environmental protection, the monitoring involved the making of environment systematic measurements at the company sites as follows:

1. Noise level measurements.

Measurements of the noise level generated by the objectives of the natural gas transmission network were carried out periodically, in particular in the vicinity of the gas compressor stations (CS) to verify its compliance with the values allowed by the applicable laws.

In 2019-2020 the number of measurements performed is as follows:

Year	Number of measurements performed	Objective type	Number of objectives with compliance measures
2019	659	MRS, TN, CS	2. 3
2020	174	MRS, TN, CS	13

2. Leak testing of technological installations for methane and ethyl mercaptan emissions

- determination of emissions of air pollutants (CO, NO_x, SO₂) from the flue gases from compressor stations, thermal power plants, convector stoves and gas heaters;
- identification of various situations that do not comply with environmental protection legislation and / or with regard to accidental pollution;

- preparing reports for the measurement of evaluation sheets to environmental issues and monitoring reports.

Indicator	Year	Number of proposed monitoring	Number of monitorings performed	Degree of achievement (%)
Degree of achievement of monitoring pollution sources and assessment of environmental aspects	2018	769	673	87.52
	2019	772	656	84.97
	2020	226	174	65.41

The activity of monitoring the pollution sources and the assessment of the environmental aspects materialized in monitoring reports, accompanied by measurement reports and followed by corrective action plans.

C. Emissions and global warming

At the level of SNTGN TRANSGAZ SA, greenhouse gas (GHG) is generated mainly from the gas transmission activity. Emissions may be accidental - fugitive CH₄ emissions from pipelines and related installations, generated by the operation of gas compressor stations (NO_x, SO₂, CO), by thermal energy production activities through thermal power plants and by transport activities.

Particular importance is given to the activity of verifying fugitive methane (CH₄) emissions, being one of the proposed and achieved target objectives, which contributes to reducing the technological gas consumption. In this respect, emphasis was placed on the maintenance and control activity, the achievement of the repair and modernization plan and the equipping of the gas pipelines with intelligent cleaning and inspection systems (PIG). This modern inspection technology also highlights possible pipeline cracks and corrosion which may lead in time to events resulting in accidental emissions of gas into the atmosphere.

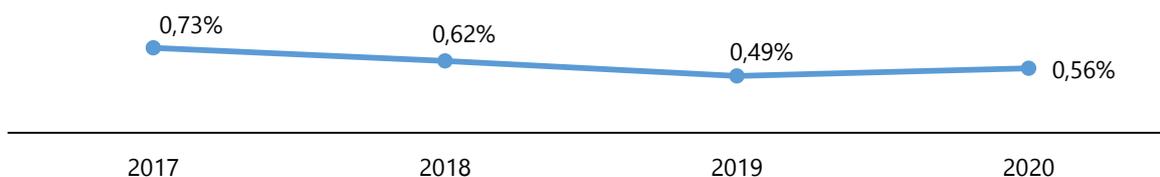
According to the legislation in force, that is *Order 3299/2012 on the approval of the methodology for conducting and reporting inventories regarding air pollutant emissions*, which requires the provision of data for the preparation of local inventories of air pollutant emissions, the company transmits to the National Agency for Environmental Protection the data on natural gas emissions in atmosphere for 2019 by counties, in proportion to the number of kilometers of transmission network.

At the level of SNTGN TRANSGAZ SA approximately 4,235 km of natural gas transmission pipelines. are provided with PIG launching / receiving installations.

In 2020, 174 verifications and measurements of the level of fugitive methane (CH₄) emissions were performed, with the issuance of verification certificates.

The reduction of fugitive natural gas emissions was reflected in the value of technological gas consumption for the entire activity, being reached a level comparable to that of the most efficient similar natural gas transmission systems in the EU.

Share of NTS gas consumption/total gas circulated in 2017-2020



Regarding the emissions generated by the operation of the compressor stations, in order to reduce them, the new and modernized compressor stations were equipped with state-of-the-art turbine compressors, with reduced NOX, SO₂, CO emissions, being equipped with systems of automation, monitoring and performance control from an environmental point of view. Also as a measure to reduce GHG emissions in recent years, investments were made in modernizing the fleet.

To manage and monitor this aspect, the company is effectively implementing the policy in the field of environmental quality, occupational health and safety and energy security, a procedure that includes our commitments to prevent pollution and reduce the adverse effects of our activity on the environment. Instructions are applied that regulate the way of working and the responsibilities regarding the emissions, the polluting emissions at the pipelines, technological installations, gas drying stations, compressor stations and thermal power plants being measured.

D. Compliance of the company's projects with environmental requirements

The carrying out of projects for the development of the National Gas Transmission System involves compliance with specific legislation on water management and the regime of protected natural areas, conservation of natural habitats, wild flora and fauna and completion of related regulatory procedures.

The final and main objective is to comply with the specific legislation of each development project of the company.

Indicator	2018	2019	2020
Number of projects submitted to environmental authorities	41	25	39
Number of projects that completed the environmental procedure	34	22	35
Number of water management approvals obtained (where applicable)	9	11	12
Number of approvals issued by the administrators of protected natural areas or by the National Agency for Protected Natural Areas obtained (where applicable)	7	4	7

Biodiversity

The activity carried out by our company may impact biodiversity, especially in the implementation stage of the gas transmission network development projects. The possible

impact that the company's projects may have on biodiversity is reflected in their location, on some parts of the route, on the territory of protected natural areas or in their vicinity.

In this respect, SNTGN TRANSGAZ SA pays special attention to this chapter, the activities carried out being managed so as to generate a minimal impact on the flora and fauna of the protected natural areas. In order to achieve this goal, SNTGN TRANSGAZ SA, through its specialized, environmental and design structures, adopts from the design stage the optimal route of the new gas transmission objectives / pipelines, in order to avoid as much as possible the crossing of protected natural areas.

Each project of the company is subject, prior to execution, to the environmental impact assessment procedure which identifies all associated forms of impact and establishes specific measures to reduce the impact.

The implementation of projects that can influence protected natural areas is done by applying all measures to prevent, reduce and compensate for the adverse effects on biodiversity, as well as with strict compliance with the conditions established by the opinions issued by the authorities and administrators of protected natural areas.

Water management

In 2018-2020, as a result of the gas transmission activity, there were no events affecting the water bodies.

The gas network investment / development works were carried out in strict compliance with the conditions provided by the regulatory acts issued by the competent authorities in the field. In order to limit the impact when crossing water bodies, high-performance technologies were applied, including the use of horizontal directional drilling where possible.

The natural gas transmission sector is not identified as a source of significant pressure on water resources in Romania according to the Annual Environmental Report on the situation of the environment in Romania, prepared by the National Agency for Environmental Protection.

According to the water management laws, the company holds water management permits for water crossings by gas transmission pipelines, that is for approximately 2,400 crossings, there are 141 regulatory acts, which are renewed on time.

Also, in order to comply with the legal requirements, at the level of the company there is an extensive process of preparation of technical documentatio, for the revision of the water management authorizations related to 10 river basins of the country.

As such, the technical documentation was submitted for 3 river basins and the regulatory documents were obtained, the technical documentation was submitted for 3 river basins and the visit of the authorities on the ground is expected, and the specific documents are under development for 4 river basins.

E. Waste management

The main categories of waste generated at the company level come mainly from the maintenance activity of the natural gas transmission network and from the construction activity /development of the gas transmission infrastructure.

The degree of recovery of waste in the period 2018-2020 is presented in the following table:

Year	Degree of recovery of waste
2018	86.15%
2019	97.24%
2020	90.0%

- hazardous waste mainly included packaging that contains residues or is contaminated with hazardous substances (paints, thinners, lubricants), absorbents, filter materials (including oil filters), protective clothing contaminated with paint, thinners).
- non-hazardous waste consisted mainly of metal waste, mixtures from construction waste, household waste and similar.

The management of all categories of waste was performed in accordance with the provisions of Law 211/2011 on waste treatment (republished) taking into account in particular the application of the respective waste hierarchy: prevention, preparation for reuse, recycling, other recovery and disposal operations, without endangering human health and without harming the environment in particular:

- without generating risks for environmental factors;
- without adversely affecting the countryside or places of special interest;
- without creating discomfort due to noise or odors.

The company aims at the proper management of waste, by carrying out specific actions:

1. selective collection of all generated, hazardous and non-hazardous waste;
2. proper storage of waste so as not to affect environmental factors - air, water and soil;
3. performing specific analyzes to identify the type of waste;
4. recovery and disposal of waste by periodically handing over recoverable waste to authorized companies, based on concluded contracts.

In this way, the amount of waste that is handed over for disposal in landfills is reduced.

The quantities of waste generated are centralized in the waste records, and the data are included in the Annual Environmental Report, related to each organizational entity.

F. Energetic efficiency

Through the policy in the field of quality, environment, health, safety at work and energy, we aim to reduce the energy consumption specific to our activity, taking into account the applicable legislative requirements in the field. At the level of each subsidiary of SNTGN TRANSGAZ SA, energy managers were appointed, managers responsible for monitoring, optimization and reporting energy consumption in accordance with the system procedure regarding the energy analysis. In the process of replacing the equipment, an energy analysis is

performed Annually in order to establish the real consumption, the degree of energy efficiency and the identification of measures to improve the energy regime.

Among the measures applied to reduce energy consumption we mention:

- Execution of works for the modernization of artificial lighting inside and outside the administrative buildings and objectives of the company (MRS, CS, RS, etc.) with the use of lighting based on LED;
- Modernization/replacement of thermal heating installations;
- Energy efficiency studies to reduce energy consumption (diesel, gasoline, completed with GPS installation and lithometric probes for cars in the car park);
- Renewal of the car fleet by replacing old vehicles with a high degree of emissions and high specific consumption with new ones;
- Replacement of old or defective equipment/installations with others with superior energy efficiency.

8. CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an important aspect of corporate governance in our company, through which we undertake a series of actions that can be quantified in terms of sustainability and sustainable performance.

The essential role that SNTGN TRANSGAZ SA has in the energy field in Romania and in Europe, is naturally complemented by the company's desire to support the real needs of all those who constantly contribute to the smooth running of its business.

Therefore, as part of the sustainable development strategy, our social responsibility policy aims to increase the company's responsibility towards employees, shareholders, partners, community and the environment. It is based on a set of principles that define the interaction between the company and its audiences and that are transposed into community life by:

- sponsorship actions and financial aid granted
- CSR projects

Therefore, SNTGN TRANSGAZ SA is aware that financial support is vital for a noble cause or for an important purpose - as such, for more than 10 years, we have been actively involved in community life, through the (CSR) social responsibility programmes and projects initiated.

In this respect, the company has been active in areas such as: sustainable community development, education, sports, art and culture, humanitarian action, health and environment.

Sustainable community development

We support with financial aid construction and / or reconstruction works of public spaces, churches and monasteries and we are concerned with the restoration of the national heritage.

Education

We believe in the potential of the young generation and provide financial support through partnerships in technical projects, symposia and conferences in the field of natural gas, organized by the *University of Oil and Gas* in Ploiești and the *Lucian Blaga University* in Sibiu.

Sports

Sport contributes to a better health, but also to the general well-being of each of us, as the saying goes 'A healthy mind in a healthy body!'

Sponsorship in this area is a form of commitment of the company to support sports activities, which is based on a support agreement for sports teams / events and organizations / clubs / associations (with different sports disciplines), promoting the corporate image.

Art and culture

We provide financial support through partnerships for various cultural events, theater performances and music festivals, creative competitions for pupils and students and we support the cultural-artistic foundations in their activity.

Humanitarian actions

We provide material support to our employees in unfortunate life situations such as the loss of the loved ones or when they suffer material damage caused by disasters. At the same time, we are involved in helping people with disabilities, NGOs, associations and foundations that deal with these people, people without material possibilities and people in need of medical care.

Health

We take care of the health of others as we take care of our own health and support the health system, and we provide financial support to employees to solve serious health problems).

The environment

We are firmly committed to energy efficiency and transport and we apply responsible procurement practices. Environmental protection is part of our responsibility to society. We focus on reducing the impact of our activity on the environment and we constantly implement measures in this direction.

Furthermore, the commitment undertaken by our company by the Policy Statement on the integrated quality - environment management system` is another clear proof of the fact that we understand the importance of ensuring an organizational climate guided by responsibility.

Let's not forget that social responsibility has no age or epoch, but it exists in each of us, we just have to have the courage to act in this regard, to show that by doing good, we help ourselves, employees, stakeholders, partners, In a word, we help the company, and this can only bring benefits to its reputation.

Through all the proposed objectives regarding corporate social responsibility as well as through the sponsorship actions and donations, SNTGN TRANSGAZ SA is ethically committed and contributes through the practice of transparent and responsible business to the sustainable development of the economy and social cohesion, while improving the quality of life of its employees, their families and their communities and the society .

9. MATERIALITY ANALYSIS



In order to prepare the Sustainability Report for 2020, we conducted a materiality analysis to identify the main issues, on the one hand from the point of view of the stakeholders' interest, and on the other hand from the perspective of the company's impact on the main non-financial topics.

Context

To identify the themes, we used a research based on:

- Non-financial reporting standards and methodologies
- Observing the reports of similar companies, both in Romania and in countries with more mature non-financial reporting practices

Following this analysis, a total of 29 non-financial issues were identified.

These topics were discussed internally, classified into three broad categories (economic, company and employee, and environmental) and filtered by an algorithm based on their frequency of use in the researched materials and their impact as described in those reports.

Consultation

Furthermore, the filtered topics were the basis for the completion of the questionnaires which quantified the impact and relative importance of 18 of them:

- Questionnaire no. 1: perspective of SNTGN TRANSGAZ SA stakeholders on the elements of interest (economic, company and employees, respectively environment) in terms of non-financial reporting: 335 internal and external responses
- Questionnaire no. 2: the perspective of industry specialists on the impact of SNTGN TRANSGAZ SA on topics of interest (economic, company and employees, and environment) in terms of non-financial reporting: 21 responses received from a total of over 50 surveyed specialists.

Main topics assessed and the relative importance observed in the analysis of the similar reports

Environment The climate change and renewable energy transition strategy		Company and employees			
GHG emissions and loss		Biodiversity			
Hazardous and non-hazardous waste management		Energy consumption			
Economic					
Availability and capacity of gas transmission system		Efficiency of the SNTGN network		Economic performance and growth	
				Impact on the economy of the country	
				Service quality and availability	

■ Economic ■ Company and employees ■ Environment

As a result of the materiality analysis and the stakeholder consultation, a series of 18 material topics were defined for the non-financial reporting of SNTGN TRANSGAZ SA, in the environment, company and employees, and economic fields.

These areas are included in the company's Sustainability Report for 2020. The topics were quantified through questionnaires, receiving ratings between 1 (less important) and 5 (very important) in terms of stakeholder interest in them and the company's impact on these topics.

Analyzing the 18 topics relevant to the stakeholders, there is a growing interest for the economic field. This area is very well represented among the topics that received an evaluation of over 3.65 on both axes:

▪ **Economic:**

- Availability and capacity of the system in relation to long-term demand
- Service quality and availability
- Network efficiency (technological consumption)
- Economic performance and growth

▪ **Environment:**

- Compliance with environmental laws and regulations

▪ **Company and employees:**

- Ethics, integrity, fighting corruption and non-discrimination
- Quality of the working place

Materiality matrix

Figure 1: Materiality matrix - overview

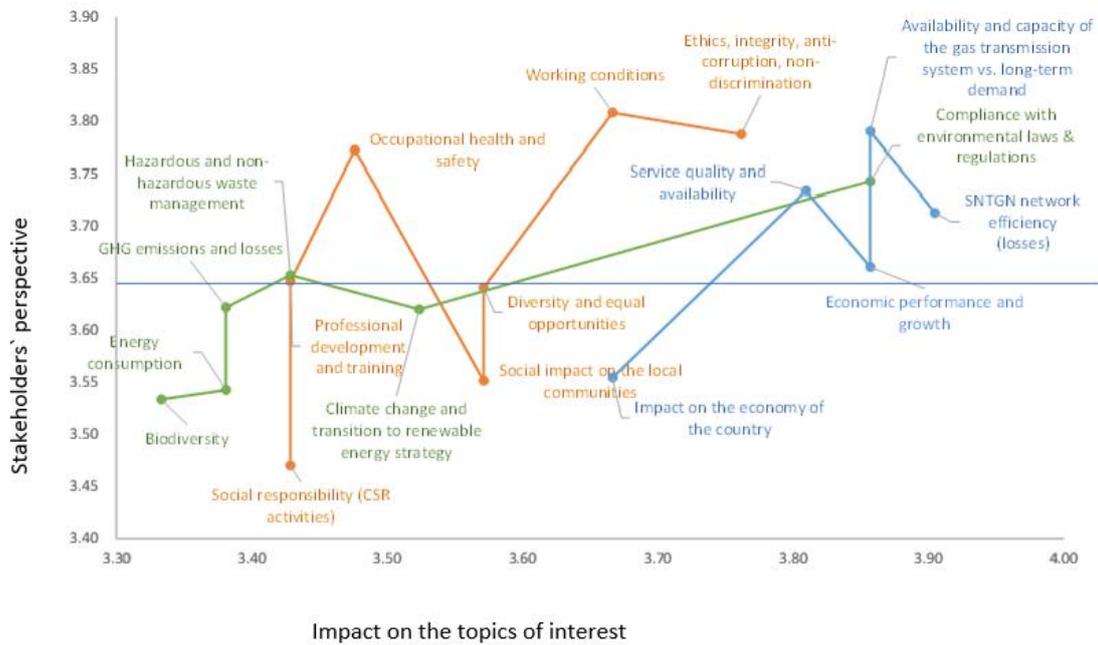


Figure 2: Materiality matrix - detail of social topics

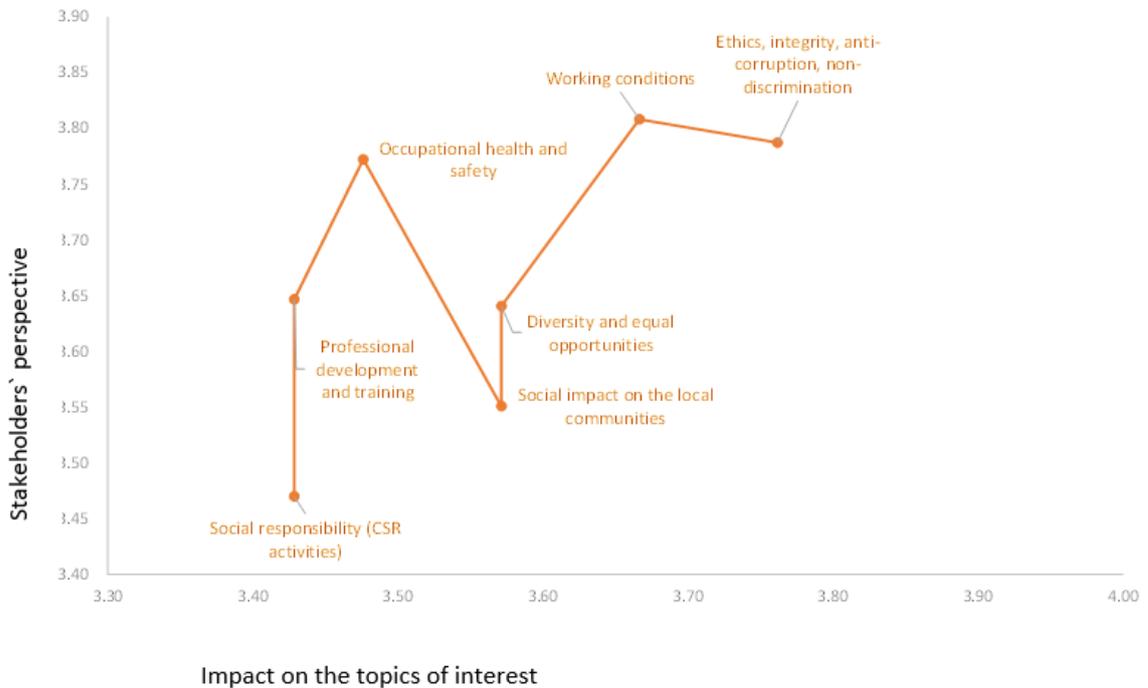


Figure 3: Materiality matrix - detail environmental topics

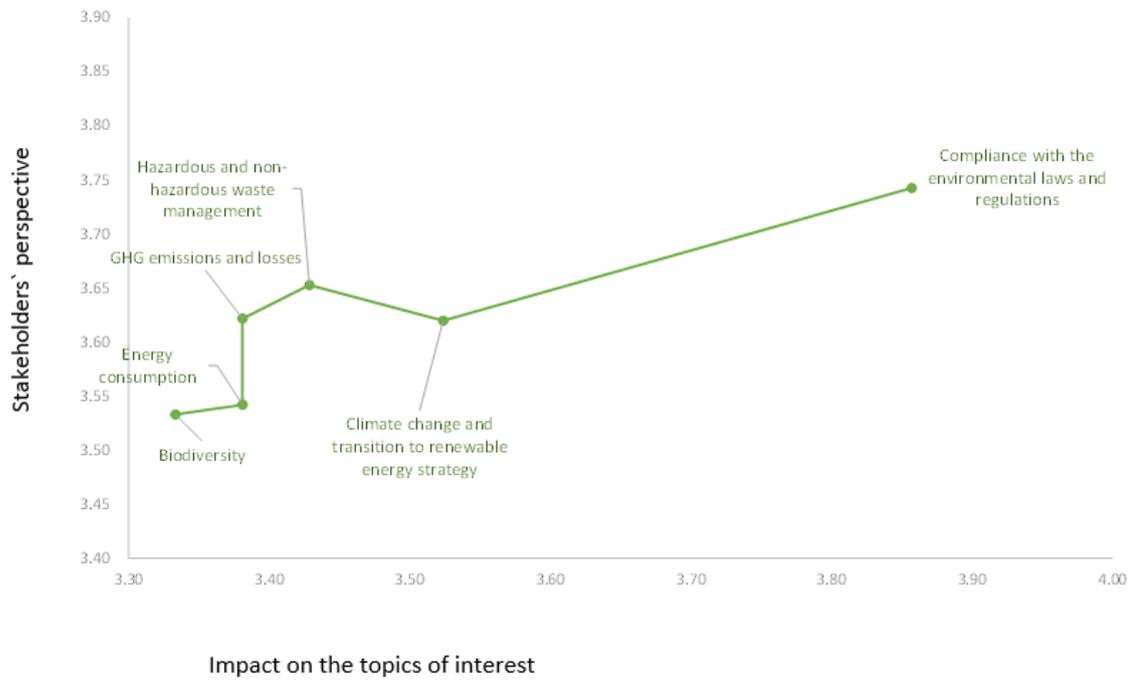


Figure 4: Materiality matrix - detail of economic topics

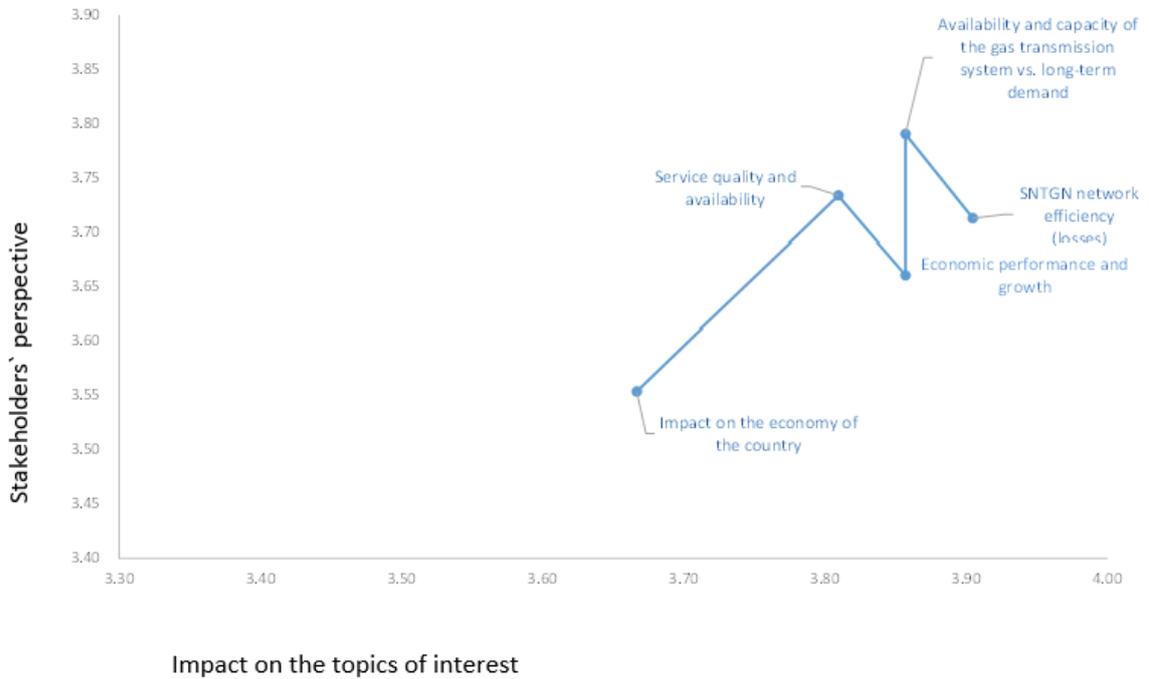


Table: Limits on the influence of SNTGN TRANSGAZ SA on material issues

THEME	GRI STANDARD	ASSOCIATED RISKS
Economic		
Performance and economic growth	GRI 201	The profit may be below the expectations of the main shareholder
Impact on the country's economy	GRI 203	-
Service quality and availability	N/A ¹	Continuity of activities of economic agents critical for the economy and population
Availability and capacity of the natural gas transmission system in relation to long-term demand	N/A	Risk regarding the adaptation of the system to the long-term needs of the local economy. Opportunity to capture transmission needs in relation to the European energy market.
Efficiency of the SNTGN network	N/A	Operational risk, related to costs and efficiency
Company and employees		
Social impact on local communities	GRI 413	Reputational risk
Social responsibility (CSR activities)	GRI 413	Reputational risk
Compliance with regulations, ethics, integrity, fighting corruption and non-discrimination	GRI 205	Reputational risk, employee perception risk
Working place	GRI 401	Human resources risk, retention capacity
Occupational health and safety	GRI 403	Risk of injury and / or occupational disease
Diversity and equal opportunities	GRI 405	Reputational risk, employee perception risk
Professional training and formation	GRI 404	Risk on human resources, efficiency of operations
Environment		
Energy consumption	GRI 302	Operational risk, related to costs and efficiency
Hazardous and non-hazardous waste management	GRI 306	Reputational risk, risk of receiving fines
Compliance with environmental laws and regulations	GRI 307	Reputational risk, risk of receiving fines
Climate change and renewable energy transition strategy	GRI 413	Risk of adapting infrastructure to long-term needs
Greenhouse gas emissions and loss	GRI G4 ² from G4-EN15 to G4-EN21	Risk of contributing to climate change and air pollution, in particular methane loss
Biodiversity	GRI 304	Risk of damage to flora and fauna

¹ The GRI standard contains such indicators for similar industries, and a similar indicator exists in the electricity utilities-specific GRI standard. The standard is under development and this information will be reviewed in future reports, following the publication of an updated GRI standard with specific indicators.

² The GRI standard contains such indicators for similar industries, and this indicator was taken from the GRI standard specific to the oil and gas sector. The GRI standard is under development and this indicator will be reviewed after the publication of an updated GRI standard with specific indicators.

Abbreviations:

GMS - General Meeting of Shareholders

OGMS - Ordinary General Meeting of Shareholders

OGMS Resolution - Resolution of the Ordinary General Meeting of Shareholders

BoA - Board of Administration

BoA Resolution - Resolution of the Board of Administration

IPO - Initial Public Offering

SPO - Secondary Public Offering

NTS - National Transmission System

SNTGN - National Gas Transmission System

GEO - Government Emergency Ordinance

NCI - National Critical Infrastructure

ECI - European Critical Infrastructure

OSP - Operator Security Plans

SLO - Security Liaison Officer

CNCPIC - National Center for Coordination of Critical Infrastructure Protection.