



**SUSTAINABILITY
REPORT RELATED
TO 2021**



**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.



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.

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 current situation, within SNTGN TRANSGAZ SA the approach of sustainability policies and sustainable development 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. In 2019-2021 we provided total financial support of 13,5 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.

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 evolution of the TGN share 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 to all stakeholders (shareholders, employees, community, media, partners, and others)..

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**

TRANSGAZ- 2021 economic size

Economic size	NTS access	Green economy	Investments in the company
Lei 2.663 million total revenue	Over 14.200 km gas transmission pipelines	Lei 69.053 thousand environmental protection expense	4.050 employees, of which
Lei 2.433 million total expense	14.026.269 thousand cm of quantity of transmitted gas	370 mii lei cheltuieli în protejarea biodiversității	212 new employees
Lei 230 million gross profit	134 network users of which: Main network users: - <i>ENGIE ROMANIA S.A.</i> - <i>OMV PETROM S.A.</i> - <i>SNGN ROMGAZ S.A.</i> - <i>E.ON ENERGIE ROMANIA S.A.</i> - <i>ELECTROCENTRALE BUCUREȘTI S.A. (insolvency)</i> - <i>IMEX OIL LIMITED NICOSIA</i> - <i>WIEE ROMANIA S.R.L.</i> - <i>MET AUSTRIA ENERGY TRADE GmbH</i> - <i>AZOMURES S.A.</i> - <i>NORTH CHEMICAL COMPLEX S.R.L.</i>	4% recycled waste	24% women
Lei 177 million net profit		0,41% power from renewable sources	11,3% women in management positions
Lei 1.684 million turnover			0 discrimination incidents
Lei 480 million EBITDA			1.185 number of participants in courses with foreign trainers
Lei 234 million contributions to the state and local budgets			1.064 number of participants in courses with internal trainers
Lei 211 million contributions to special funds and social security			2 work accidents
			Lei 5.049 thousand investments in social responsibility actions

1. INFORMATION ON THE SUSTAINABILITY REPORT

Transgaz publishes this year the second sustainability report, in which it presents the non-financial situation of the company, according to the laws and international standards regarding sustainable development.

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's Director-General and then it is divided into 10 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

At the same time, the sustainability report of Transgaz 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 presents TRANSGAZ'S 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.

A materiality analysis was conducted for the preparation of the Sustainability Report for 2021, 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
- the continuity with the current reporting methodology of SNTGN Transgaz SA.

A total of 29 non-financial issues identified for the previous report were revised, classified into categories (economic, company and employees, and environmental).

In line with the reporting continuity, the selection of themes from the 2020 reporting was maintained, namely 18 themes presented in the list of material themes below:

List of material themes presented schematically

Economic

- 1 Economic performance and growth
- 2 Impact on the country's economy
- 3 Quality and availability of services
- 4 Availability and capacity of the gas transmission system in relation to long-term demand
- 5 Efficiency of the gas transmission network

Company and employees

- 6 Social impact on local communities
- 7 Social responsibility (CSR activities)
- 8 Regulatory compliance, ethics, integrity, anti-corruption and non-discrimination
- 9 Workplace
- 10 Occupational health and safety
- 11 Diversity and equal opportunities
- 12 Education and training

Environment

- 13 Energy consumption
- 14 Management of hazardous and non-hazardous waste
- 15 Compliance with environmental laws and regulations
- 16 Climate change strategy and transition to renewable energy
- 17 Greenhouse gas emissions and losses
- 18 Biodiversity

Consultation

The questionnaires were updated to quantify the impact and relative importance of the 18 selected themes. For consistency and operability of data collection, the company stakeholder perspective and the SNTGN Transgaz SA impact perspective on the themes of interest were combined into one questionnaire as two separate sections.

The questionnaire received 241 internal and external responses, placing the topics of interest from the two distinct perspectives.

The themes were quantified by assessments between 1 (not very important) and 5 (very important) in terms of stakeholder interest in each theme (Section 1) and in terms of SNTGN Transgaz SA's impact on each theme (Section 2).

2. ABOUT SNTGN TRANSGAZ SA

2.1 The activity of the company



The national gas transmission company TRANSGAZ SA established based on Government Resolution no 334/28 April 2000, following the restructuring of the National Gas Company ROMGAZ 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 and its by-laws.

SNTGN TRANSGAZ is the technical operator of the National Gas Transmission System (NTS) and ensures the performance in terms of efficiency, transparency, safety, non-discriminatory access and competitiveness of the national strategy established for domestic and international transmission, natural gas dispatching, research and design in the field of natural gas transmission, in compliance with the national and European legislation and standards of quality, performance, environment and sustainable development.

The natural gas transmission activity is carried out based on the Concession Agreement for the pipelines, installations, equipment and facilities related to the National Gas Transmission System and on the activity of operation of the National Gas Transmission System, concluded between the National Agency for Mineral Resources (ANRM), as in the public domain of the Romanian state, concluded with the National Agency for Mineral Resources (ANRM), as the concession provider, and the National Gas Transmission Company Transgaz SA, as the concession holder, approved by Government Resolution 668/20 June 2002 (published in

Official Journal 486/8 July 2002), valid until 2032, as further amended and supplemented by seven addenda approved by Government Resolution.

By ANRE Order 3/22 January 2014 on the approval of the certification of the National Gas Transmission Company Transgaz - SA Mediaș as transmission system operator of the National Gas Transmission System it was established that the National Gas Transmission Company Transgaz - SA Mediaș must be organized and must operate as an independent system operator.

TRANSGAZ SA performs the following activities:

- **Domestic gas transmission** – monopoly regulated activity, with tariffs set on the basis of the methodology issued by the National Energy Regulatory Authority;
- **International gas transmission** - non-regulated activity carried out through dedicated pipelines, with tariffs set in accordance with the commercial contracts concluded between the parties;
- **Gas dispatching and research and design in the field of gas transmission.**

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.

Domestic transmission

The domestic gas transmission activity is carried out by Transgaz based on License 1933/20.12.2013 for operating the natural gas transmission system, issued by the National Energy Regulatory Authority (ANRE), valid until 08.07.2032.

Domestic gas transmission ensures the fulfilling of all obligations of Transgaz to provide NTS access to network users in equivalent, non-discriminatory and transparent conditions and contract clauses. The natural gas transmission contracts signed with the beneficiaries of the services comply with the regulated framework contract and set the legal framework for the provision of firm and interruptible transmission services.

The transmission of natural gas quantities is carried out from the commercial delivery/taking over points at the entry into the NTS to the commercial delivery/taking-over points at the exit from the NTS, *the natural gas necessary to cover the technological consumption and the balancing of the NTS being the responsibility of Transgaz.*

Through the **transmission services** contracted **in 2021**, the total quantity of **150.142.598,041578 MWh (14.026.268,609 thousand cm)** was transmitted to:

distribution:	83.418.644,552926 MWh (7.788.488,997 mii mc);	55,56%
direct consumers:	36.801.888,367090 MWh (3.452.419,353 mii mc);	24,51%
storage:	22.089.138,227562 MWh (2.068.568,208 mii mc);	14,71%
Export through IP Csanadpalota, Giurgiu Ruse, Negru Vodă, Ungheni:	7.832.926,894000 (716.792,051 thousand cm);	5,22%

The gas transmission is ensured by over 14.200 km of pipelines and gas supply connections with diameters between 50 mm and 1.200 mm, at pressures between 6 bar and 63 bar.

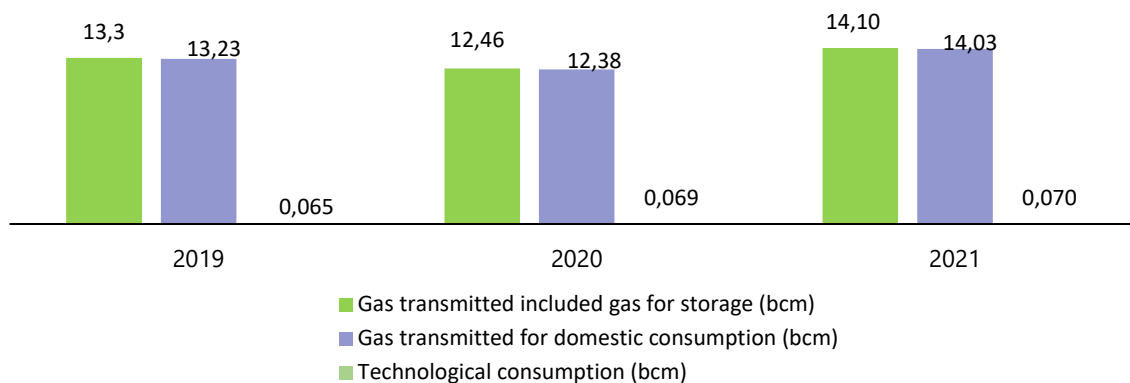


Chart 1 - Gas quantities transmitted including gas quantities for storage and NTS gas consumption in 2019-2021

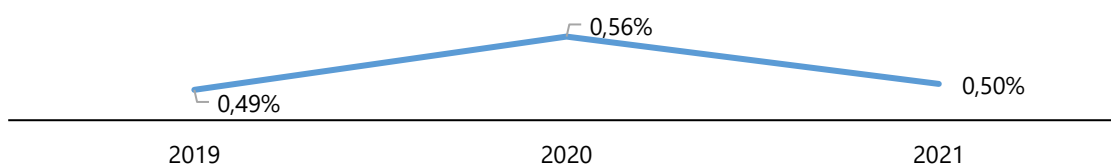


Chart 2 - Share of gas consumption in total gas transmitted through the NTS including gas for storage in 2019-2021

International transmission

The international gas transmission activity is carried out by Transgaz based on License 1933/20.12.2013 for operating the gas transmission system, issued by the National Energy Regulatory Authority (ANRE), valid until 08.07.2032, based on Electricity and Gas Law 123/2012, as further amended and supplemented, as well as based on the specific regulations in force.

The activity of international gas transmission takes place in the South-East of the country (Dobrogea), where the existing Romanian pipeline sector between Isaccea and Negru Vodă is included in the Balkan corridor of international natural gas transmission from Russia to Bulgaria, Turkey, Greece and Macedonia.

Along the mentioned route, there were three international gas transmission pipelines, T1, T2 and T3, which incurred changes as follows:

- in gas year 2019-2020 the Isaccea 1 - Negru Voda 1 (T1) natural gas transmission pipeline was connected to the National Gas Transmission System in GMS Isaccea area;
- at the end of 2021 the Isaccea 2 - Negru Voda 2 (T2) natural gas transmission pipeline was connected to the National Gas Transmission System.

By these changes the physical gas flow was enabled through the T1 and T2 pipelines to the NTS and vice versa.

Following the connection of the Isaccea 1 – Negru Vodă 1 (T1) Gas Transmission Pipeline to the National Gas Transmission System, Negru Vodă 1 became a NTS interconnection point and the provisions of the same tariff setting methodology apply to it (approved by ANRE Order

41/2019) applicable both at the interconnection points with the EU Member States (Csanadpalota, Giurgiu Ruse) and at the domestic points of the National Transmission System. The transmission capacity at the points related to the T1 pipeline is traded according to Order 215/05.12.2019 of the ANRE President amending and supplementing some orders of the ANRE President, and Regulation (EU) No 459/2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013.

Moreover, the Isaccea 2 and Negru Voda 2 gas metering stations were upgraded to ensure bidirectional gas flow at the cross-border interconnection points Isaccea 2 with Ukraine and Negru Vodă 2 with Bulgaria.

After the completion of the works for the connection of the T2 pipeline to the NTS, Transgaz, together with the neighbouring TSOs, took actions (the conclusion of interconnection agreements) to ensure and offer bidirectional capacity at the interconnection points related to this pipeline. The T3 Isaccea 3-Negru Vodă 3 gas transmission pipeline has not been connected yet to the NTS.

The quality of the transmission service is a constant concern of both SNTGN Transgaz SA and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission service based on specific indicators and minimum performance levels, starting with 1 October 2016, the **Performance Standard for the natural gas transmission service approved by ANRE Order 161 / 26.11.2015** entered into force. **From 1 October 2022 the Performance Standard for the natural gas transmission service approved by ANRE Order 140/22.12.2021** as amended will become applicable.

2.2 Shareholding

From 14 November 2019, the exercising of the rights and the fulfilment of the obligations arising from the quality of shareholder of the Romanian State at the National Gas Transmission Company Transgaz SA is performed by the Romanian State through the General Secretariat of the Government, following the transfer of shares from the account of the Romanian State through the Ministry of Economy, according to GEO 68/06.11.2019 on the establishment of measures at the level of the central public administration and for the amending and supplementation of some normative acts.

On 31.12.2021 Transgaz's shareholding structure was 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) out of which:	4.885.004	41,4903
- natural persons	1.168.244	9,9224
- legal persons	3.716.760	31,5679
Total	11.773.844	100

The share capital of Transgaz on 31 December 2021 amounted to lei 117.738.440 and is divided into 11.773.844 registered shares, each share having a nominal value of lei 10.

Shareholding structure on 31 December 2021

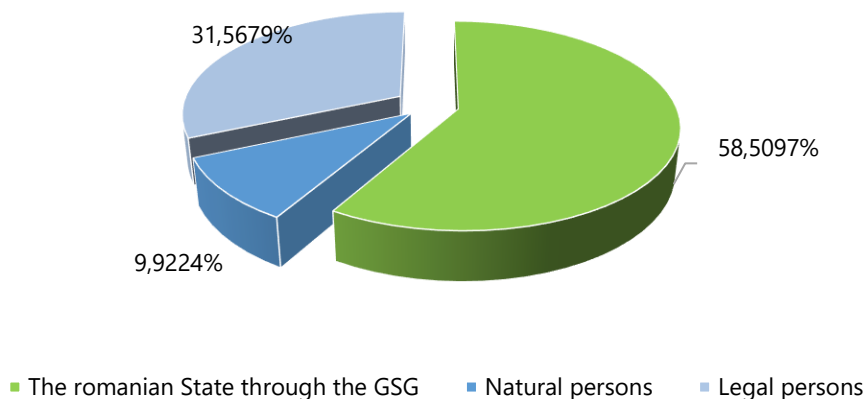


Chart 3 - The shareholding structure of SNTGN TRANSGAZ SA on 31.12.2021

Regarding the number of shareholders, according to Transgaz shareholders' register at the reference date of 31 December 2021 a number of 10.842 TGN shareholders were registered, which is 1.259 shareholders more than on 31 December 2020.

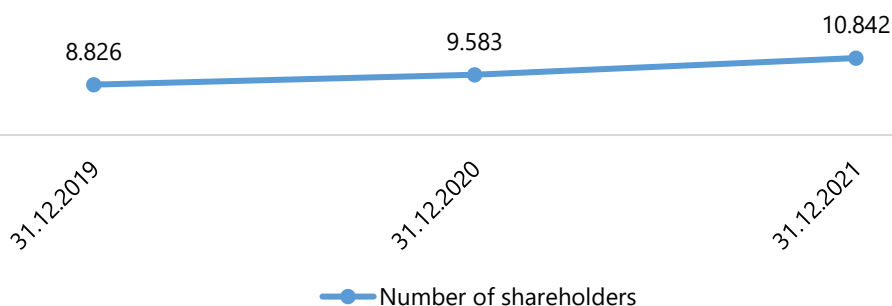


Chart 3 - Evolution of the number of shareholders of TRANSGAZ in 2019-2021

2.3 Organization and management

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 has 9 regional offices and a subsidiary:



Map of Transgaz regional offices

The subsidiaries of SNTGN Transgaz SA in the Republic of Moldova are as follows:

- EUROTRANSGAZ Limited Liability Company: 7/E Balcani Road, outside the built-up area, Ghidighici village, Chisinau, Moldova;
- VESTMOLDTRANSGAZ Limited Liability Company: 7/E Balcani Road, outside the built-up area, Ghidighici village, Chisinau, Moldova;

SNTGN Transgaz SA is managed in a unitary system by the Board of Administration.

There is a **separation** between the non-executive, control function (non-executive administrator) and the executive function (directors) - mandatory separation, in the case of joint stock companies whose annual financial statements are subject to a legal auditing obligation.

The Board of Administration delegated the management of the company to the Director - General of Transgaz. The Director - General of Transgaz represents the company in its relations with third parties and is responsible for taking all measures related to management, within the scope of activity of the company and in compliance with the exclusive powers granted by law or the Articles of Incorporation, the Board of Administration and the General Meeting of Shareholders.

Members of the Board of Administration of SNTGN Transgaz SA on 31.12.2021

Surname and name	Quality in the Bord of Administration
STERIAN ION	Executive Administrator Appointed as Director - General
VĂDUVA PETRU ION	Non-Executive Administrator
MINEA NICOLAE	Independent Non-Executive Administrator
OROSZ CZABA	Interim Non-Executive Administrator
TOADER MIHAELA VIRGINIA	Interim Non-Executive Administrator

The CVs of the members of the Transgaz Board of Administration are available on the company's website at: <https://www.transgaz.ro/ro/despre-noi/consiliul-de-administratie>

Executive management

The members of the executive management of the company, with the exception of the Director - General and the Chief Financial Officer, are employees of the company, with an individual labour contract for an indefinite period of time. The management and execution personnel within Transgaz is employed, promoted and discharged by the Director - General, based on the duties delegated by the Board of Administration.

No.	Surname and name	Position	Division/Unit
1	Sterian Ion	Director - General	SNTGN Transgaz SA
2	Leahu Mihai Leontin	Director/Deputy Director - General-delegated	Research and Design Division
3	Târsac Grigore	Deputy Director - General	SNTGN Transgaz SA
4	Iuga Alexandru	Director/Deputy Director-General delegated	Logistics Division
5	Lupean Marius Vasile	Chief Financial Officer	Economic Division

VESTMOLDTRANSGAZ SRL management team structure:

	VESTMOLDTRANSGAZ	Surname and name
1	Company Board	1. Leahu Mihai Leontin– Chairman on behalf of Transgaz 2. Stoica Marius Constantin- Member on behalf of Transgaz 3. Costaş Octavian - Member on behalf of EBRS 4. Pop-Gîscă Sanda – Member on behalf of Transgaz 5. Dragoman Irina Georgiana – Member on behalf of Transgaz
2	Company Administrator	Duminică Liviu Valentin

Vestmoldtransgaz management members on 31.12.2021

EUROTRANSGAZ SRL management team structure:

	EUROTRANSGAZ	Surname and name
1	Administrator	Niculae-Faranga Dan
2	Administrator	Grăjdan Vasilica
3	Administrator	Tătaru Ion

Eurotransgaz management members on 31.12.2021

2.4 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 14 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 modernised, smart gas transmission system integrated at European level and with an effective management system, harmonised with the international performance standards and legislative regulations.

The organisational values defining Transgaz's business ethics are:



2.5 Strategic objectives related to the company's management

The 2021-2025 General Policy Statement, a document signed and adopted by the company's management, outlines and communicates the company's vision and mission, the organisational values that define its business ethics, as well as its strategic objectives and directions for action, which are aligned with European energy policy..

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:	Internal perspective of the processes:	Personal development perspective:	Financial perspective:
<p>Strategic objective: The continuity of the activity and ensuring energy safety and security</p> <p><u>Lines of action:</u> -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</p>	<p>Strategic objective: Increasing the COMPETITIVENESS of the company</p> <p><u>Strategic lines of action:</u> - development and modernisation of all operational processes; - increasing energy efficiency and reducing the negative impact of technological processes on the environment.</p>	<p>Strategic objective: Increasing the SUSTAINABLE DEVELOPMENT of the company</p> <p><u>Lines of action:</u> - 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 personnel, improving occupational safety and security; - alignment with European regulations related to the company's activity and ensuring sustainability.</p>	<p>Strategic objective: Maintaining the financial balance and improving the performances of the activity</p> <p><u>Lines of action:</u> - Ensuring the sustainable financial, economic and social performance.</p>

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.

2.6 Certifications



Between 18 and 26.10.2021, the certification body SRAC carried out the recertification audit under Contract no. 486/06.08.2021. The findings of the SRAC audit team showed that:

- the management system applied by the company is described, properly implemented, in accordance with the requirements of the reference standards and is effective;
- the ability of the management system to meet applicable requirements and achieve expected results was demonstrated during the audit and the internal audit and management review processes are effective;
- through the **8 proposed areas for improvement**, the adequacy and effectiveness of the CMSSM SMI should be continuously improved, the proposal being to maintain the management system's certificates of compliance with the reference standards.
 - The 8 areas for improvement are:
 - Recording in documented information the findings and results of environmental - occupational safety and health - emergency situation - inspections carried out on contractors' sites;
 - updating the contractors' HSE risk assessment with legal requirements;
 - update the Compliance Assessment procedure in line with the way activities are carried out;
 - conducting environmental training - at sector level;
 - training on completing work orders on the MAIS application and annexes to work orders;
 - conducting simulations for earthquake, floods, disasters;
 - analysing and updating documented information (procedures and instructions) on time;
 - training emergency services personnel with the requirements of the Environmental Management System and the Occupational Safety and Health Management System.

The proposed target was achieved by obtaining the 3 certificates:

- **No. 3533/27.10.2021 related to SR EN ISO 9001:2015;**
- **No. 529/27.10.2021 relate to SR EN ISO 14001:2015;**
- **No. 3276/27.10.2021 related to SR ISO 45001:2018**

2.7 Affiliations and partnerships

SNTGN TRANSGAZ SA is affiliated and has partnerships with the following structures:

- **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. In this respect, a number of agreements and memoranda of understanding were signed by Transgaz with: SOCAR (Azerbaijan), Srbijagas (Serbia), Eustream (Slovakia), European Bank for Reconstruction and Development (EBRD), Central European Gas Hub AG (CEGH), FGSZ (Hungary), Plinacro Ltd (Croatia), ICGB (company implementing the Greece-Bulgaria Interconnection project), Gaz-System (Poland), BOTAS (Turkey).

At the initiative of Transgaz, the Memorandum of Understanding on Hydrogen Cooperation was signed with the natural gas transmission operators of Hungary, Poland and Slovakia, namely FGSZ, Gaz System and Eustream. At the same time, Transgaz is part of the Eastern European Natural Gas Partnership (EE-NGP), initiated by the United States Agency for International Development (USAID), United States Energy Association (USEA), ministries and transmission system operators in Eastern Europe to ensure sustainable institutional capacity for the use and development of the first common transmission planning models in the region, and joined the Memorandum of Understanding on Trans-Regional Cooperation on the Development of an Integrated Eastern and South-East European Gas Initiative (SEEGAS), initiated by the Energy Community Secretariat to cooperate in the development of cross-border gas trading.

2.8 Suppliers, clients and financial institutions

Selection and access procedures, implemented at the level of SNTGN TRANSGAZ SA for the conclusion of contracts with economic operators for the execution of works, for the provision of services and for the supply of products

General information

At the level of SNTGN TRANSGAZ SA, the activity carried out for the selection and attraction of economic operators as suppliers is conducted in accordance with the sectoral procurement procedures and direct procurement, based on the Annual Sectoral Procurement Programme. This activity is managed at the level of the Sector Procurement and Contracting Division, which acts as an internal structure specialised in the awarding of the sectoral procurement contracts/framework agreements and direct procurement, in accordance with the legislation in force and the internal regulatory framework.

In 2021, the procurement activity of SNTGN TRANSGAZ SA, carried out through the Sectoral Procurement and Contracting Division, was carried out in compliance with the primary legislation adopted at national level and secondary legislation.

In order to comply with the principle of transparency, in 2021, all procurement procedures were initiated entirely online in accordance with the provisions of the new legislation on sectoral procurement, using the SEAP platform, with the exception of situations involving the negotiated procedure without prior call for competition.

For the procurement activity developed internally, internal regulations were adopted, and Process Standards and Procedures specific to the types of sectoral procurement procedures carried out within the specialised department were implemented.

The fundamental principles and rules of good conduct established at company level are communicated to the employees, who are obliged to comply with them.

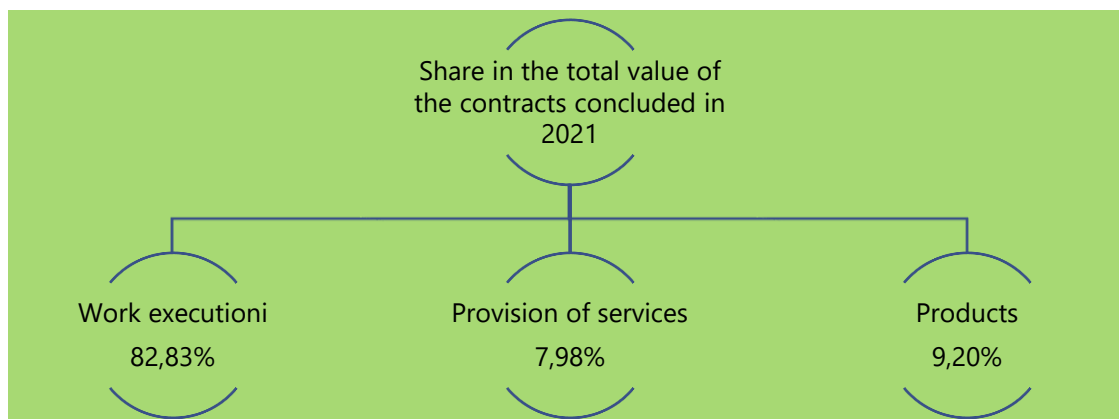
SNTGN TRANSGAZ SA, as the contracting entity, according to Law 99/2016 on sectoral procurement, publishes in SEAP (Electronic System for Public Procurement), at <http://sicap-prod.e-licitatie.ro/pub>, contract notices/simplified contract notices, with all the tender documentation enclosed for the preparation and submission of tenders. SEAP thus provides any interested economic operator with direct, unrestricted and full access, by electronic means, to the content of the tender documents. The awarding procedures for sectoral contracts are conducted entirely online, with the submission of tenders and requests for clarification in SEAP. This ensures full transparency of the whole procurement process.

2.8.1. Suppliers

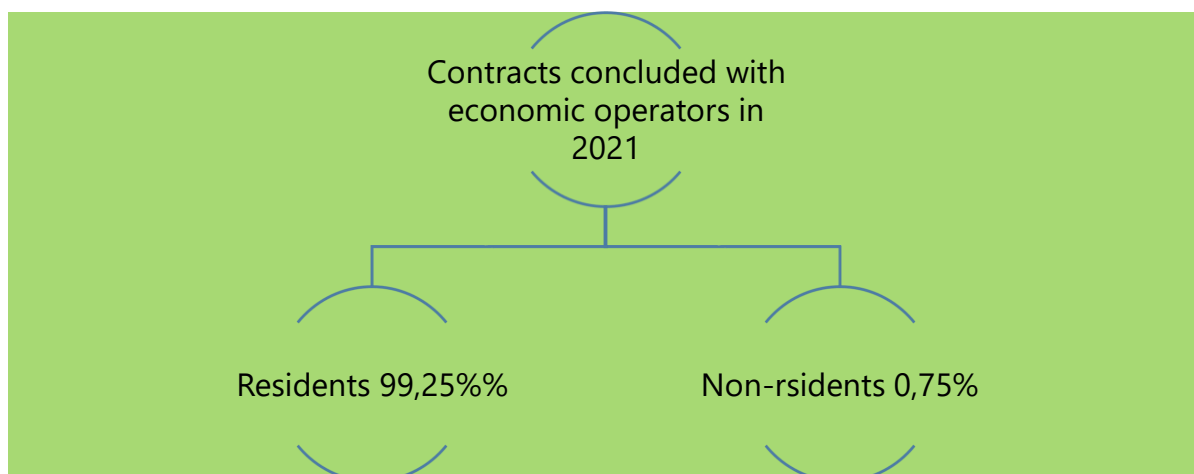
In 2021, the contracts conclude with the economic operators, depending on the contract scope and compared to the number of contracts is as follows:



In relation to the total value of the contracts and their subject matter, there is a significant share of the value allocated to contracts concluded for works, which is in line with the company's object of activity, while the share of the value of contracts concluded for the provision of services and the purchase of products was less than 10% for each.



With regard to collaboration with economic operators, suppliers for the execution of works, provision of services or supply of products, 99,25% of the suppliers with which SNTGN TRANSGAZ SA concluded contracts are registered in Romania, the share of non-resident suppliers being insignificant, an aspect which brings added value in the environmental and social components.



Conclusions

Governance

- the acceptance of economic operators/suppliers/service providers is carried out in accordance with legal provisions, internal regulations and standards implemented at the company level;
- the applicable policies and procedures include approval at a higher hierarchical level for procurement procedures above a certain value;

- anti-corruption policies and procedures were implemented to ensure compliance with company standards, including the acceptance of economic operators
- control procedures were implemented for the activities performed to carry out the contractual relations; the activity is regularly monitored, including according to the internal procedures implemented at SNTGN TRANSGAZ SA level, procedures that take into account the Risk Management as well as the Management Control System;
- internal mechanisms for reporting to the management and control structures regarding the relationship with clients and the associated impact were set up; reports are sent to the executive management and to the management with supervisory role (GMS), with the frequency established in Transgaz's internal regulations (monthly, quarterly and annually).

The environment

- Procurement procedures initiated at SNTGN TRANSGAZ SA level are mainly carried out with resident economic operators, which also contributes to supporting the national economy and preventing environmental pollution.

The social dimension

- job creation at the level of SNTGN TRANSGAZ SA and at the level of resident companies with which the company has contracts;
- compliance with occupational health and safety requirements;
- setting appropriate remuneration standards;
- application of unitary standards to ensure access to procurement procedures initiated by SNTGN TRANSGAZ SA to all companies which meet the criteria specified by the applicable laws, with criteria to be considered for the exclusion of economic operators that might use corrupt or fraudulent practices in connection with the contract award procedure;
- consideration of the interests of the community and social minorities.

2.8.2. The clients

SNTGN TRANSGAZ SA client portfolio

General information

- Romania is the largest oil and gas (O&G) producer in Central and Eastern Europe and has the potential to dominate the European oil and gas market, following the discovery of the Black Sea gas and after the BREXIT. Romania's gas distribution network reaches around 6,5 million clients, with an average annual consumption of around 9 billion cubic metres.
- Transgaz is the operator of the natural gas transmission system in Romania. Transgaz transmits natural gas nationally and internationally, with interconnections to the neighbouring countries - Hungary, Bulgaria, Moldova and Ukraine.

At the end of 2021, the National Gas Transmission System included natural gas pipelines and connections with a total length of more than 14.200 km, of which: 183,5 km

international gas transmission pipelines and 482 km BRUA Phase 1 pipeline, 8 compressor stations, 7 import/export gas metering stations (GMS), 1.141 metering regulation stations (MRS) in operation (1.247 metering directions), 2 metering stations located on the gas transit pipelines (GMS), 1.045 cathodic protection stations (CPS), 1.026 gas odorization stations (GOS).

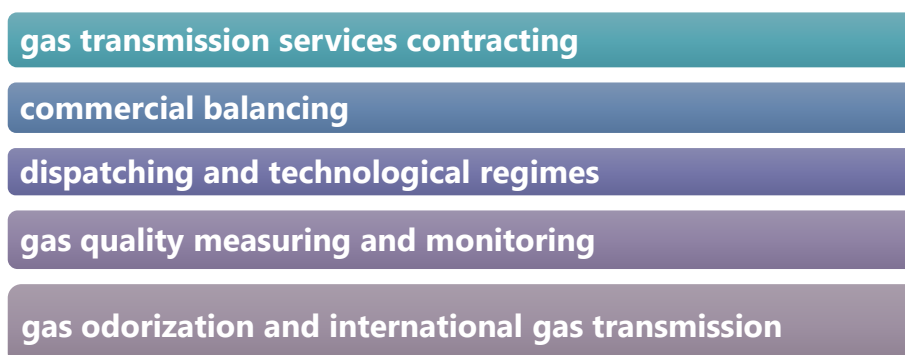
In accordance with the business model and the specific activity carried out by SNTGN TRANSGAZ SA, the following categories of services may be offered to the clients:



SNTGN TRANSGAZ SA may perform complementary and other related activities to support its main activity, in accordance with the applicable laws in force and its own bylaws, and may purchase natural gas only for the purpose of balancing and operating the National Transmission System in safety conditions.

In addition to revenue from domestic and international natural gas transmission, the company also earns other revenue from NTS access fees, design services and other related services. The quality of the transmission service is a constant concern of both SNTGN Transgaz SA and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission service based on specific indicators and minimum performance levels, as of 1 October 2016, the Performance Standard for the natural gas transmission service approved by ANRE Order 161/26.11.2015 became applicable. From 1 October 2022, ANRE Order no.140/2021 as amended will come into force.

The activities of SNTGN TRANSGAZ SA in the operation of the National Natural Gas Transmission System mainly comprise the following activities:



The total number of clients with valid contracts at the end of 2021:

- 134 clients which are resident and non-resident legal entities , of which:
 - 101 beneficiaries of transmission and balancing services contracts;
 - 33 clients with balancing services only.

Out of the total number of 134 clients at the reference date:

- 23 clients had a business relationship of more than 10 years (17,16%);
- 22 non-resident clients(16,41%),

reflecting a high level of concentration on maintaining business relationships with resident clients, with non-resident clients being mainly companies which can be included in the category of distribution system providers/operators.

Client breakdown by NTS role

Out of the total number of **134** Network Users with which SNTGN Transgaz SA concluded balancing and VTP access contracts and/or natural gas transmission contracts:

Traders - 13 (9,70%)

Suppliers* – 114 (85,07%)

***26 of them are also distribution system operators**

End clients– 6 (4,47%)

Storage operators – 1 (0,74%)

Regarding the revenue entered in the records of SNTGN TRANSGAZ SA in 2021, one can notice the importance of natural gas transmission services, given that 69,19% of this revenue come from clients with whom the company has contracts.

Share of revenue recorded from services provided to clients in 2021:

- from activities related to gas transmission 69,19%

- from activities related to transmission capacity booking 4,38%

- fom activities associated to balancing operations 22,06%

- from related activities performed compliant with the object of activity 0,10%

At the same time, in relation to the country of registration of the clients legal entities:

- 90,43% of the revenue was generated by contracts concluded with resident clients;
- 9,57% of the revenue was generated by contracts concluded with non-resident clients.

Conclusions

Governance

- customer acceptance is carried out in accordance with the legal provisions and internal regulations and standards implemented within the company;
- implementing and monitoring compliance with anti-corruption policies and procedures to ensure compliance with company standards including accepted clientele;
- implementation of control procedures for the activities carried out in order to develop the contractual relations with clients;
- setting up internal reporting mechanisms to the management and control structures on customer relations and the associated impact; reports shall be submitted including to the executive management and to the management with supervisory role (GMS), with the frequency established in Transgaz' internal regulations;

Environment

- the projects developed and those in progress at the level of SNTGN TRANSGAZ SA comply with the specific environmental protection legislation at national level, as certified by the Environmental Opinion obtained for the National Gas Transmission System Development Plan, issued by the Ministry of Environment, Waters and Forests;
- the services provided by SNTGN TRANSGAZ SA are ensured by the infrastructure developed according to the National Gas Transmission System Development Plan;
- projects are carried out in such a way as to minimise the impact on:
 - the natural and man-made environment;
 - biodiversity;
 - land use;
 - waste recycling.
- implementing firm measures on waste management and recycling.

Social

- job creation at SNTGN TRANSGAZ SA level, as well as at the level of resident companies with which the company has contracts;
- compliance with health and safety at work;
- establishing appropriate labour and remuneration standards;
- the right of employees to organize a trade union and freedom of assembly;
- application of uniform standards in recruitment policy;
- application of uniform standards in terms of customer acceptance, in accordance with the purpose of SNTGN TRANSGAZ SA's activity;
- taking into account the interests of the community and social minorities.

Responsibility towards clients

The quality of the transmission service is a constant concern of both SNTGN TRANSGAZ SA and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission service based on specific indicators and minimum performance levels, ANRE approved by **ANRE Order 161/26.11.2015 - Performance standard for the natural gas transmission and system service.**

The main areas of responsibility towards customers relate to the following:

- full and fair information and fair contracting practices;
- access to services;
- security of supply

Customer degree of satisfaction

With regard to the level of satisfaction of customers who benefit from the services provided by SNTGN TRANSGAZ SA, according to the business model, it was found that, during the reference period, the company asked customers to contribute to the evaluation of the services provided on the basis of a questionnaire, based on the requirements set out in:

- art.55 ANRE Order no.161/2015 on the approval of the Performance Standard for natural gas transmission and system service;
- PP SA 02 Assessment of customer satisfaction. Edition 1, Revision 0 in force from 14.07.2021 implementing the requirements of SR EN ISO 9001:2015 - Quality management systems.

Through the questionnaire, customers expressed their opinion on:

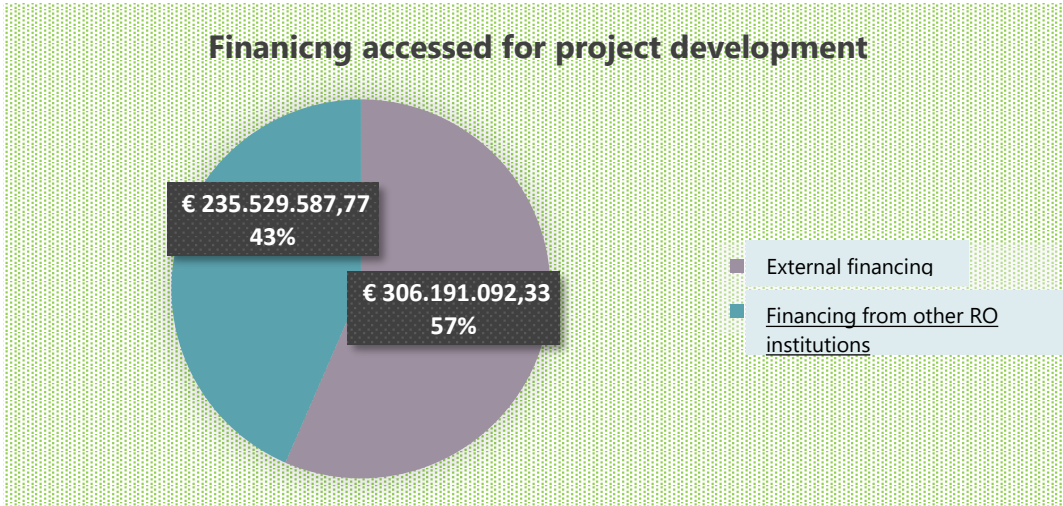
- the quality of the services offered;
- differences between perceived and actual quality of services;
- access to the services offered;
- the quality of the data transmitted through the invoices issued by the company;
- how the services offered and the associated services are communicated, as well as data security;
- the support given to customers by the company's employees, where such requests have been submitted.

From the analysis of the information submitted by customers following the completion of the questionnaires, the following aspects can be highlighted:

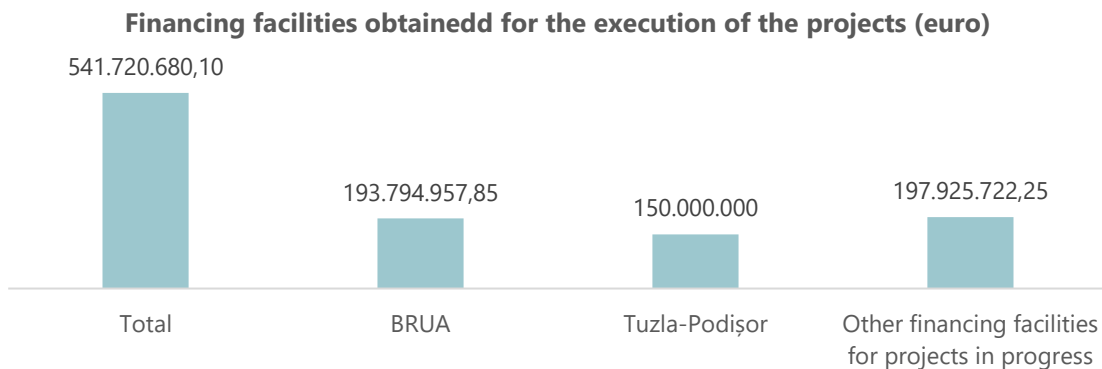
- the overall level of customer satisfaction of SNTGN TRANSGAZ SA in 2021 was at the maximum level that can be obtained on the basis of the scores provided for in the internal regulations in force;
- The scores obtained in each category indicate that the services provided by SNTGN TRANSGAZ SA were at the expected level;
- there were no complaints from customers;
- the number of customers requesting improvement of services is decreasing compared to the previous year;
- involvement of some customers to improve natural gas transmission services through suggestions submitted, which reflects a good cooperation between the company and the customers in the portfolio.

2.8.3. Financial institutions and non-reimbursable funds

SNTGN Transgaz SA ensures the implementation of the projects set out in the National Natural Gas Transmission System Development Plan, for which the Ministry of the Environment, Water and Forests has issued the Environmental Permit, including by accessing reimbursable and non-reimbursable sources of financing from credit institutions registered in Romania, as well as from development and investment financial institutions operating at European level.



Regarding the availability of financing sources and related costs, it should be noted that as of 31 December 2021: approximately 87.23% of SNTGN Transgaz SA's financial debt (drawn/used credit facilities) represent variable interest financing facilities, which are accessed from credit institutions in Romania as well as from the European Investment Bank and the European Bank for Reconstruction and Development.



The projects included in the National Natural Gas Transmission System Development Plan, for which reimbursable and non-reimbursable financing is accessed, are aimed at:

- ensuring an adequate degree of interconnectivity with neighbouring countries;
- creating regional gas transmission routes to ensure gas transmission from new sources of supply;
- creating the necessary infrastructure to take over and transport natural gas from off-shore blocks in order to capitalize it on the Romanian market and on other markets in the region;
- expanding the natural gas transmission infrastructure to improve the supply of natural gas to areas in short supply;
- creating an integrated single market at EU level.

The infrastructure developed and the technology implemented through the projects developed in the natural gas industry or those currently being completed also contribute to the implementation of the objectives set out in the National Strategy for the Sustainable Development of Romania 2030 and in the National Integrated Energy and Climate Change Plan 2021-2030 (PNIESC) and can ensure a much smoother transition to green energy in the future, given the effort and the significant amounts to be allocated in this regard.

SNTGN Transgaz SA regularly submits financial and technical reports to partner financial institutions, which also take into account relevant aspects regarding the environmental permits obtained for the development of projects, as well as relevant information regarding the Governance, Environmental and Social components.

In addition, at the request of partner financial institutions, SNTGN Transgaz SA provides them with information on how the risks associated with the environmental and social components are managed at company level, as well as on the corporate governance principles and rules implemented, in addition to the information posted on the company's website, which can be found in the "Activities", "Customers", "Investor Relations", "Sustainability" sections.

To this end, specific questionnaires containing relevant information on the company's activity and on the projects financed by financial institutions are completed by the company and clarification discussions are initiated with the representatives of partner financial institutions, at their request, and no risk-generating situations have been identified with regard to the implementation and compliance with the objectives undertaken at SNTGN Transgaz SA level in the **National Natural Gas Transmission System (SNT) Development Plan** drawn up in accordance with the provisions of **Law no. 123/2012 on electricity and natural gas**, as subsequently amended and supplemented.

At the same time, during the reference period, no risk-generating situations were identified that would have a negative impact on the costs associated with the ongoing financing facilities or difficulties in attracting new financing from partner financial institutions.

Thus, we can conclude that the organization and management of the activity, the business model, as well as the management strategies, policies and procedures adopted at the level of SNTGN Transgaz SA demonstrate a significant contribution to the implementation of the objectives set out in the National Natural Gas Transmission System (NTS) Development Plan, as well as those set out in the National Strategy for the Sustainable Development of Romania 2030 and in the National Integrated Energy and Climate Change Plan 2021-2030 (PNIESC).

In terms of attracting non-reimbursable funds, in 2021 such funds were accessed for the following projects initiated and/or completed during the reference period, as follows:

- **TransGasDigital Project** - Non-reimbursable funding obtained through the Ministry of Investment and European Projects (MIPE), Managing Authority (MA) for the Human Capital Operational Programme (POCU) - 50% of the estimated value of the project;
- **TransGasFormation Project** - Funding through the Ministry of Investment and European Projects (MIPE), Managing Authority (MA) for the Human Capital Operational Programme (POCU) - 45.8% of the eligible costs incurred;
- **Developments of the NTS in the North-East area of Romania in order to improve the natural gas supply of the area as well as to ensure transmission capacities to the Republic of Moldova** - 214,496,026.71 lei - funding obtained through the Ministry of Investments and European Projects (MIPE), Managing Authority (MA) for the Large Infrastructure Operational Programme, of which 47.54% represents the amounts received in 2021,
- **BRUA Project phase I** - the amount of grants received in 2021 represented 16.42% of the total grant approved for the project.

SNTGN Transgaz SA disseminates updated information so that investors and financial institutions from which it attracts financing for project development have a representation of the strategy, performance and development of the business, especially in the current economic and political context.

2.9 NTS Infrastructure

The National Transmission System (NTS) has a nationwide coverage and a radial-ring structure. Domestic and international natural gas transmission capacity is provided by a network of pipelines and supply connections with diameters ranging from 50 mm to 1,200 mm, at pressures ranging from 6 bar to 63 bar.

The main components of the National Gas Transmission System as at 31.12.2021:

Facility name/NTS component	M.U.	Value
Main gas transmission pipelines and gas supply connections, of which: - international transmission pipelines (Transit III) - BRUA	km	14.209,55 183,5 482
Metering regulating stations (MRS) in operation	piece	1141 (1247 metering directions)
Valve control stations (SCV, NT)	piece	59
Import/export gas metering stations (GMS) (Giurgiu, Medieșu Aurit, Isaccea I, Isaccea T1, Isaccea T2, Negru Vodă T1, Negru Vodă T2)	piece	7
Metering stations located on the gas transit pipelines (GMS) (Isaccea Transit III, Negru Vodă III)	piece	2
Gas compressor stations (GCS) (Șinca, Onești, Siliștea, Jupa, Podișor, Bibești, Onești M, Gherăești)	piece	8
Cathodic protection stations (CPS)	piece	1045
Gas odorization stations (GOS)	piece	1026

Table 1 -Main components of the NTS as at 31.12.2021

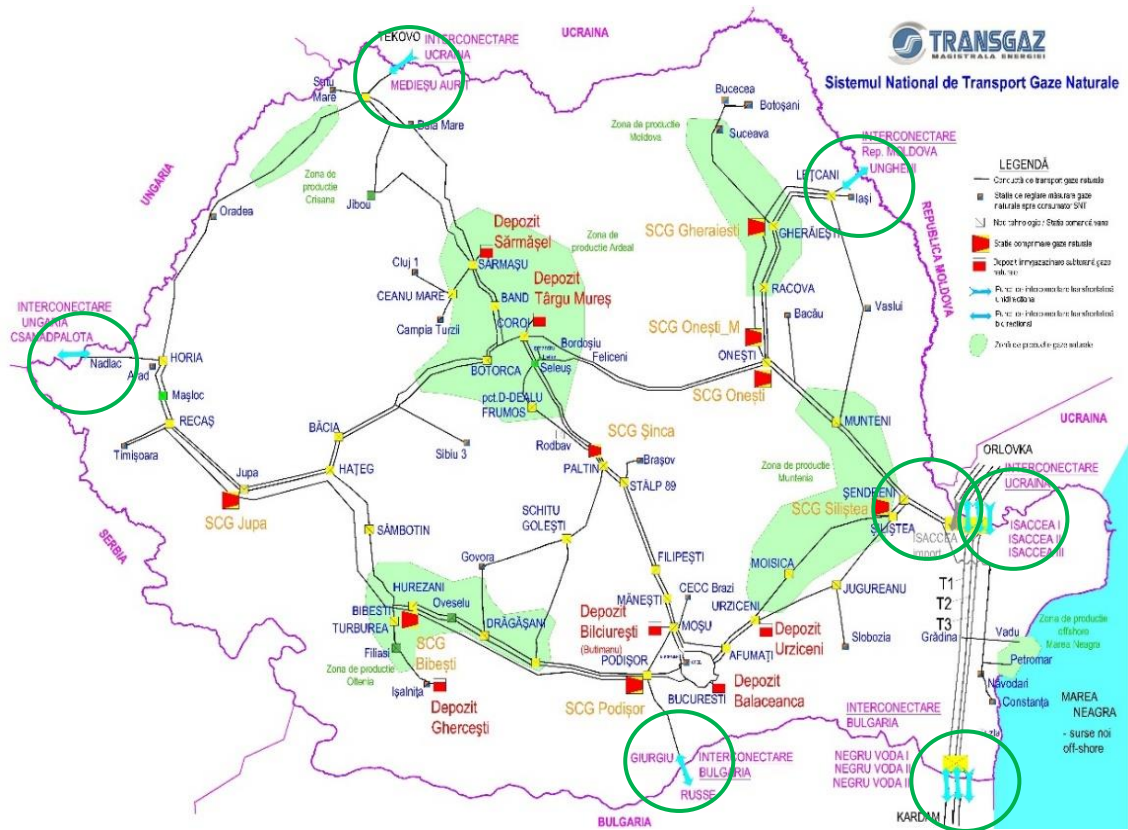


Figure 1- Map of the National Natural Gas Transmission System and interconnection points

Cross-border interconnection points

The import/export of natural gas to/from Romania is carried out through 7 cross-border interconnection points:

Country	Interconnection pipeline	Technical characteristics	Total technical capacity
UKRAINE	Orlovka (UA) - Isaccea (RO) * LLC GAS TSO UA → Transgaz	DN 1000, Pmax = 45 bar	6,85 bScma at Pmin=35 bar
	Tekovo (UA) - Medieșu Aurit (RO) ** LLC GAS TSO UA → Transgaz	DN 700, Pmax = 75 bar	2,71 bScma at Pmin=47 bar
	Isaccea 1 (RO) - Orlovka 1 (UA) Transgaz ↔ LLC GAS TSO UA	DN 1000, Pmax = 55 bar	6,85 bScma import capacity at Pmin=46,5 bar 4,12 bScma export capacity*** at Pmin=35,4 bar
HUNGARY	Szeged (HU) - Arad (RO) - Csanádpalota (HU) FGSZ ↔ Transgaz	DN 700, Pmax = 63 bar	2,63 bScma import capacity at Pmin=40 bar 1,75 bScma export capacity from Pmin=40 bar
REPUBLIC OF MOLDOVA	Iași (RO) - Ungheni (MO) Transgaz ↔ VestMoldtransgaz	DN 500, Pmax = 55 bar	1,88 bScma export capacity at Pmin=39,5 bar 0,73 bScma import capacity at Pmin=24 bar

Country	Interconnection pipeline	Technical characteristics	Total technical capacity
BULGARIA	Giurgiu (RO) - Ruse (BG) Transgaz ↔ Bulgartransgaz	DN 500, Pmax = 50 bar	1,50 bScma export capacity at Pmin=40 bar 0,92 bScma import capacity at Pmin=30 bar
	Kardam (BG) - Negru Vodă 1 (RO) Transgaz ↔ Bulgartransgaz	DN 1000, Pmax = 55 bar	6,36 bScma export capacity of **** at Pmin=31,5 bar 5,31 bScma import capacity at Pmin=45 bar

* This interconnection point is not in use as no Interconnection Agreement has been concluded. Currently gas is imported from Ukraine via Isaccea 1.

** For this point the Romanian TSO and the Ukrainian TSO are in discussions to sign a new Interconnection Agreement.

*** Capacity is offered on a commercial interruptible basis as the Annex to the Interconnection Agreement on gas quality requirements is not signed.

**** Capacity subject to capacity booking at IP Isaccea 1 on the UA-RO direction.

2.10 Development directions of the National Gas Transmission System

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 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 of the European Union with a view to creating a common regulatory framework and a common strategy and vision for the development of the European gas transmission system to create an integrated energy market.

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.

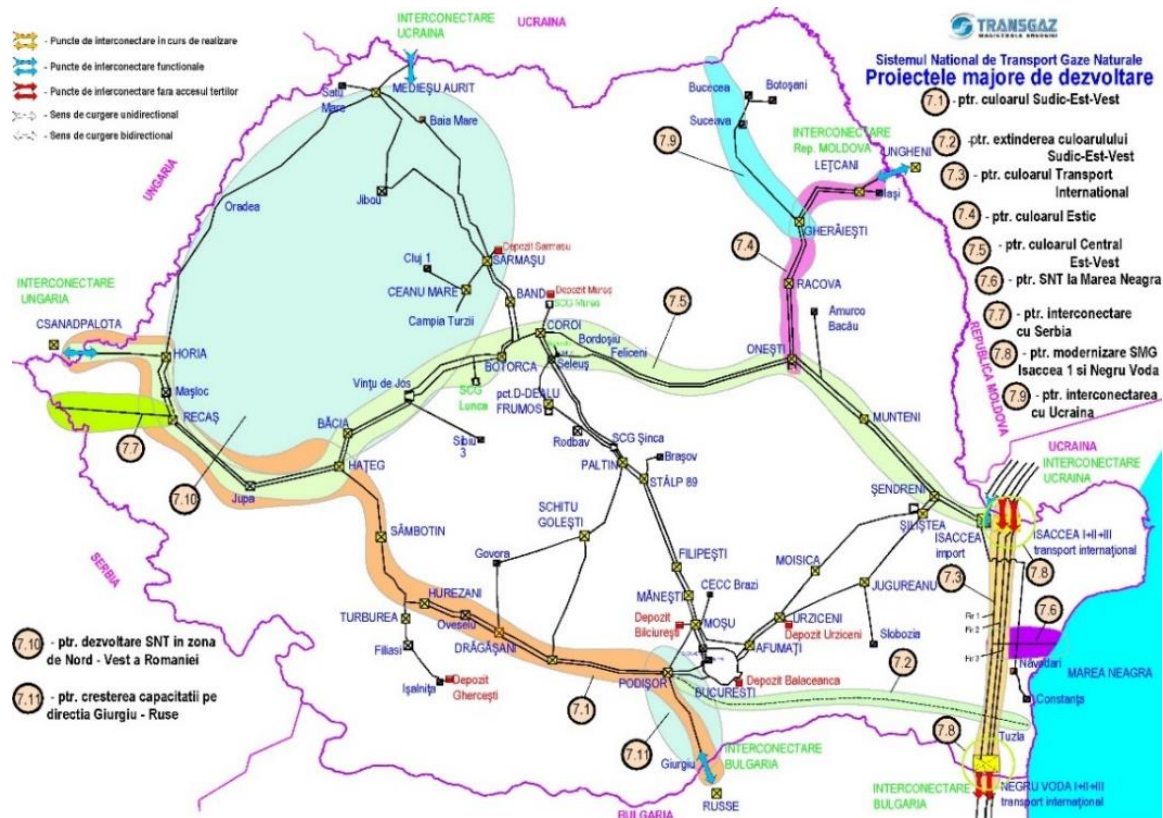


Figure 2 - Map of major projects in the NTS

3. 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 includes in the Report issued by the Board of administration the Statement on compliance or non-compliance with the provisions of the BSE Corporate Governance Code, 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 2021 - 2025 was approved by the Decision of the Board of Administration no. 29/06.10.2021.

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 General Meeting of the Shareholders. For the mandate 2021 - 2025, they were approved by the Decision of the Ordinary General Meeting of Shareholders no. 8/06.12.2021.

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 2021, 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, as subsequently amended and supplemented was approved by OGMS Resolution no.5/28 April 2022.

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

As at 31 December 2021, the Board of Administration had the following composition:

Name and surname	Position within the Board of Administration/Legal ground based on which he was appointed		Mandate duration
STERIAN ION	OGMS resolution no. 2/22.04.2021	Executive Administrator	4 years
	BA Resolution nr.22/27.07.2021	Appointed Director - General	
VĂDUVA PETRU ION	OGMS resolution no. 2/22.04.2021	Non-executive Administrator	4 years
MINEA NICOLAE	HAGOA nr. 2/22.04.2021	Independent Non-executive Administrator	4 years
OROSZ CZABA	OGMS resolution no.4/17.06.2021	Interim Non-executive Administrator	4 months with the possibility to extend the mandate for another 2 months until the end of the selection procedure
	OGMS resolution no. 7/14.10.2021	Interim Non-executive Administrator	extension of the mandate by two months from the expiration date
	OGMS resolution no. 9/14.12.2021	Interim Non-executive Administrator	4 months with the possibility to extend the mandate for another 2 months until the end of the selection procedure
TOADER MIHAELA VIRGINIA	OGMS resolution no. 4/17.06.2021	Interim Non-executive Administrator	4 months with the possibility to extend the mandate for another 2 months until the end of the selection procedure
	OGMS resolution no. 7/14.10.2021	Interim Non-executive Administrator	extension of the mandate by two months from the expiration date
	OGMS resolution no. 9/14.12.2021	Interim Non-executive Administrator	4 months with the possibility to extend the mandate for another 2 months until the end of the selection procedure

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

1. **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.
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.
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.
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.
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.

The composition of the committees is as follows:

Name of the Advisory Committee	Composition of the Committee	
Nomination and Remuneration Committee	Văduva Petru Ion	- non-executive administrator
	Minea Nicolae	- non-executive independent administrator
	Orosz Csaba	- non-executive independent administrator
Audit and Rating Committee	Minea Nicolae	- non-executive independent administrator președinte al Comitetului de Audit și Rating
	Orosz Csaba	- non-executive independent administrator
	Toader Mihaela Virginia	- non-executive independent administrator
	Văduva Petru Ion	- non-executive administrator
NTS Safety and Security Committee	Sterian Ion	- executive administrator
	Văduva Petru Ion	- non-executive administrator
	Toader Mihaela Virginia	- non-executive independent administrator
Strategy and Development Committee	Sterian Ion	- executive administrator
	Minea Nicolae	- non-executive independent administrator
	Toader Mihaela Virginia	- non-executive independent administrator
Regulatory and Relations with Public Authorities Committee	Sterian Ion	- executive administrator
	Toader Mihaela Virginia	- non-executive independent administrator
	Orosz Csaba	- non-executive independent administrator

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 responsibilities 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, as subsequently amended and supplemented, cannot exercise the function of executive directors or branch directors.

4. THE SUSTAINABILITY POLICY OF SNTGN TRANSGAZ SA



We incorporate sustainability principles into our business operations, recognising that long-term progress can only be achieved through sustainable development.

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

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

- implementing the sustainability policy at all levels and involving all organisational entities of the company;
- strict compliance with applicable legislation 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;
- communicating with all stakeholders to identify and record their needs and expectations;
- ensuring a safe and healthy working environment for our employees, partners and any third parties involved;
- supporting the local community in order to contribute to the sustainable development of the area in which we operate;
- continuing efforts to reduce the environmental footprint by implementing accountability actions and preventive measures in line with best available techniques;
- protecting human rights and ensuring an equal working environment without discrimination;
- creating added value for shareholders and all stakeholders.

To meet the commitments undertaken, we have voluntarily and responsibly planned and implemented projects and programs approved by general management, while setting strategic priorities in terms of sustainability.

The areas where we have been active in this respect are listed below:

Economic growth and corporate governance

We aim to achieve positive financial results by implementing a robust system of corporate governance to assess and manage business risks and compliance policies to protect the interests of our stakeholders.

At the same time, we are developing procedures and taking measures to enhance transparency and integrity and to prevent and combat corruption.

Technological projects

We focus on achieving the best and most comprehensive quality and customer satisfaction standards and invest in research and development.

In doing so, we improve our position in an 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 resources development through continuous training and ongoing evaluation.

A healthy and safe working environment is of paramount importance to us. Professional challenges are proactively addressed by assigning interdisciplinary working groups, where initiative and personal development are cultivated and encouraged.

Environment

In terms of environmental management, we apply the principle of prevention and take systematic measures to minimise the impact on environmental factors throughout the operation of the national natural gas transmission network as well as in the development investment activity.

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

We 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 our community and respond responsibly to issues of concern, building a close relationship based on dialogue and cooperation.

We design and implement actions to meet society's basic needs in terms of: employment, development, education, health, environment and culture.

We encourage volunteering and support initiatives to develop the local community.

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

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

In the work we carry out, and especially in projects to expand the natural gas transmission network, both to increase the degree of interconnection of the network to the European natural gas transmission network and to ensure the connection to the natural gas network of new investments generating jobs and population, SNTGN TRANSGAZ SA has paid particular attention to stakeholder involvement. Mutual respect, transparent behaviour and open dialogue are the best basis for a good relationship with the various stakeholders we interact with.

Identifying and responding to their needs can positively influence our business and long-term success.

In view of the importance of responding adequately to the needs of stakeholders, public debates and an open dialogue were organised in all investment projects for the extension of the natural gas transmission network, including the BRUA project, at the level of all local government units affected by the projects, presenting the project and its possible social and environmental impact, with the participation of representatives of local communities, administration, local police, local control and regulatory authorities, associations, foundations, administrators of protected natural areas and NGOs.

Goals for a sustainable development

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

It is defined by the following areas of interest:

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

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

Supporting health, employee safety and the environment will remain a priority in all the company's activities. We will continue to financially support health through donations to hospitals and medical centres and we aim to improve our internal workplace risk management plan.

To this end, we will regularly assess the hazards related to the nature of the work, and employees will, as usual, be properly trained to perform their duties.

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

We also want to reduce, as much as possible, greenhouse gas emissions resulting from the operation of the natural gas transmission network, in particular fugitive methane (CH₄) emissions, and reduce technological consumption. Methane (CH₄) is second only to carbon dioxide (CO₂) as a contributor to climate change. According to European policies, accelerated action on methane is essential to achieve climate neutrality by 2050 and to reduce greenhouse gases by at least 55% by 2030.

Upgrading 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 a green economy*, is the establishment and implementation of a strategy to modernize and adapt the existing natural gas transmission infrastructure for the use of hydrogen and other green gases for decarbonization.

The business principles we follow will be broadly the same.

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

At the same time, in the coming years, the company will be committed to completing and improving the legislative framework, as well as harmonising it with the specific regulations of European Union laws.

Moreover, SNTGN TRANSGAZ SA will strive to maintain equally high ethical standards in all its offices and in all the regional operating centers it owns, fully committing itself over the coming years (and beyond) to the UN Guiding Principles on Business and Human Rights.

In terms of social responsibility, we will strive for innovation and focus on optimising business by finding new smart technical solutions and adopting digital technologies.

Compared to previous years, one of the notable changes in this respect will be the implementation of more CSR programmes and partnerships to increase social cohesion.

The company's development component is focused on launching major new projects with a positive impact in the communities where we operate. We will invest in ensuring environmental protection and improving energy efficiency, making a significant contribution to reducing greenhouse gas emissions.

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

We are therefore well aware that in order to achieve our mission we need to set ambitious medium- and long-term objectives that address both financial and non-financial performance.

4.1. 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; aligning with the European regulations incident to the company's activity; 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, Transgaz' management set 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 company;
- Ensuring the qualified and authorized staff necessary for the conduct of the company's activities;
- 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/debates/events initiated by various authorities / institutions;
- Collaboration with European transmission system operators of European Union member states.

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 human resources 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 for the achievement of goals 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 registered in the end of 2021 has a number of 4,050 employees, employed with individual employment contracts, of which 4,037 full-time and 13 part-time employment contracts. Of the 4,050 employees, 3,837 have permanent employment contracts and 213 employees contracts with limited duration.

The average age of the company's staff is 49 years.

Relative to the age range, as at 31.12.2021, the distribution of employees (women, men) is as follows:

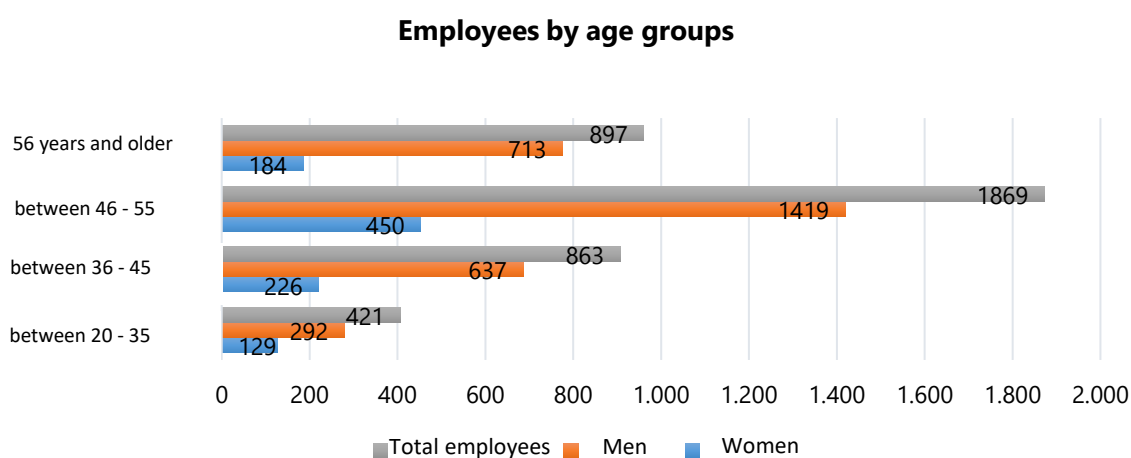


Chart 4- Structure of SNTGN TRANSGAZ SA staff by age categories

The evolution of the number of employees in the period 2019-2021:

Specification	2019	2020	2021
Number of employees at the beginning of the period	4.202	4.089	4.145
Number of newly hired people	233	282	212
Number of people who have stopped working for the company	346	226	305
Number of employees at the end of the period	4.089	4.145	4.050

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 59%, followed by the retirements of the employees, approximately 19%.

Staff structure of SNTGN TRANSGAZ SA (women, men)

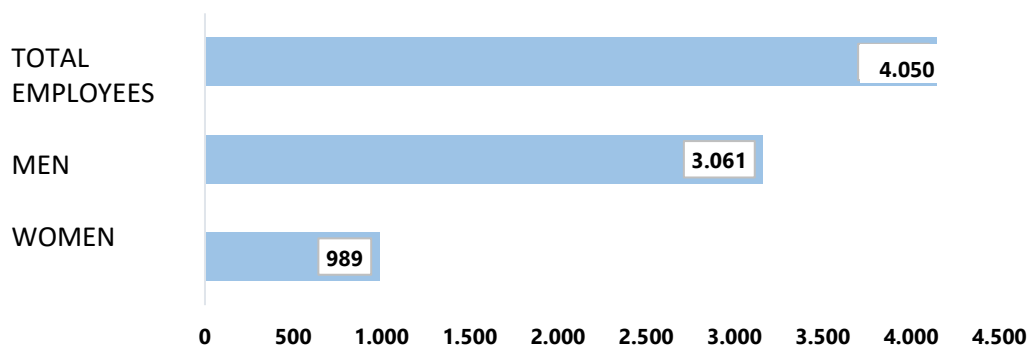


Chart 5- The structure of the staff of SNTGN TRANSGAZ SA (women, men)

The female employees within Transgaz divided by categories of staff

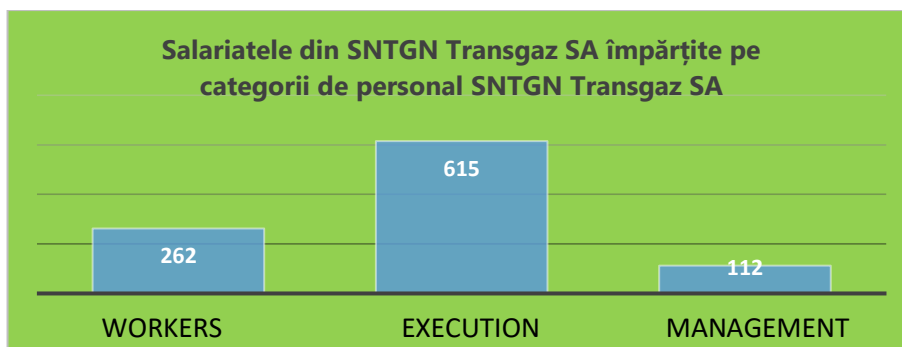


Chart 6- Structure of SNTGN TRANSGAZ SA employees by categories

Within SNTGN TRANSGAZ SA out of the total number of employed women, the percentage of women in the execution area is over 62.2% and the percentage of women in management positions is 11.3%.

The structure of employees by specializations is as follows:

Employees by positions / trades

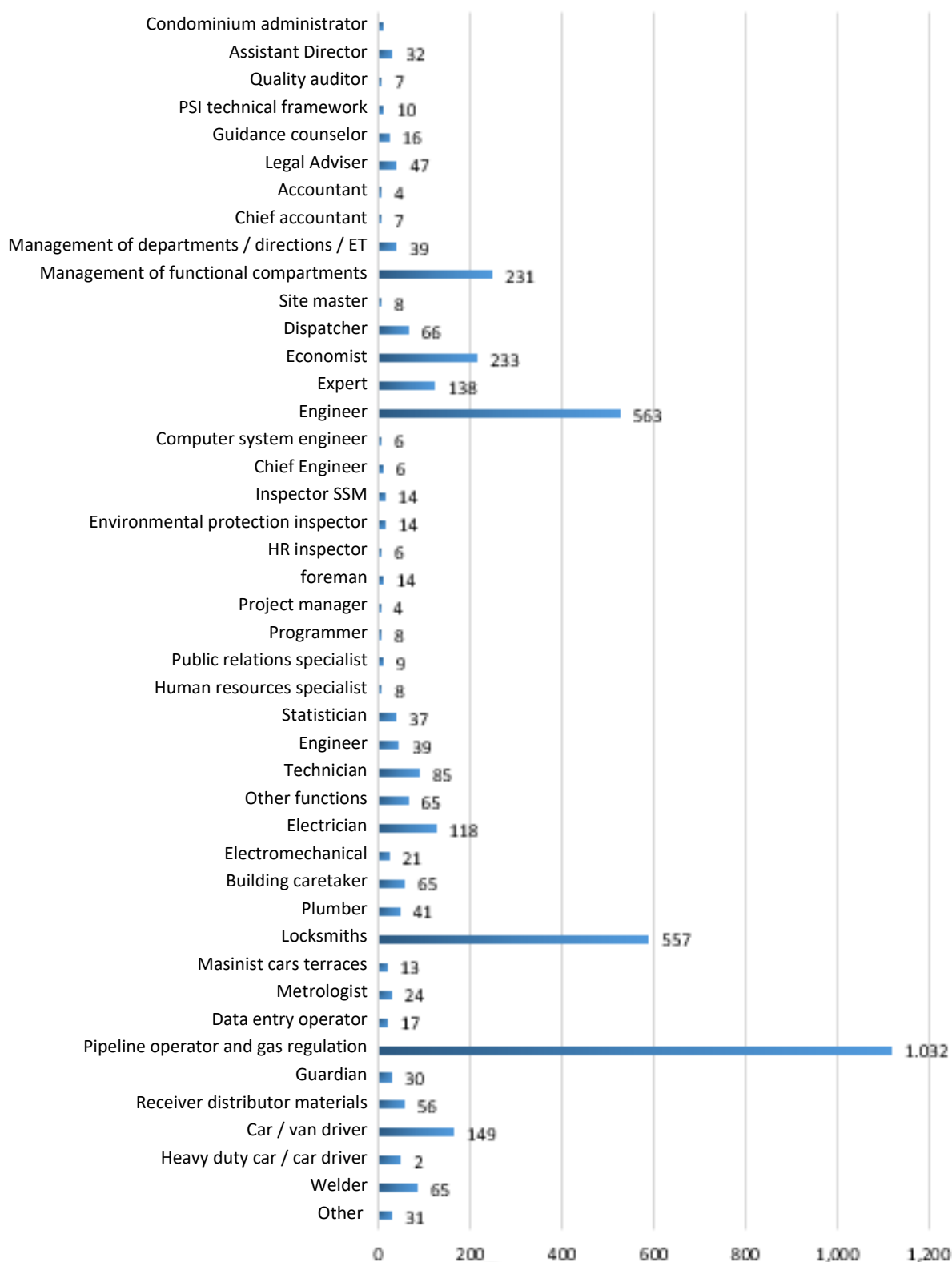


Chart 7- The structure of SNTGN TRANSGAZ SA employees by specializations

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 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 or specialists co-opted from within the company, based on the "*Annual Training and Professional Development Program for Employees*". 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.

In 2019-2021, SNTGN Transgaz implemented the Project "TransGasFormation", financed by European funds, in the amount of 2.164.155,70 lei, of which the amount of non-reimbursable financing is 701.259,60 lei. Within the project, in the period 01.01 - 31.12.2021, 4 types of courses were held, organized in 9 groups divided into 2 modules, attended by a target group of 148 employees, distributed as follows:

- Course "Entrepreneurial Skills" - 2 groups, 30 employees;
- Course "Process Improvement Manager" - 4 groups, 70 employees;
- Course "Human Resources Manager" - 2 groups, 30 employees;
- Course "Human Resources Inspector" - 1 group, 18 employees

In parallel with the development of the TransGasFormation project, SNTGN TRANSGAZ S.A. has accessed and obtained funding for another project co-financed by POCU 2014-2020, "TransGasDigital", which is in the implementation stage. The total value of the project is 3,336,543.53 lei, of which the amount of eligible expenses is 2,294,922.54 lei and the amount of non-reimbursable financing is 1,147,461.25 lei (50% of the eligible expenses).

The general objective of the "TransGasDigital" project is to improve the level of digital knowledge and skills of SNTGN TRANSGAZ S.A. employees by participating in specialized training courses, through which they will acquire basic and advanced skills in the field of information technology.

The year	No. of courses with external providers	No. of course participants
2019	139	1.626
2020	111	1.314
2021	110	1.185

Table 2 - Training and professional development courses organized with external training providers

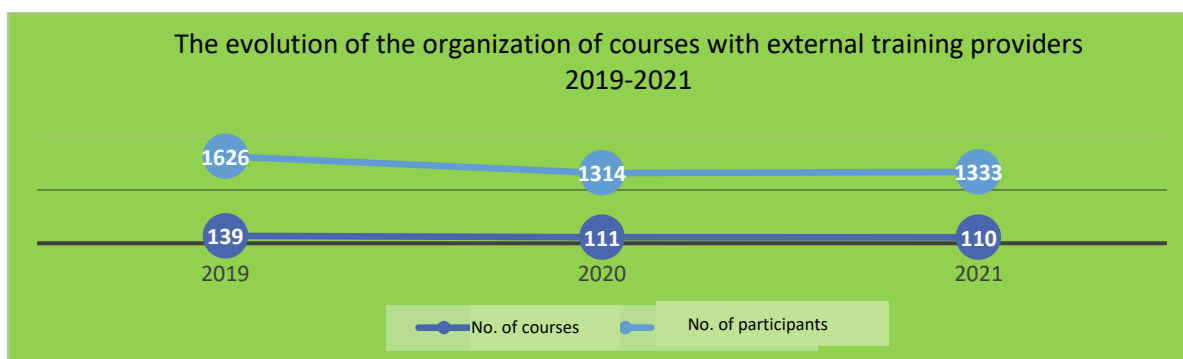


Chart 8 - Evolution of professional training courses 2019-2021

In the years 2020-2021, 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).

Year	No. Hours with in-house trainers	No. attendants
2019	52.200	118
2020	6.300	34
2021	7.440	24

Table 3 - Qualification courses organized with in-house trainers and other specialists within the company

In 2021 **qualification programs** were carried out for the professions of *Mechanical locksmith universal maintenance and repair*, program for which our company is authorized as a professional training provider. The respective program, 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.

Year	No. of hours with in-house trainers	No. of attendants
2019	15.232	952
2020	20.415	860
2021	34.030	1.040

Table 4 - Training courses organized with in-house trainers and other specialists within the company's structures:

In 2021, the training programs, given by trainers and internal specialists, were carried out annually for employees who have the profession of welder, electrician and pipeline transmission operator, gas regulation and mechanical locksmith universal maintenance and repair. 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.

At the same time professional skills development courses, addressed to employees in support positions were organized, with in-house trainers. 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 in the following fields:

- authorized natural gas plumber (transmission facilities, distribution facilities, utilization facilities),
- authorized electrician,
- site manager (natural gas installations / networks, electrical installations / networks, civil, industrial and agricultural constructions)
- technical managers responsible for the execution of construction works,
- design and execution of installations in explosive environments (INSEMEX)
- welding technician (RTS)
- crane, forklift driver, RSVTI operator
- 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.



Chart 9 - Number of hours of internships carried out by students in the company

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, the main objective of this iterative process is to measure and improve employee performance in the workplace in order to increase their potential and value to the company, 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 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 was applied 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.
- 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 which 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 25.06.2021, the current Collective Labor Agreement concluded at the level of SNTGN TRANSGAZ SA came into force, with a validity period of 24 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, 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, at the moment, as there are no major conflicting elements.

At SNTGN TRANSGAZ SA level there is a permanent concern 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 2021, 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 *Rule with the rules of time and the rule of the personnel for the operation, interventions and maintenance of NTS was updated and supplemented.*

Also, during the reference period, the "Plan for the phasing of the standardization of technical works for the year 2021" was drawn up and the data collection process was started for the technical works being carried out at the Mediaș Branch/Regional Operating Centres/Gas Compressor Stations, with measurements being taken for 212 works.

After the preparation 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.

4.2 Research and innovation

I. OBJECTIVES

- Increasing reliability and safety in the operation of the National Natural Gas Transmission System;
- Increasing the flexibility of the National Transmission System;
- Increasing labour productivity in the natural gas transmission business;
- Establish and implement a strategy to upgrade and adapt the existing natural gas transmission infrastructure for the use of Hydrogen and other green gases for decarbonisation.

II. RESEARCH DIRECTIONS

- Technological engineering for the development and rehabilitation of the natural gas transmission system;
- Equipment upgrading;
- Energy efficiency and conservation;
- Development of standards and technical specifications specific to the natural gas transmission activity;
- Preparation of studies and research and technical engineering works in the field of efficient use of natural gas;
- Identification, assessment and exploitation of the recoverable energy potential in the natural gas transmission process in the NTS;
- Studying the effects of Hydrogen injection in the NTS;
- Drawing up technical specifications for materials and equipment to enable the integration of hydrogen in the NTS.

4.3 Critical Infrastructure Protection

General objective:

- Ensuring the physical security and integrity of the objectives of SNTGN TRANSGAZ SA

Domain specific objectives:

- Protection of national / European critical infrastructure objectives;
- Permanent monitoring of the security of critical infrastructures;

Main actions:

- revision / updating, *Security Plans of the NCI/E Operator* whenever necessary for:
 - the objectives of SNTGN TRANSGAZ SA, designated ICN according to *GD no. 1198/2012 on the designation of national critical infrastructures*; and *GD no. 276/03.05.2018 /2015 on the amendment and supplementing of the 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*;
- regular training in the (operational and decision-making) personnel with responsibilities in the field of security working within the objectives designated ICN / E., on competence levels, on security requirements for these objectives

- organizing, coordinating and carrying out activities to test the way staff act in different appointed scenarios, generated by emergency situations.
- the fulfilment of the tasks incumbent on the owners/operators/managers of NCI/ECI, in accordance with the provisions of Article 6, paragraph 1¹ of GEO no. 98/2010 on the identification, designation and protection of critical infrastructures, as subsequently amended and supplemented, with regard to the annual preparation of reports on significant risks and incidents and the evolution of threats in the NCI/ECI sector/subsector and the formulation of proposals on the need to improve their protection.

The activities proposed to be carried out in 2021 were planned taking into account the specific objectives, the conclusions drawn from the analysis of the activity carried out at the end of 2020, as well as the requirements and priorities imposed by specific legislation in force.

In order to carry out the specific activities in 2021, the documents generating the specific activity have been drawn up, namely:

1. *Critical Infrastructure Protection Department's program of activities for 2021,*
2. *Planning of training in the field of NCI/EU protection for 2021,*
3. *Planning of the P.S.O. testing for 2021,* on the basis of which the following activities were carried out:

- having regard to Article 11(6) of the G.E.O no. 68/ 2019 regarding the establishment of some measures at the level of central public administration for the amendment and supplementing of some normative acts, namely the establishment of the General Secretariat of the Government as a shareholder of the Romanian State in SNTGN TRANSGAZ SA and implicitly the exercise of rights and the fulfilment of obligations arising from it, the relationship with the aforementioned institution has been initiated since 2020, in order to fulfil the obligations incumbent on the owner/operator/manager of the NCI/ICE, in relation to the Responsible Public Authority. The correspondence with the General Secretariat of the Government concerned the request for consultation through authorised representatives of *Annexes no. 1 and 2 - classified according to the law, of DECISION no. 1.154 / 2011 on the approval of critical thresholds related to cross-cutting criteria underlying the identification of potential national critical infrastructures and on the approval of the Methodology for the application of critical thresholds related to cross-cutting criteria and the determination of the criticality level,* for the purpose of applying cross-sectoral critical criteria and thresholds, i.e. the formulation of proposals for the designation of new NCIs/ETs, through which a number of issues relating to the classification (in secrecy classes) of NCI/ET Operator Security Plans were raised;
- As initial steps of the activities of testing the OSP on how to act of the staff of the objectives in different scenarios (emergency situations), foreseen in the OSP testing planning for 2021, meetings were organized at the level of the ARAD and MEDIAŞ Regional Operating centres - with the participation of the staff specialized in the field of U.S., the persons in charge of the ICN/E objective and a representative of the management as well as the O.L.S. of the P.I.C. department and subsequently the following exercises were organized:
 - testing the response of operational and intervention personnel in the event of an emergency situation, generated by the occurrence of a fire followed by an explosion, in the technological installation of a Regional Operating centre facility. ARAD, TIMIŞOARA Sector - in collaboration with I.S.U. BANAT of TIMIŞ County, Timișoara Fire Department 1;

- testing the response of operational and intervention personnel in the event of an emergency situation caused by a fire followed by an explosion at a Regional operating Centre facility. MEDIAŞ, Sector FĂGĂRAŞ and testing the evacuation of personnel suffering from carbon monoxide poisoning - with the collaboration of the Emergency Inspectorate "Țara Bârsei" Braşov, Zărneşti Fire Department and TRANSGAZ Intervention and Rescue Station;
- testing the responsiveness of designated staff by the *Decision of the Director - General no. 165/03.03.2021 on the designation of the persons in charge of evacuation, of the personnel of the fire intervention teams and of the persons acting in case of fire to provide first aid in the premises/workplaces of SNTGN TRANSGAZ SA*, in the emergency situation generated by a fire on the mezzanine of an I.C.N. building in MEDIAŞ - with the collaboration of the Emergency Situations Inspectorate Cpt. DUMITRU CROITORU - SIBIU, MEDIAŞ Fire Department.

Following the test exercises, Test Reports were drawn up, which were attached to a report to the Director - General of SNTGN TRANSGAZ SA, on the conduct of the exercises.

- update/ revision of *Security plans of the NCI operator (according to the framework structure laid down in Decision No 166/19.03.2013 on the approval of the methodological rules for the drawing up/equivalence/revision of security plans of owners/operators/managers of national/European critical infrastructure)* of the designated objectives. Dedicated workstations, recorded in the *Register of Records of Information Classified as a Service Secret*, have been used to update/revise the *Critical Infrastructure Operator's Security Plans*, documents classified as a SERVICE SECRET;
- according to the *N.C.I./E. Protection Training Planning*, monthly topics for the regular Critical Infrastructure Protection training have been prepared. The S.L.O.s travelled to the NCI/E sites and carried out the planned regular training with the persons in charge of the sites (security staff and site managers), the training being recorded in the individual NCI/E training sheets (and signed by the persons in charge.);
- the following documents were remade and sent to the Bacău Regional operating centre: *The physical security risk assessment and treatment report and the risk level assessment grid - Annex no. 12, provided for by Law no. 333/2003 on the security of objectives, goods, values and protection of persons, for two of the objectives designated as I.C.N.* Also, at the request of the Bucharest Regional operating centre, the above-mentioned documents of an objective designated as I.C.N. belonging to this operating center were made available;
- for the purpose of carrying out the duties of owners/operators/managers of NCEs/ECIs, in accordance with Article 6(1) ^1 of the *G.E.O no. 98 / 2010 on the identification, designation and protection of critical infrastructures*, as subsequently amended and supplemented, with regard to the annual preparation of reports on significant risks and incidents, as well as the evolution of threats in the NCI/ECI sector/subsector and the formulation of proposals on the need to improve their protection, in December 2021 the STATUS REPORT on the activities carried out within the process of identification, designation and protection of national and European critical infrastructures was completed.

4.4 Sustainability Risk Management

SNTGN TRANSGAZ SA's approach to risk management combines the knowledge, expertise and experience of staff to address current risks and anticipate future ones.

Risk management is an integral part of decision-making at all levels and adds sustainable value both by increasing the likelihood of achieving objectives in an efficient and effective manner and by reducing the negative impact of operational activities on the environment, while enhancing the positive effects for people and nature.

SNTGN TRANSGAZ SA continuously reassesses its risk portfolio within a structured, systematic and up-to-date framework that is supported by the following pillars:

- **Risk Management Strategy, 2021-2025**, a document that promotes foresight, thus preparing the company to thrive in an uncertain environment. The strategy sets out the company's attitude and approach to risk, the risk tolerance limit, the strategy adopted for responding to risk, the vision, the specific objectives and the measures required to achieve them;
- **System Procedure PS 05 SMI Risk Management**: establishes a uniform set of rules for risk management and for the establishment and updating of the Risk Register;
- **Risk profile**: provides an overview, including an overall, documented and prioritised assessment of the identified risks faced by the company. The risk profile of SNTGN TRANSGAZ SA is updated annually;
- **Risk tolerance limit**: represents the level of risk exposure undertaken by the company;
- **Internal appointment decisions and the Rules of organisation and operation** of the Monitoring Committee and the Risk Management Team.



THEME	STANDARD GRI	ASSOCIATED RISKS	Mitigation actions
Economic			
Performance and economic growth	GRI 201	Profits may fall short of major shareholder expectations	<ul style="list-style-type: none"> ▪ Increased financial efficiency and discipline. ▪ Identify opportunities to increase labour productivity. ▪ Diversification of natural gas supply routes and sources. ▪ Strict follow-up of commitments and contractual relations within the limits approved by the Revenue and Expenditure Budget ▪ The realisation and commissioning of new objectives related to the national transmission system; ▪ Exploiting the opportunities for the future use of natural gas in mixtures with renewable and decarbonised gases and the potential of hydrogen from natural gas to support the decarbonisation pathway and the transition to a sustainable economy.

THEME	STANDARD GRI	ASSOCIATED RISKS	Mitigation actions
Impact on the country's economy	GRI 203	-	
Quality and availability of services	N/A ¹	Continuity of activities of economic agents critical for the economy and the population	<ul style="list-style-type: none"> ▪ Initiate discussions with government representatives to stress the importance of fiscal and legislative stability and predictability so that investment has a clear medium and long-term perspective. ▪ Participating in the analysis of draft specific regulations submitted by the competent authorities and formulating the company's final opinion on these drafts. ▪ Exploiting opportunities for the sustainable transformation of coal-intensive regions both in our country and in other Central and Eastern European countries, natural gas being an essential transition fuel with an important contribution to energy security.
Availability and capacity of the gas transmission system in relation to long-term demand	N/A ⁷	Risk of adapting the system to the needs of the local economy in the long run. Opportunity to capture transmission needs in relation to the European energy market.	<ul style="list-style-type: none"> ▪ Implementation of the National Transmission System Development Programme projects to connect central European markets to resources and redefine itself as a major natural gas transmission operator ▪ Participation in different thematic sessions, targeting Romanian and EU energy objectives, in the context of European energy market integration.
Efficiency of SNTGN network	N/A ⁷	Operational, cost related and efficiency risk	Optimisation of operational, investment and development activities, improvement of operational related activities.
Company and employees			
Social impact on local communities	GRI 413	Reputational risk	<ul style="list-style-type: none"> - Daily evaluation of press articles. - Delivering messages through short, concise press releases, updated regularly. - Sustained, transparent and effective proactive communication. <p>Establish crisis communication strategy.</p>
Social responsibility (CSR activities)	GRI 413	Reputational risk	<ul style="list-style-type: none"> - Establishing the Communication Strategy 2020-2023. Defining the key messages to be conveyed and promoted, defining the channels for conveying the messages. - Monitoring of the CSR Policy, established at company level. - Conduct external communication events (press conferences, representation activities, workshops, round tables, etc.).
Regulatory compliance, ethics, integrity, anti-corruption and non-discrimination	GRI 205	Reputational risk, employee perception risk	<ul style="list-style-type: none"> - Communication to all staff of the Code of Ethics, annually revised edition, approved by the Board of Administration' Resolution, - permanent monitoring of compliance with the rules of conduct. - Giving advice and assistance to the company's employees from the ethics advisers on compliance with the rules of conduct laid down.

¹ The GRI Standard contains such indicators for similar industries, and a similar indicator exists in the GRI Standard specific to the electric utility sector. The standard is under development and this information will be reviewed in future reports once an updated GRI standard with specific indicators is published.

THEME	STANDARD GRI	ASSOCIATED RISKS	Mitigation actions
The workplace	GRI 401	Human resources risk, retention capacity	The development by managers of organisational structures, using mentoring principles and programmes, of well-trained and flexible teams, teams capable of adapting to a dynamic, constantly changing environment.
Health and safety at work	GRI 403	Risk of injury and/or occupational diseases	-Hazard identification and risk assessment for each component of the work system - Monitoring the health of workers; training and first aid activities at the workplace;
Diversity and equal opportunities	GRI 405	Reputational risk, employee perception risk	- Monitoring employee satisfaction. -Promote constructive discussions and exchange of knowledge and information related to the work, to increase solidarity within the company.
Training and education	GRI 404	Human resources risk, operational efficiency	- Annual planning of training and further training for employees. -Ensuring that retraining courses are carried out in accordance with the approved program.
Environment			
Energy consumption	GRI 302	Operational, cost related and efficiency risk	- Achieve savings on operational costs recognised by the authority (material, energy and water, technology consumption, salaries, maintenance and repairs and others). -Implementation of the Energy Management System, improvement of energy performance in accordance with SR EN ISO 50001:2019 standard
Management of hazardous and non-hazardous waste	GRI 306	Reputational risk, risk of fines	-Implementation of policies and best practices on waste prevention and/or quantity reduction in the 5 stages of waste management activities: prevention/reduction; reuse; recycling; energy recovery; disposal/storage.
Compliance with environmental laws and regulations	GRI 307	Reputational risk, risk of fines	-Identify legal and other requirements to which SNTGN Transgaz SA subscribes, promote awareness and understanding of the legal responsibilities applicable to its environmental activities/aspects. - Training of staff on applicable environmental laws.
Climate change strategy and transition to renewable energy	GRI 413	Risk of adapting infrastructure to long-term needs	<ul style="list-style-type: none"> ▪ Establishment of the Hydrogen Committee at Transgaz level. Constant information of the company's management. ▪ Training of specialists in those disciplines that are necessary for the functioning of the hydrogen economy. ▪ Identification of funding possibilities/ mechanisms developed at EC level to support TSO projects of Retrofitting, Repurposing, Rebranding and Hydrogen Blending, as well as consultancy in the above mentioned fields. ▪ Starting pilot project on hydrogen blending with natural gas
Greenhouse gas emissions and losses	GRI G4 ² from G4-EN15 to G4-EN21	Risk of contributing to climate change and air pollution,	<ul style="list-style-type: none"> ▪ Implementation of the priority program to reduce gas consumption in the NTS between 2022 and 2026 ▪ Upgrading and rehabilitation of MRSs

² The GRI Standard contains indicators of this type for similar industries, and this indicator has been taken from the GRI Standard specific to the Oil and Gas sector. The GRI Standard is under development and this indicator will be revised after the publication of an updated GRI Standard with specific indicators.

THEME	STANDARD GRI	ASSOCIATED RISKS	Mitigation actions
		in particular methane losses	
Biodiversity	GRI 304	Risk of damage to flora and fauna	Establishment of both general area conservation objectives for each major project developed by SNTGN Transgaz SA and key measures to avoid or reduce impacts on the natural habitat.

5. ECONOMIC DIMENSION OF SNTGN TRANSGAZ SA

Consolidated comprehensive income

The situation of the consolidated profit and loss account in 2019-2021:

-thousand lei-

Specification	Obtained at 31 December (thousand lei)			Dynamics 2021 vs 2020 (%)
	2021	2020	2019	
1	2	3	4	5=2/3
TOTAL revenue of which:	2.663.385	3.193.732	2.870.588	83,39%
Operating revenue before balancing and the construction activity according to IFRIC12	1.364.950	1.338.015	1.575.925	102,01%
Revenue from the balancing activity	442.200	199.239	324.688	221,94%
Revenue from the construction activity according to IFRIC12	704.027	1.587.548	868.357	44,35%
Financial revenue	152.208	68.929	101.618	220,82%
TOTAL costs of which:	2.433.135	2.994.180	2.458.446	81,26%
Operating costs before balancing and the construction activity according to IFRIC12	1.244.239	1.173.521	1.234.622	106,03%
Cost of balancing	442.200	199.239	324.688	221,94%
Cost of constructed assets according to IFRIC12	704.027	1.587.548	868.357	44,35%
Financial costs	42.669	33.872	30.779	125,97%
GROSS PROFIT, of which:	230.250	199.552	412.143	115,38%
Result from operation	120.711	164.494	341.303	73,38%
Financial result	109.539	35.058	70.840	312,45%
PROFIT TAX	53.445	34.328	70.749	155,69%
NET PROFIT	176.805	165.224	341.394	107,01%
Attributable to the parent company	178.146	165.224	341.394	107,82%
Attributable to non-controlling interests	-1.341	0	0	-
Other comprehensive income	15.783	7.342	-4.637	214,97%
Conversion differences	31.650	-19.432	3.668	-
Total comprehensive income for the period	224.237	153.134	340.426	146,43%
Attributable to the parent company	224.390	153.134	340.426	146,53%
Attributable to non-controlling interests	-153	0	0	-

Table 5- Consolidated profit and loss account at 31 December 2021 vs. 31 December 2020 and 31 December 2019

The main consolidated economic and financial indicators achieved in 2019-2021 are as follows:

No.	Indicator	Obtained at 31 December (thousand lei)			Dynamics 2021 vs 2020 (%)
		2019	2020	2021	
0	1	2	3	4	5=4/3*100
1.	Turnover	1.850.405	1.474.078	1.683.775	114,23
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.575.925	1.338.015	1.364.950	102,01
3.	Revenue from balancing	324.688	199.239	442.200	221,94
4.	Revenue from the construction activity according to IFRIC12	868.357	1.587.548	704.027	44,35
5.	Financial revenue	101.618	68.929	152.208	220,82
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.234.622	1.173.521	1.244.239	106,03
7.	Cost of balancing gas	324.688	199.239	442.200	221,94
8.	Cost of constructed assets according to IFRIC12	868.357	1.587.548	704.027	44,35
9.	Financial cost	30.779	33.872	42.669	125,97
10.	Gross profit	412.143	199.552	230.250	115,38
11.	Profit tax	86.676	47.511	53.445	112,49
12.	Deferred profit tax revenue	15.833	13.183		X
13.	Net profit	341.394	165.224	176.805	107,01
14.	Total comprehensive result related to the period	340.426	153.134	224.237	146,43
15.	Transmitted gas thousand cm	13.227.501	12.380.266	14.026.269	113,30
16.	Investment cost	1.055.468	1.898.974	817.916	43,07
17.	Rehabilitation cost	12.687	17.258	18.717	108,45
18.	Technological consumption thousand lei	66.257	79.187	76.005	95,98
19.	Technological consumption thousand cm	65.208	69.325	70.188	101,24

Table 6 – Evolution of the main consolidated economic-financial indicators in 2019-2021

6. ENVIRONMENTAL RESPONSIBILITY

General objectives:

- preventing pollution by promoting and implementing best available techniques;
- protecting the environment through efficient and sustainable use of natural resources and energy;
- continuous monitoring and improvement of environmental performance to protect biodiversity and ecosystems;

- increase awareness and training of employees on the issues of compliance aspects of environmental protection.

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 Environmental Permits held by the company;
- 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, 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 biodiversity is minimal;
- carrying out specific training according to the *Environmental Training Plan*;

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*:

- 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;
- 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.
- 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.
- 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

Environmental Opinion for the National Transmission System Development Plan (TYNDP) 2021-2030

The National Natural Gas Transmission Company Transgaz has completed the environmental assessment procedure for the National Natural Gas Transmission System Development Plan 2021 - 2030, obtaining the environmental opinion no. 59/15.10.2021 issued by the Ministry of Environment, Water and Forests.

The Strategic Environmental Assessment was carried out in accordance with the provisions of Government Decision no. 1076/2004 *on the establishment of the environmental assessment procedure for plans and programmes*, which transposes Directive 2001/42/EC of the European Parliament and of the Council of the European Union.

The Strategic Environmental Assessment for the *National Gas Transmission System Development Plan 2021 - 2030* contributed to improving the preparation of the Plan and the choice of its final alternative, taking into account the views expressed by the public and authorities and the outcome of cross-border consultations, to integrating environmental considerations into the preparation and adoption of the TYNDP, with the aim of promoting sustainable development and European energy and environmental policy.

The successful completion of the Strategic Environmental Assessment creates the necessary prerequisites for accelerating SNTGN Transgaz SA's ambitious investment programme, while ensuring a high level of environmental protection and compliance with environmental and social standards.

Environmental permits

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 2021, **6 applications for review of the environmental permit** were submitted, related to the Territorial Operations Arad, Braila, Bacau, Craiova, Bucharest, Cluj. The revision of 3 environmental permits was obtained for the Territorial Operations in Bacau, Cluj and Bucharest, the remaining 3 documents are still in the process of being processed by the authorities.

Water management permits

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 continued the review of all technical documentation for obtaining water management permits at river basin level.

In 2021, the action for the elaboration of technical documentation for the revision of water management authorizations was started, for a number of more than 1,300 crossings of watercourses with natural gas transport pipelines within the Siret, Timiș, Argeș-Vedea, Someș, Prut and Mureș river basins.

The company currently holds **141 water management permits** for natural gas pipeline crossings of watercourses. In 2021, **35 applications for renewal** of water management permits were submitted, resulting in 30 new permits, with the remainder still at various stages of the permitting procedures.

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 70 projects were registered in the Integrated Environmental System (an application of the National Agency for Environmental Protection Bucharest)

At company level, the projects that were submitted to the Technical-Economic Committee have been checked and opinions in the field of environmental protection have been issued, seeking observance and compliance with the law.

External evaluation

In 2021 SNTGN TRANSGAZ SA was subjected to a number of 9 external inspections carried out by the control structures within the Romanian Waters National Administration and the National Environmental Guard.

Indicators	2019	2020	2021
Number of external inspections	17	7	9
Number of sanctions for non-compliance with legal provisions on environmental issues	1 warning	0	1 fine / 1 warning
Value of sanctions for non-compliance with legislative provisions on environmental issues	0	0	2.500 lei

Following these inspections, a fine of 2,500 lei was imposed.

Improvement measures were established, as shown by inspection reports of the control authorities, on incident reporting, waste and hazardous substances management.

In 2021, there were a total of 3 complaints at company level on issues related to the environmental factor air pollution:

Indicator	2019	2020	2021
Number of complaints received / resolved	3/3	0/0	3/3

Compliance and environmental expenditures

The company reports environmental costs and investments according to the methodology / regulations in force.

In 2019-2021 the total environmental expenses amounted to 123.023.938 lei, detailed by year according to the table:

Environmental protection costs	2019	2020	2021
	24.285.665 lei	29.685.665 lei	69.052.608 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:

- *noise level measurements* - measurements of the noise level generated by the objectives of the natural gas transmission network were carried out periodically, in order to verify its compliance with the values allowed by the applicable laws;
- *measurements of methane emissions*
- *measurements of ethylmercaptan 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.*

In the period 2019 - 2021 the degree of monitoring of pollution sources is as follows:

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	2019	772	656	84,97
	2020	226	174	65,41
	2021	513	383	74,65

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, by thermal energy production activities through thermal power plants (NO_x, SO₂, CO).

Particular importance is given to the activity of verifying fugitive methane (CH₄) emissions, being one of the proposed 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, equipping and use of mobile installations/compressors for the capture and transfer of natural gas from pipeline sections subject to repairs, upgrading 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 has forwarded to the National Agency for Environmental Protection the data on natural gas emissions in atmosphere for 2021 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 2021, 383 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 the gas consumption In NTS 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 natural gas consumption/total natural gas circulated

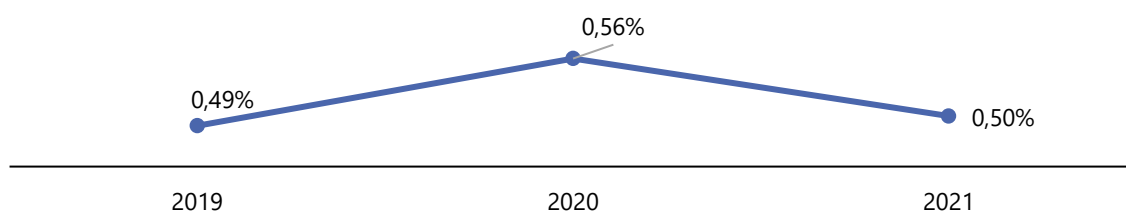


Chart 10 - Share of natural gas consumption in the NTS/total natural gas transmitted

The new and upgraded compressor stations were equipped with state-of-the-art turbine compressors, with reduced NO_x, SO₂, CO emissions, being equipped with efficient automation, monitoring and control systems to reduce emissions.

Also, as a measure to reduce GHG emissions in recent years, investments were made in modernizing the car fleet. Thus, in 2021, 23 vehicles were taken out of service and 40 new EURO 6 vehicles were purchased. Vehicle servicing is carried out by specialised companies and in two of the company's authorised workshops.

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 emissions at the pipelines, technological installations, gas measuring stations, compressor stations and thermal power plants being measured.

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

The implementation of projects for the development of the National Gas Transmission System involves compliance with specific legislation on environment protection, 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	2019	2020	2021
Number of projects submitted to environmental authorities	25	39	70
Number of projects that completed the environmental procedure	22	35	62
Number of water management approvals obtained (where applicable)	11	12	12
Number of approvals issued by the administrators of protected natural areas or by the National Agency for Protected Natural Areas obtained (where applicable)	4	7	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 competent authorities and administrators of protected natural areas.

Water management

In 2018-2021, 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 141 water management permits for water crossings by gas transmission pipelines, that is for approximately 2,400 crossings.

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, in 2021, the technical documentation was submitted for 5 river basins and the regulatory documents were obtained for the Timiș, Jiu, Criș, Ialomița and Argeș - Vedea 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 2019-2021 is presented in the following table:

Year	Degree of recovery of waste
2019	97,24 %
2020	90,0 %
2021	98,47%

- 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 GEO 92/2021 on waste treatment considering 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 (where applicable);
4. 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

At company level, the amount of waste recycled represented 4% of the amount of waste generated.

The quantities of waste generated are centralised in the waste register and the data are included in the *Annual Environmental Report* for each organisational entity.

F. Environmental Management System

By implementing and maintaining the **Environmental Management System** certification, according to SR EN ISO 14001, the aim is to reduce the effects of the activity on the environment by preventing pollution, implementing the best available techniques, efficient use of resources and energy, effective waste management and protection of ecosystems.

To this end, according to the implemented standard, the following actions/processes are carried out at company level:

- *setting and identification of objectives, targets and deadlines* - environmental objectives are set out in the *Integrated Management System Policy* approved by the company's management.

At the level of each environmental process, specific objectives are identified, with targets and deadlines, which are tracked in various activity reports and their progress is reported in the annual Management Review of the Integrated Management System at company level.

- Annual preparation of the Environmental Management Programme - The Environmental Management Programme is elaborated annually at company level, according to the standard, and includes general objectives - specific objectives - actions - financial resources.

When planning the environmental management system, risks and opportunities have been taken into account, in terms of:

- significant environmental aspects;
- applicable legal requirements;
- requirements related to other internal and external issues.

The overall objectives of the Environmental Management Programme are:

- ✓ *continuous improvement of the effectiveness of the Environmental Management System;*
- ✓ *prevention of pollution, accidents and incidents;*
- ✓ *reducing, managing and recovering waste from its own activities.*

The planning of actions, as well as the allocation of the necessary resources to carry them out, are aimed at achieving specific environmental objectives, namely:

- ✓ *operation of the NTS in compliance with environmental regulatory acts;*
- ✓ *compliance with obligations under water management regulatory acts;*
- ✓ *reducing pollution levels;*

✓ *compliance with waste legislation.*

- *identification of assigned roles and responsibilities* - Environmental Management System documents, i.e. procedures, instructions identify/establish/define the roles and responsibilities of personnel, who are involved in processes.

Depending on the complexity of the process, relevant personnel from all structures involved in the implementation and monitoring of the process are identified.

- *internal and external communication on environmental management issues* - the internal communication process in the field of environmental protection is carried out according to the existing issues, at the level of the structure there is a model with the internal parts of the company involved in this process

External communication is carried out with service providers, authorities in the field and last but not least with external stakeholders, i.e. the community, neighbours, in order to identify their needs and expectations.

- *identification of products, activities and services that have a significant impact on the environment* - this process is carried out for those activities, products and services that the company can control/influence to determine those that have or may have a significant impact on the environment and those that pose a risk to the environment.

As such, a *List of General Environmental Aspects and Environmental Impact Assessment* and a *List of Significant Environmental Aspects and Environmental Impact Assessment* are developed at company level.

The environmental aspects have been identified and determined from the perspective of the life cycle, the environmental factors affected, the risks and opportunities induced by them, and the documents have been communicated to each department responsible for the process.

The main activities to identify environmental aspects are:

- ✓ *planning the assessment of environmental aspects and aspects posing a risk to the environment;*
- ✓ *initial assessment of environmental aspects;*
- ✓ *assessment of environmental aspects of company objectives;*
- ✓ *dissemination of documented information to stakeholders;*
- ✓ *preparation of the status of significant environmental aspects at objectives;*
- ✓ *monitoring environmental aspects;*
- ✓ *reassessment of environmental aspects.*

- *managerial or board responsibility for environmental issues* - internal documents in the field of environmental protection are forwarded to the company's management for information, approval and accountability (procurement of specific services, activity reports, report on the Management Review related to the Environmental Management System).

- *Development of Training and Awareness Programmes for employees* - training needs have been identified at company level so that all staff whose work may have a significant impact on the environment are properly trained. The following aspects have been taken into account in the development of the 2021 Training Programmes:

- ✓ *the importance and necessity of compliance with the environmental policy, procedures and requirements of the environmental management system;*
- ✓ *significant actual or potential environmental impacts of activities;*
- ✓ *environmental legal requirements related to their responsibilities;*
- ✓ *risks identified in case of deviations from specified operational procedures.*

As such, specific training topics have been developed for the following areas:

- ✓ proper waste management with a focus on separate waste collection;
 - ✓ environmental aspects, assessment of environmental impacts, risks and opportunities;
 - ✓ Water management - Plans to combat accidental pollution of water uses;
 - ✓ hazardous chemicals - Instructions for decontamination of technological installations and clean-up methods in case of accidental spills of ethyl mercaptan.
- *Environmental performance records* - environmental performance is established through indicators defined within the system, which are monitored and reported on as part of the management review of the Environmental Management System.

Environmental performance indicators set at company level that are tracked :

- ✓ *environmental permitting of sites*: no. of environmental permits held / no. of permits reviewed x 100%;
 - ✓ *degree of waste recovery*: quantity of waste recovered / quantity of waste generated x 100 %;
 - ✓ *monitoring of applicable legislative news*: no. of applicable acts of regulations / no. of information on legislative news transmitted/communicated x 100%;
 - ✓ *Annual Environmental Management Programme achievement*: total programme achievement/ total planned programme x 100%;
 - ✓ *Implementation of the Integrated Inspection Programme*: no. inspections carried out/no. planned inspections x 100 %;
 - ✓ *degree of completion of reporting to environmental authorities*: no. reports made / no. reports requested x 100 %;
 - ✓ *environmental performance in noise compliance*: no. of sites with noise compliance/no. of monitored sites with noise generation x 100 %;
 - ✓ *environmental performance in complying with ethylmercaptan emissions*: no. of sites complying with emission values/no. of sites monitored x 100 %;
 - ✓ *environmental performance in complying with the emission limit values for combustion gases*: no. of sites complying with the emission limit values for combustion gases / no. of sites monitored x 100%;
 - ✓ *environmental performance in the area of complaints*: no. of sites without complaints / total no. of SNTGN sites x 100%;
 - ✓ *implementation of the Environmental Issues Identification Programme*: no. of sites where environmental aspects assessment has been carried out/no. of sites proposed for environmental aspects assessment x 100 %;
 - ✓ *implementation of the Pollution Source Monitoring Programme*: Number of monitoring carried out/ Number of proposed monitoring x 100 %;
- *Compliance with environmental regulations* – the company holds the regulatory documents required by the relevant legislation for carrying out the activity. Thus, environmental permits are held at the level of each territorial operation, with the annual authorisation of new objectives put into operation, i.e. metering regulating stations (MRS), compression stations (CS), technological nodes (TN), PIG stations, natural gas transmission pipelines. Water management permits are specific to all objectives involving water crossings by natural gas pipelines. The company carries out specific reporting and inspections to assess compliance with legal requirements.

Monthly and quarterly reports have been submitted to the relevant authorities, in accordance with the company's regulatory obligations:

- ✓ according to the provisions of GEO no. 196/ 2005 on *the Environment Fund*, the company must pay the obligations to the Administration of the Environment Fund, these being the monthly fees for emissions of pollutants into the atmosphere;
- ✓ in order to pay these financial obligations, the consumption of specific resources is monitored, quantified and the *Declaration for the payment of obligations to the Environmental Fund* is drawn up;
- ✓ according to the provisions of *Law no. 132/2010 on selective waste collection in public institutions*, waste is tracked and centralized at the company level, with quarterly submission of the Waste Register to the National Agency for Environmental Protection Bucharest;
- ✓ the management of waste generated at company level was monitored and reports were made to the authorities, according to the obligations in the environmental permits; these specific reports were uploaded to the IES - *Integrated Environmental System* - application of the National Agency for Environmental Protection.
- ✓ the *Statistical Form on Environmental Protection Expenditure at Company Level* has been calculated and completed, as requested annually by the National Statistical Institute;
- ✓ monitoring the consumption of hazardous chemicals and preparations and reporting data as requested by the authorities.

- *External environmental audits* - the company undergoes an annual external audit carried out by the certification body SRAC - *Romanian Quality Assurance Company*, an audit that ends with the awarding of various areas of improvement in the environmental protection activity, to be implemented until the next external audit.

In 2021, SRAC has awarded 4 areas of improvement to the Environmental Management System, for which a *Compliance Programme* has been developed with the aim of implementing them.

The compliance programme includes measures, deadlines and persons responsible for their achievement, implementation and follow-up.

The areas of improvement granted for continuous improvement of the Environmental Management System are:

- ✓ documenting the findings and results of environmental inspections - SSM - SU carried out on contractors' sites;
 - ✓ update the procedure for *Assessing Compliance with legal requirements*;
 - ✓ conducting environmental training - at sector level;
 - ✓ training on the completion of work orders on the MAIS application and annexes to work orders, on environmental aspects and waste management.
- *Internal environmental audits* - at company level, there is an annual *Internal Audit Programme*, in the field of environmental protection two processes are audited annually. The audits are concluded with an audit report, which includes observation reports and areas for improvement.

The objective of the internal audit is to identify whether the system complies with the requirements of SR EN ISO 14001 and its own organisational environmental management system. At the same time, the audit verifies whether the Environmental Management System has been properly implemented and managed.

Two specific environmental processes were audited in 2021:

- ✓ *Development of the Environmental Management Programme;*
- ✓ *Monitoring pollution sources.*

- *Monitoring and measurement* - in order to implement and maintain this requirement of SR EN ISO 14001, annual programmes are drawn up respectively:

- ✓ *Monitoring of pollution sources at sites within territorial holdings*
- ✓ *Assessment of environmental aspects for sites within territorial operations*

The monitoring of pollution sources, required by the authorities through the environmental permits issued to the company, consists of the following activities carried out by the Environmental Factors Monitoring Laboratory:

- ✓ continuous equivalent noise level measurements at the boundary of the target premises;
- ✓ measurement of accidental methane emissions by checking technological installations;
- ✓ detection and measurement of accidental emissions of ethyl mercaptan by checking odour control equipment;
- ✓ determination of emissions of air pollutants from combustion gases from stoves, thermal power plants and gas turbines at compressor stations;

At the end of each stage of measurements carried out in the field, measurement bulletins, monitoring reports are drawn up, followed by action plans and, finally, the actual correction of the deficiencies found.

- *Corrective actions to stimulate continuous improvement* - at SNTGN Transgaz SA level, non-conformities in the system are identified, for which corrective and preventive actions are developed.

Non-compliances result from the running of programmes at company level:

- ✓ *Monitoring of pollution sources at sites within territorial operations,*
- ✓ *Integrated HSE - ENVIRONMENT - PSI inspection programme,*
- ✓ *Annual programme of internal audits,*

which have led to corrective actions in all areas covered by the programmes.

Action Plans for the implementation of corrective actions, Observation Reports, Inspection Reports specify the corrective actions, responsible party and deadlines for implementation.

Non-compliances are not only addressed to mitigate the environmental impact, the company assesses the causes and takes action to avoid the same incidents occurring in the future.

7. ENERGETIC MANAGEMENT

Through our quality, environment, health, safety at work and energy policy, we aim to reduce the energy consumption specific to our activities, taking into account the applicable legislative requirements in this field. At the level of each territorial operation of SNTGN TRANSGAZ SA, energy managers have been appointed to monitor, optimise and report on energy consumption in accordance with legal requirements.

Annually in the process of replacing equipment, an energy analysis is carried out in order to establish the actual consumption situation, the degree of energy efficiency and to identify measures to improve the energy regime.

Measures implemented to reduce energy consumption include:

- Carrying out works to modernize indoor and outdoor artificial lighting in administrative buildings and company objectives (MRS, GCS, MS, etc.) using LED-based lighting.;
- Upgrading/replacing heating installations with more energy efficient and low emission installations;
- Energy efficiency studies to reduce energy consumption (diesel, gasoline, completed with installation of GPS and litre sensors on car fleet) ;
- Renewal of the car fleet by replacing old vehicles with new ones with high emissions and high specific fuel consumption;
- Replacing old or faulty equipment/installations with more energy efficient ones;
- Thermal insulation (enveloping) of administrative buildings - modernisation works including thermal insulation have been approved and contracted for two administrative offices of the operating sector.

Through the measures taken, by 2021, electricity consumed from renewable sources accounted for 0.41% of the total electricity consumed at company level.

In 2021, the implementation of the SR EN ISO 50001 : 2019 *Energy Management System* standard was started at the company level, through the appointment of an Energy Management Team by the company's management, whose main objective is the responsibility and authority for the effective implementation of an Energy Management System (*EnMS*) and the improvement of energy performance. As a result, an *Energy Management System Implementation Plan* approved by the company's management was developed, following the requirements of the standard - required actions - responsible parties - deadlines.

The main actions required, which are set out in the *Plan*:

- *Training of management and relevant staff* - a company-wide training programme has been developed for:
 - ✓ *Top management* - on the Energy Management System, responsibilities for implementation, support and continuous improvement of EnMS,
 - ✓ *Project team* – Energy Management System aspects.The main objective of these trainings is to raise awareness of the benefits of implementing the energy management system and the use of specific tools by defining and tracking energy performance indicators and criteria.
- *Setting up an energy management team* - the working group is a multidisciplinary team of specialists from all areas (functions) of the company;
- *Defining policy and setting objectives* - the setting and identification of objectives, targets and deadlines was started in 2021, and energy targets will be presented in the Integrated Management System Policy, approved by the company's management;
 - *Identifying risks and opportunities;*
 - *Establishment and documentation of the Energy Management System - consultancy;*
 - *Continuous improvement of the Energy Management System;*
 - *Energy Management System Certification Audit.*

8. RESPONSIBILITY TOWARDS EMPLOYEES

Occupational Safety and Health

General objective:

Ensuring occupational safety and health of 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 their own risks under control by evaluating the results of their treatment;
- capitalising on identified opportunities;
- health surveillance of workers in relation to occupational risks to which they may be exposed;
- drawing up, updating, implementing and monitoring the actions of the prevention and protection plan in order to minimise/eliminate the risks of occupational accidents and diseases.

At company level, the aim is to maintain and update occupational health and safety procedures applicable to all SNTGN TRANSGAZ SA structures in order to establish the methodology for the permanent proactive identification of hazards, the assessment of risks of occupational injury and illness, the establishment of measures and the monitoring of their implementation. The company's objective is to minimise the introduction of new hazards and risks to the working environment as changes (technological, equipment, work procedures, design specifications, personnel and standards and regulations) occur.

Hazard identification starts at the design stage of any workplace, facility, product or organisation. It is an ongoing process, as the project is detailed and then implemented, as well as throughout the life cycle, to reflect current, changing and future activities.

SNTGN TRANSGAZ SA has implemented the Integrated Management System - Quality, Environment, Occupational Safety and Health, in accordance with 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 has established the initiation and implementation of actions in accordance with the requirements.

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

Awareness of occupational safety and health risks among workers is raised through training, according to the annual training programme and topics for each workplace/workstation.

As such, in order to ensure a unified approach and to make the training process of workers at SNTGN TRANSGAZ SA more efficient, *Training and testing programs in the field of occupational safety and health at company level and training topics* are developed. Training is also carried out for third party personnel carrying out works in SNTGN TRANSGAZ SA objectives.

Increasing the competence of workers is done by:

- participation in training and professional development courses (occupational safety and health coordinator for temporary and mobile sites) attended by workers from the company. They will ensure the coordination of the OHS on construction sites of pipeline assembly within the territorial units, the qualification course in the rescuer activity at INSEMEX Petroșani, within the pilot rescue station which is authorized at SNTGN TRANSGAZ SA level, with working points within the Regional Operating Center Mediaș - Sectors Sibiu, Făgăraș and Târgu Mureș.)
- participation in regular training on work-related hazards and risks according to the company's *Occupational Safety and Health Training and Testing Programmes and training topics on all phases* (introductory general training - on hiring, on-the-job training, periodic training and additional training).
- mastering their own occupational health and safety instructions (general instructions and specific instructions per activity and workstation).
- signs and pictograms identifying hazards.

Compliance with specific laws and internal regulatory requirements is reviewed during internal audits and inspections, which are carried out according to audit and inspection schedules, through performance measurement, indicator-based reporting, closure of actions in established improvement plans and management review results.

In order to ensure safety and health at work on the construction sites organized within SNTGN TRANSGAZ SA for the execution of construction/assembly works of gas transport installations, the safety and health coordination of contractors and subcontractors is ensured by means of inspectors in the field of health and safety at work, who are specialized for the execution of these activities in accordance with the provisions of G.D. no. 300/2006 on minimum safety and health at work requirements for temporary and mobile construction sites. The coordination of safety and health at temporary and mobile sites is carried out through regular site inspections and coordination meetings with representatives of the contractors, so as to ensure that all the prevention and protection measures applicable to the sites laid down in the Safety and Health Plans are complied with.

The events communicated and researched within SNTGN TRANSGAZ SA

Indicators	2019	2020	2021
Number of investigated events	3	6	6
Number of work accidents	1	2	2
Working days of temporary incapacity for work, caused by work accidents.	4	111	49
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 Situations 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 actions 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 prevention and Emergency Situations

- The specialized personnel participated in the committees for the evaluation of the causes of events occurred in 2021 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.
- The Guard Plans with the Gendarmerie have been revised for the objectives that are part of the *List of points that will be taken over by the Gendarmerie in case of mobilization or war*, and the action will be started at the beginning of 2021 by the competent authorities.
- Specialized personnel carried out exercises according to the *Thematic Simulation Program on intervention and reaction in case of fire* at the administrative offices of SNTGN TRANSGAZ S.A.
- On 31.12.2021, the procurement procedure for repair and maintenance services for fire extinguishers and fire hydrants in the company's objectives was completed and the sectoral service contract was concluded.

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.

Assessment of compliance with relevant laws

In 2021, 4 controls were registered by the competent authorities in the field, without financial repercussions on the company.

Indicators	2019	2020	2021
Number of external inspections	3	0	4
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 2021;
- 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;
- Following the contract for the installation of an integrated timekeeping and access control system at SNTGN TRANSGAZ SA level, the specialized staff was involved in the commissioning of this system, i.e. the completion of the software testing phase for the new system as well as the resumption of the training process for the operating staff, a system implemented throughout the company.

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.
- Measures have been taken for the smooth running of security and safety services in TRANSGAZ objectives, subsequent contracts have been drawn up for all requests from the territory regarding the need for security services.
- The process of reviewing the Physical Safety Risk Analyses for all the company's objectives has been started, with the objectives of the Arad, Bacau, Craiova, Bucharest, Cluj and Brasov Territorial Operations being completed by 31.12.2021.

D. Domain - Military evidence

According to the requests of the authorities, the military records of all SNTGN TRANSGAZ S.A. personnel have been drawn up.

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.

9. 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 good cause or an important goal - as such, for more than 10 years, we have been actively involved in the life of the community, through social responsibility (CSR) programs 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. The Society supports the development and implementation of internships for high school students in specific fields. As such, high school students from the National School of Gas in Mediaș do their internship in the specialization of environmental technician and environmental quality protection, on the basis of the cooperation agreement signed for a period of 5 years.

Sport

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

The company's commitment to environmental protection aims to mitigate the environmental impacts of the business by:

- pollution prevention;
- implementation of best available techniques;
- efficient use of resources and energy;
- efficient waste management;
- protection of ecosystems.

The main actions being carried out to support and implement the commitment are:

- identification of environmental issues and environmental impact assessment;
- monitoring of pollution sources on S.N.T.G.N. Transgaz S.A. sites;
- monitoring the company's environmental protection regulatory acts;
- management of waste generated at the company level by carrying out processes of recovery, treatment or disposal of the same, through authorised operators.

Environmental protection is part of our responsibility to society. We focus on reducing the impact of our business on the environment and are constantly implementing measures in this direction.

Furthermore, the commitment made by the company's management is backed up by the *Integrated Management System Policy Statement*, and is further proof that we understand the importance of ensuring a responsible organisational climate.

Sponsorships and donations

Let's not forget that social responsibility has no age, no era, but it exists in each of us, we just have to have the courage to act in this sense, to show that by doing well, we help ourselves, employees, stakeholders, partners, in a word we help the company, and this can only be beneficial for its reputation.

Through all its corporate social responsibility objectives as well as through sponsorship and donations, SNTGN TRANSGAZ SA is ethically committed and contributes through transparent and responsible business practices to the sustainable development of the economy and social

cohesion, while improving the quality of life of its employees and their families as well as the communities and society in which it operates.

Radiography of sponsorship actions at SNTGN TRANSGAZ SA level in period 2019-2021 is shown in the table below:

No.	Destinations	2019 (lei)	2020 (lei)	2021 (lei)
1.	MEDICAL FIELD, HEALTH	1.632.000	2.000.0000	2.040.000
2.	EDUCATION, TEACHING, SOCIAL, SPORT, TOTAL OF WHICH:	1.711.500	2.000.000	2.040.000
	SPORTS CLUB GAZ METAN MEDIAŞ (CSGM)/ SPORTS CLUBS	800.000	0	240.000
3.	EXPENDITURE ON OTHER ACTIONS AND ACTIVITIES INCLUDING TO SUPPLEMENT THE AMOUNTS IN THE ABOVE AREAS	647.500	1.000.000	1.020.000
TOTAL GENERAL sponsorship expenditure:		3.991.000	4.433.000	5.049.000
SUBSIDIES PROVIDED FOR IN THE REB for sponsorship		4.100.000	5.000.000	5.100.000
% amounts used/amountd REB		97,34%	88,66%	99%
REB approved by Decision of GMS No.		3/16.05.2019	2/04.03.2020	3/27.04.2021

9.1. 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.

9.2 Community Relations and Human Rights

TRANSGAZ believes that adopting socially responsible business practices is vital to ensure success, which is why it works with local communities throughout project development, from planning to site remediation, to help prevent or reduce risks and direct or indirect impacts that may arise.

We strive to minimise the impact of our presence on local communities, livelihoods, land, environment, cultural heritage, health and well-being of local people. We are open to dialogue and transparent because we want to gain the trust of local people, value their skills and local knowledge as employees and stakeholders.

We also contribute to local development through social responsibility actions.

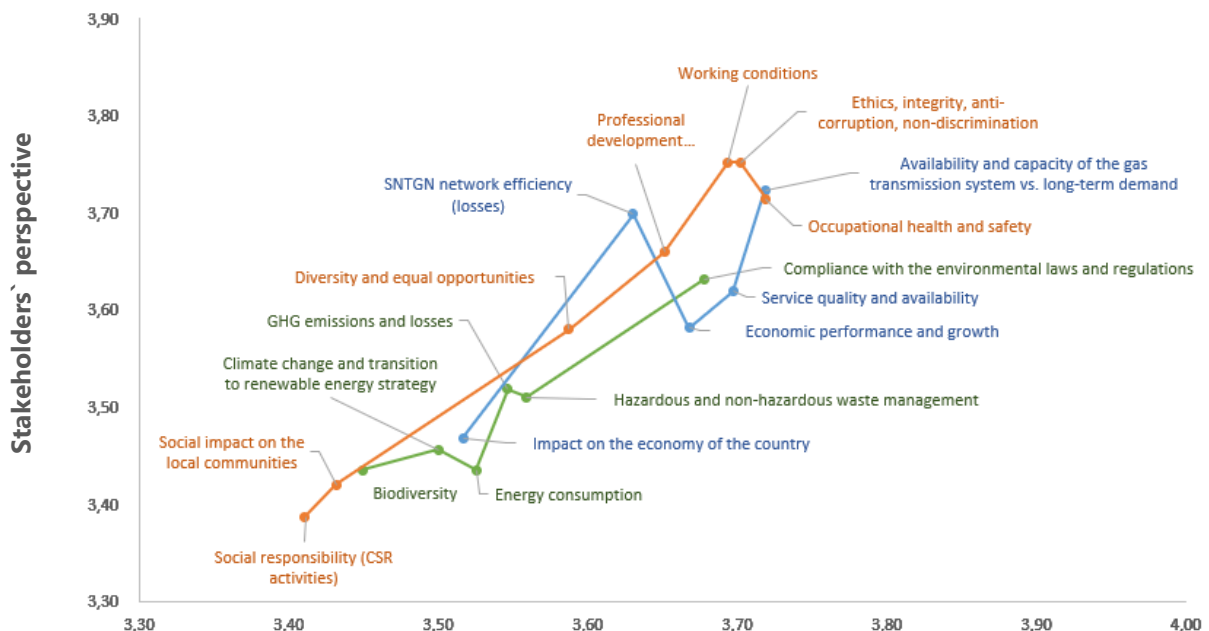
As such, the company subscribes to a number of key principles:

- strict standards for the construction of piping systems;
- minimising the impact of construction activities on the environment and residents;
- minimising short and long-term inconvenience to landowners and users;
- TRANSGAZ is responsible for the rehabilitation of land and structures (drains, ditches, irrigation and roads) affected by construction works;
- minimising the project footprint (including on serviced land, temporary facilities, access roads);
- minimisation of emissions and noxious emissions;
- minimising energy and resource consumption;
- minimising waste from construction and operation;
- maximum reuse of displaced materials.

10. MATERIALITY ANALYSIS

Materiality matrix

Figure 3 - Materiality matrix - overview



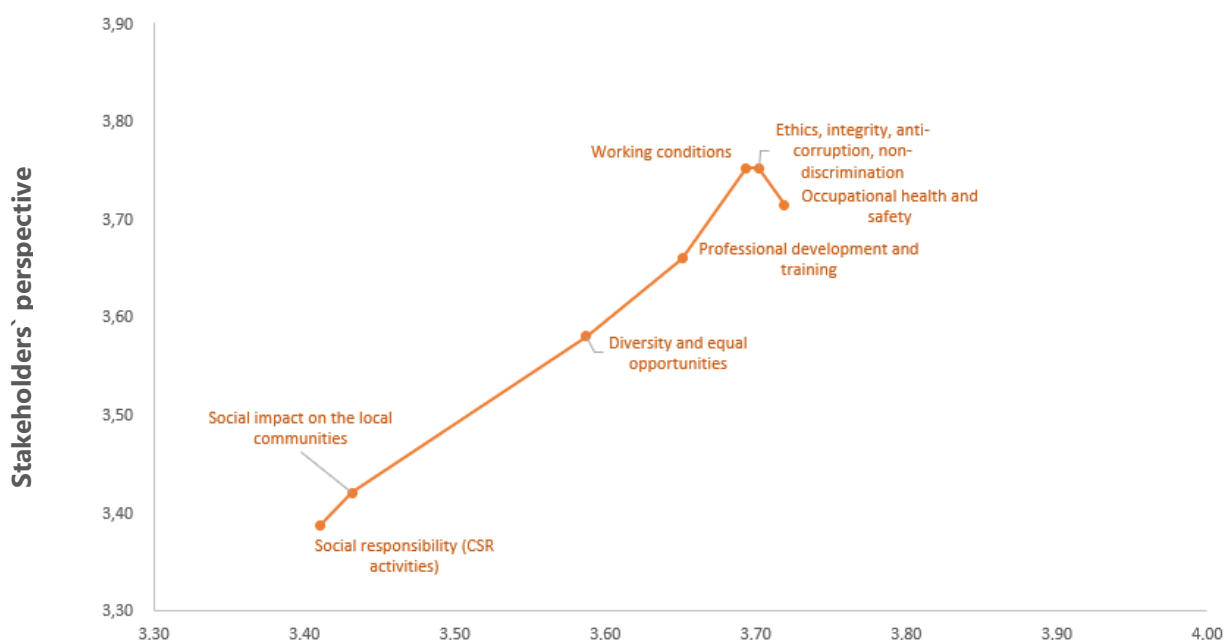
Impact on economic, social and environmental dimensions in Romania

One of the main developments compared to the research carried out a year ago is the reduction in perceived importance of economic issues, while maintaining the importance of environmental and social issues. Therefore, we can say that the perceived relative importance of environmental and social issues has increased.

Overall, **stakeholders** take a more conservative view, emphasising company stability and employee protection over issues with less direct impact. In terms of **SNTGN Transgaz SA's impact at the country level**, the most important increase has been in the dimensions of regulatory compliance.

These developments can be attributed to the geopolitical situation, which makes stakeholders more sensitive to issues related to network security and securing the needs of the economy, company stability and jobs. On the other hand, as there is only one previous report, it is likely to be a recalibration of stakeholders' views.

Figure 4 - Materiality matrix - detail of social topics



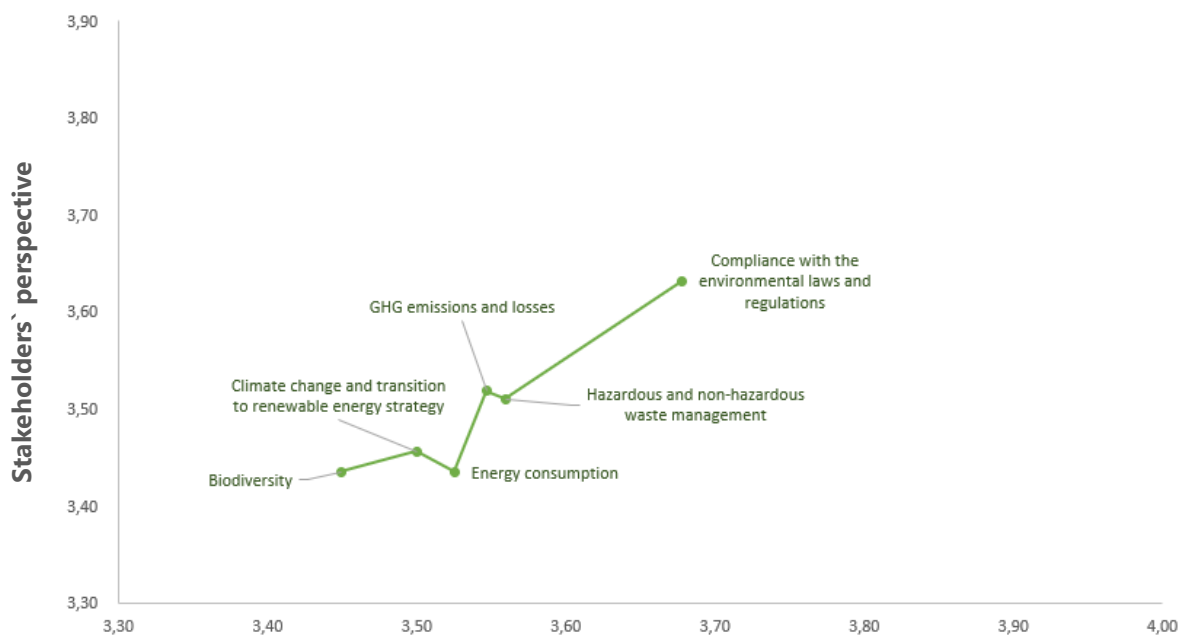
Impact on the social dimension in Romania

The most prominent themes for the social dimension are: health and safety at work, ethics, integrity, anti-corruption and non-discrimination, and the workplace.

In terms of **stakeholder perspective** one of the themes of increased interest compared to the previous sustainability report is the workplace (+0.20), which includes job quality, employer/employee relationship, employee retention. Other social themes saw slight decreases in interest (social responsibility, diversity and equal opportunities).

In terms of **SNTGN Transgaz SA's assessment of the impact on the country's dimensions**, the biggest increase, compared to the previous sustainability report, was recorded by regulatory compliance (ethics, integrity, anti-corruption) (+0.23).

Figure 5 - Materiality matrix - detail environmental topics

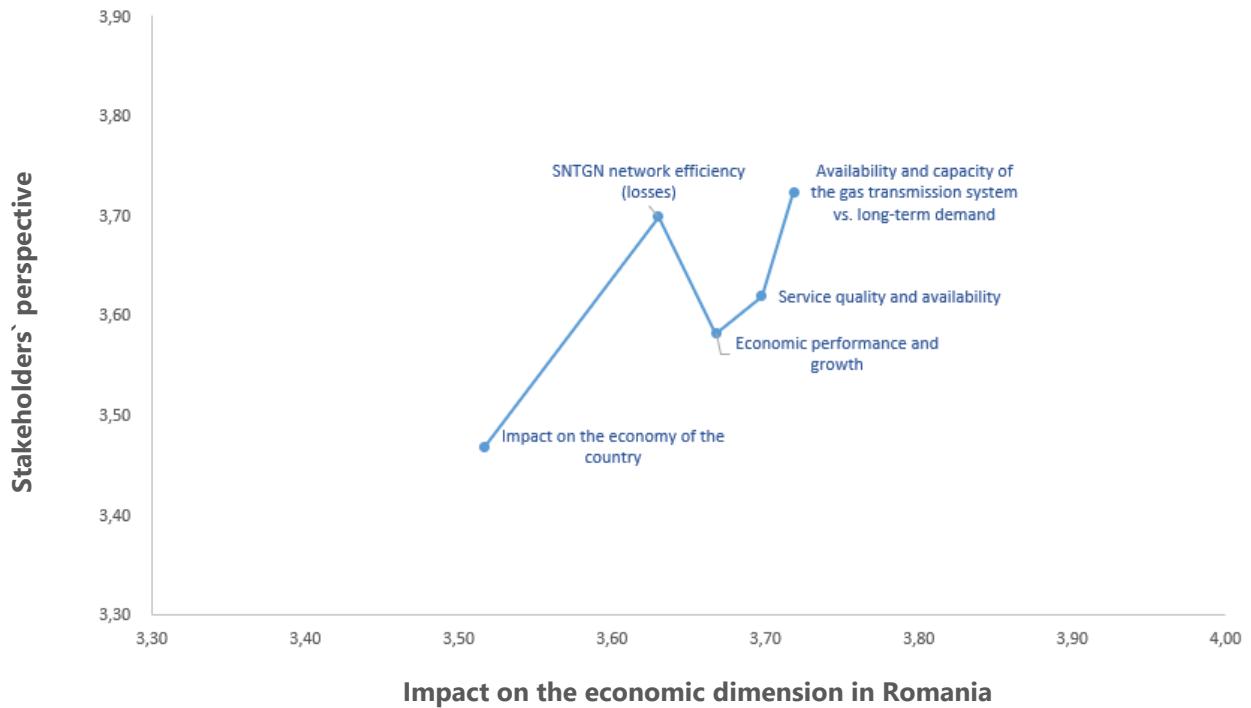


Impact on the environmental dimension in Romania

In terms of **SNTGN Transgaz SA's assessment of the impact on the country's dimensions**, the greatest increase, compared to the values presented in the previous sustainability report, was recorded by compliance with environmental laws and regulations (+0.30), followed by energy consumption (+0.19). At the same time, other environmental themes, such as biodiversity, recorded slight decreases.

These developments are driven by the current energy crisis and new economic realities. They indicate an increasing value placed on compliance in relation to other environmental themes.

Figure 6 - Materiality matrix - detail of economic topics



System availability and capacity in relation to long-term demand is perceived as the most prominent economic theme.

From the point of view of **assessing the impact of SNTGN Transgaz SA on the dimension of the country**, the greatest increase was recorded in system availability and capacity in relation to long-term demand.

Overall, the aggregation of the responses received gives a very consistent picture with the previous year and very stable given the statistically relevant number of responses. There were variations of up to 10% within the components with significant changes, while the average variation of absolute values on the sub-components of each axis is 2.5%.

On average, compared to the previous year, the assessment of SNTGN Transgaz SA's impact on the social and environmental dimensions remains stable (with a slight upward trend), with a balance between the developments described above for the sub-components of each dimension.

The company's objectives aim at increasing the company's performance, to make the company's activity more efficient, to align it with modern performance and corporate governance standards and to transform SNTGN TRANSGAZ SA into an internationally recognized company, a leader in the energy market in the region, making the most of all existing and future opportunities, so that Romania becomes an important energy corridor in the field of natural gas to Europe. A sustainable development of the natural gas transmission infrastructure in Romania requires a comprehensive investment programme to enable the implementation of the European Green Deal, the alignment of the NTS with the requirements of the natural gas transmission and operation network in accordance with European environmental protection standards.

*We are concerned with the Green Deal and how new technologies will provide the mechanisms for the transition to the green economy. For SNTGN Transgaz SA, an objective of strategic importance deriving from the European Green Deal for a transition to the green economy is **the establishment and implementation of a strategy to modernise and adapt the existing natural gas transmission infrastructure for the use of Hydrogen and other green gases with a view to decarbonisation.***

Definitions and 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
CSR – Corporate Social Responsibility
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

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