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Annual Compliance Report 2014-2015

on the adoption of measures set out for the implementation of the Compliance Program in the Company DESFA S.A.

Disclaimer on the English Translation

The present Annual Compliance Report is an unofficial English translation for convenient purposes only. Accordingly, any prospective reader should also refer to the official Greek version, which is the prevailing document for all purposes.

The present report was conducted based on the material provided by the Hellenic Gas Transmission System Operator S.A. to the company's Compliance Officer in the course of his duties for the period 2014 – 2015.

According to law 4001/2011, as amended and applicable, the annual report is being published on the official corporate website of DESFA (www.desfa.gr) within five days from its submission to the Greek Regulatory Authority for Energy (RAE), with a final completion date on the 31st March every year.

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Acronyms

DEPA: Public Gas Corporation S.A.

DESFA: Hellenic Gas Transmission System Operator S.A.

DG COMP: Directorate-General (DG) for Competition

ENTSOG: European Network of Transmission System Operators for Gas

EPA: Gas Distribution Company

IDEA¹: Equal user treatment, Transparency in procedures, Confidentiality of commercially sensitive information, Independence of DESFA from the VIU

HELPE: Hellenic Petroleum S.A.

ITO: Independent Transmission Operator

LNG: Liquefied Natural Gas

NNGS: National Natural Gas System ²

NNGTS: National Natural Gas Transmission System ²

RAE: Regulatory Authority for Energy

SOCAR: State Oil Company of Azerbaijan Republic

VIU: Vertical Integrated Undertaking ³

¹ The acronym IDEA derives from the Greek term, which describes the four basic principles for the operation of the Company.

² The NNGS includes, also, the LNG facility, while the NNGTS does not include the LNG facility.

³ DEPA is considered to be the VIU at the moment of the drawing up of the current annual report.

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Chapter I

1 Introduction

In accordance with the European Directive 2009/73/EP “Concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC” (L 211/2009) and the provisions of law 4001/2011 (Government Gazette A’ 179/22.8.2011), as amended and applicable, “For the operation of Energy Markets in Electricity and Natural Gas for Hydrocarbons Research, Production and Transmission Networks and other provisions”, and especially under the provisions of the article 63H par. 3b and par. 7, Dr. Eleftherios Amoiralis, Ph.D. in Industrial Engineering and Management, (hereinafter referred to as DESFA Compliance Officer), has drawn up the following annual report on the adoption of measures, applied by DESFA, for the implementation of the Compliance Program, which has been approved by RAE’s Decision No 184/25.04.2013.

Dr. Amoiralis was appointed by Decision No 9/20.05.2014 of the Supervisory Board of DESFA, approved by RAE’s Decision No 280/22.05.2014 (Government Gazette 8048/04.08.2014).

The implementation of the annual report is based on the statutory responsibilities of the Compliance Officer in reference to the Compliance Program, as this has been established by DESFA, pursuant to its obligations as an ITO. It is noted that the Compliance Program is also valid for the LNG facility in the island of Revythoussa, a part of the NNGS, according to law 4001/2011, article 67 par. 1b, and an infrastructure of pivotal importance for safeguarding Greece’s security of supply and the activation of new Users in the NNGS, for whom equal access should be ensured.

The annual report 2014 – 2015 describes the most significant measures that are adopted for the implementation of the Compliance Program during the abovementioned period of time, in order to ensure a non-discriminatory behavior towards the NNGS Users and other institutions of the natural gas market, DESFA’s independence, confidentiality of information managed by DESFA, and to maintain the principle of transparency in all its activities.

The Directorate of Safety, Management Systems, and Compliance Program, as the in-house responsible unit (according to the company’s organizational structure) for coordinating independent audits aiming to the proper implementation of the Compliance Program, is a succor of the abovementioned action, which is subject to the independent audit of the Compliance Officer.

2 The Company

The Hellenic Gas Transmission System Operator S.A. (Greek initials: DESFA A.E.) is an Incorporated Company, 100% subsidiary company of the Public Gas Corporation S.A. (DEPA). DEPA is owned by 65% by the Greek State and by 35% by the company Hellenic Petroleum S.A. (HELPE).

DESFA, the owner and operator of the NNGS, consists of the National Natural Gas Transmission System (NNGTS) and the Liquefied Natural Gas (LNG) Station in the Revythoussa Island. In this capacity, DESFA has the sole responsibility and authority for the operation, maintenance, development and exploitation of the NNGS, functioning under the standards of

the ITO model (Independent Transmission Operator), in conformity with Directive 2009/73 and law 4001/2011, as amended and applicable.

It is noted that at the present time, DESFA is under the procedure of transferring 66% of its share capital to the State Oil and Gas Company of Azerbaijan (SOCAR), pursuant to an international competition conducted by the Hellenic Republic Assets Development Fund (HRADF). The remaining 34% of its equity capital will be preserved under public domain. The European Commission has initiated an in-depth investigation procedure to assess whether the proposed acquisition of the Greek gas transmission system operator DESFA by the State Oil Company of Azerbaijan Republic (SOCAR), is in line with the EU Merger Regulation.

3 Compliance Program and Audit Methodology

DESFA, as an Independent Transmission Operator, establishes and implements a Compliance Program, according to the law 4001/2011, as amended and applicable, which sets out the measures taken by the Company, in order to ensure its independence, to eliminate discriminatory behavior and to enforce the appropriate policies to monitor the company's managing bodies and employees' compliance to the Program.

More specifically, the checkpoints of the Company's basic principles of operation are described in the Compliance Program, in conformity with the proposed methodology:

- Sampling checks: individual samplings are taken, where possible based on the criteria of existing accusations, notifications, complaints, especially towards RAE, the importance of each checkpoint for the operation of the company, the difficulty of the applications, etc.
- Thorough checks, on the total number of cases that are related to each checkpoint,
- Meetings and additional interviews with the designated personnel, especially in cases where there is a deviation from the demands of the Compliance Program that require further clarifications.

Subsequently, the annual audits for the proper implementation of the Compliance Program commenced on November 2014 and were completed at the end of February 2015, in accordance with the principles of the international auditing standards, aiming to evaluate the Operator's compliance level through observation and documentation in a systematic, independent and evident way (files, statements or other information relevant to the audit criteria). In addition, it is stated that the above mentioned audits were conducted on the part of the Compliance Officer, by taking into consideration fixed principles (ELOT ISO 19011) and standards' best practices, as follows:

- Ethical conduct: *The foundation of professionalism* (Trust, discretion, confidentiality, integrity)
- Fair presence: *The obligation to report truthfully and accurately* (Audit findings, conclusions and reports reflect the actions taken during the audit)
- Due professional interest: *The application of diligence and judgement during the audit* (Auditors showcase an interest in accordance with the importance of the scope they serve and the trust that they are honored with)
- Independence: *The basis of the impartiality of the audit and the objectivity of the audit conclusions,*

- Evidence-based approach: *The rational method, in order to retrieve reliable and reproducible conclusions in a systematic audit process.*

The audits took place in the auditees' offices and included the below mentioned phases:

1. inaugural meeting,
2. on-site audit,
3. interview,
4. sampling,
5. documentation,
6. final meeting and audit completion.

The distinct pillars of ensuring the basic principles of operation based on which the audits were designed and implemented, according to the acronym IDEA, were the following:

- Equal User Treatment,
- Transparency in Procedures,
- Confidentiality in commercially sensitive information,
- Independence of DESFA from the VIU.

4 DESFA Fundamental Principles of Operation

DESFA, as founding member of the European Network of Transmission System Operators for Gas (ENTSOG) and as the ITO of the NNGS, has a decisive role in the gas market, ensuring the operation of the internal gas market in the European Union, based on the European and National regulatory requirements. An essential prerequisite is that DESFA shall remain independent from the VIU or any other related undertaking during the decision making process and there should be impartiality and transparency while performing its duties, aiming to preserve strict principles to ensure free competition.

These prerequisites are a significant regulatory demand for DESFA and their attainment is a primary concern for the company. It is crucial that every operating unit of the Company shall ensure the four basic principles of operation, according to the acronym IDEA, in order to thoroughly comply with the above.

4.1 Equal User Treatment

4.1.1 DESFA Information Technology (IT) Systems

DESFA has undertaken a series of measures regarding transparency issues and equal treatment of Users, concerning the amount of information demanded to publish, in conformity with the regulatory and legislative framework undergoing its operation (checkpoint 4.1 of the Compliance Program) and specific conditions and limitations for the function of the Integrated Information System (checkpoint 4.2 of the Compliance Program) have been established.

Concerning checkpoint 4.1, the Operator has taken all the necessary measures for the proper application and the publication of certain information on its official corporate website. For the proper and thorough information of the NNGS Users, DESFA is currently upgrading its official corporate website (see par. 5.2).

As to checkpoint 4.2, and pursuant to the Regulation EP 715/2009, the Company has a guideline (obligation) to develop information technology systems and electronic means of

communication, in order to provide sufficient data to the network users and simplify transactions, such as transactions, gas capacity contracts and gas capacity transmission rights among network users.

Having completed the audit, it was observed that, currently, these actions are being handled with the aid of a pilot information system, which was developed in-house by DESFA's employees. However, the Company has launched an international open tender competition, currently in progress, regarding the implementation of an Integrated Information System for Gas.

4.1.2 NNGS Development: Development Study, Ten Year Network Development Plan, List of Small Scale Projects, Third-Party Access to the NNGS

In the Company's approved Compliance Program, regarding the respective checkpoints on the equal treatment of the NNGS Users, the procedures for the elaboration of the Study for the Demand Allocation Forecast, the Development Study (checkpoint 5.1), the Development Plan (checkpoint 5.2), the list of small scale projects (checkpoint 5.3), as well as the procedures for monitoring the implementation of the Development Plan and the decision-making process about its unscheduled review (checkpoint 5.4), the Users Connection to the NNGS, as well as the procedures for the examination of the completeness of the application for reserving future capacity (checkpoint 5.5), the evaluation of the application for the reservation of future capacity for a scheduled project (checkpoint 5.6) and the evaluation of the application for the reservation of a future capacity of an unscheduled project (checkpoint 5.7) have been provisioned.

Having completed the audit, the following came up:

1. The preparation of the NNGS Development Plan 2015 – 2024 was not published on the official corporate website of DESFA on 30.06.2014, based on the proposed date of the Compliance Program (par. 5.1), but on 09.02.2015. According to the responsible Division's briefing to the Compliance Officer, the reasons for not complying with the proposed date are (i) the upcoming changes in the electricity market, generated by RAE's Decisions No 338/11.07.2013 and 339/11.07.2013, which inter alias suggested the elimination of the Variable Cost Recovery Mechanism (MAMK - Recover Cost) to purchase electricity, effective from 01.07.2014 on, where the Company has decided to take into account the aforementioned while preparing the NNGS Development Plan 2015 – 2024, given that the gas market is inextricably linked to the electricity market and (ii) the non-timely dispatch of the relevant demand data by the largest NNGS User (VIU).
2. The Ten Year Network Development Plan 2015 – 2024 did not go under public consultation on 30.06.2014, according to the proposed date of the Compliance Program. DESFA requested from RAE with its 05.02.2015 letter to approve the matching of the Development Plan 2014 – 2023 with the Development Plan 2015 – 2024, since the approval for the Development Plan 2014 – 2023 has already been granted by the end of November {approval on 20.11.2014 under RAE's Decision No 681/2014 (Government Gazette B' 3310 / 10.12.14)}. The approval from RAE is still pending.

Furthermore, the Company is obligated to monitor the implementation of the Development Plan via a designated electronic project monitoring system (checkpoint 5.4). Taken into account the abovementioned incidents, for the year 2014, the Company, having as an approved development plan the Development Plan 2013 - 2022, sent to RAE

the corresponding monitoring report, in conformity with the proposed procedure, as this is laid down in par. 5.4 of the Compliance Program.

3. It was found that the procedure for drawing up and reviewing the list of small scale projects, in conformity with checkpoint 5.3 of the Compliance Program, is in full compliance.

4.1.3 Transmission Services

The terms and conditions for the Natural Gas Transmission services are provided, in order to prevent a discriminatory behavior on behalf of DESFA. It is noted that full and detailed procedures for the Transmission Services are included in the NNGS Network Code. In Chapter 8 of the approved Compliance Program some of the most crucial procedures, as to the above, are described.

According to checkpoints in Chapter 8 and having completed the audit, the following are illustrated:

- Transmission capacity commitment (checkpoint 8.3.1) in the NNGS between Users and DESFA is implemented in conformity with the 2nd revision of the Network Code (Article 8), where during the audit it was found that the binding request response time for all requests (1038 requests for the year 2014) lies within the proposed deadlines, based on the Network Code,
- Shift in the Binding Transmission Capacity (checkpoint 8.3.2) is performed, according to the proposed procedure of the NNGS Network Code (i.e. due to allocation, release, return capacity),
- During 2014 there have been cases of Transmission Allocation Capacity (checkpoint 8.3.4) and Natural Gas Resell (checkpoint 8.3.5), which were handled by DESFA in conformity with the established regulatory framework,
- As to checkpoint 8.3.6, it was declared by the responsible unit that for 2014 no complications were documented as to the Natural Gas Quantities Allocation,
- The procedures for approving / modifying the Weekly Users' Reports (checkpoint 8.3.7) and approving / denying Daily Users' Reports (checkpoint 8.3.8) are being held according to the proposed procedure in Chapter 4 of the NNGS Network Code,
- There have been cases in Gas Delivery / Pickup exceeding Requirements (checkpoint 8.3.9) during 2014, which were dealt in conformity with the existing regulatory framework. Similarly, there have been cases of Entry Point Minimum Violation (checkpoint 8.3.10) at the Entry Points "Sidirokastro" and "Kipi" of the NNGTS, for which the involved Network Users were notified and the relevant fines, foreseen by the NNGS Network Code, were imposed on them.
- During 2014 there has been constraint in the flow of Natural Gas in the NNGTS (checkpoint 8.3.11) for the maintenance / upgrade works in the Entry Point "Sidirokastro" of the NNGTS and in the position "Vourkadi" of the downstream Natural Gas Pipeline at the Entry Point "Aghia Triada" of the NNGTS. These works had been scheduled following a relevant consultation with the Network Users, in conformity with the proposed procedure of the NNGS Network Code. At present, the relevant annual report to RAE, regarding the Days of Limited Gas Distribution in the NNGS (based on the proposed procedure of the NNGS Network Code), is pending.
- Compliance of the drafting process for the Annual Maintenance Program of the NNGS for the year 2015 (checkpoint 8.3.13), as well as the collection and publication process of the

Annual Program of the NNGTS Calibration for the Equipment Measurement (M/R⁴ and M⁵) for the Year 2015 (checkpoint 8.3.15), as well as the collection and publication process of the Annual Program of the NNGTS Calibration for the Stations' Equipment Measurement (metering stations of the NNGTS during 2014 (checkpoint 8.3.16), and the drafting of the NNGS Operation Report for the year 2013 (checkpoint 8.3.17) is confirmed.

4.1.4 Workshop for New Users to the NNGS

Within the framework of equal treatment to all Users of the Natural Gas Network, DESFA organized and hosted a one-day workshop, concerning access, contractual and pricing procedures. The workshop took place on Wednesday 10 December 2014 in Athens.

4.1.5 LNG Facility Services

The terms and conditions for the LNG Facility Services are provided, in order to avoid discriminatory behavior. It should be noted that detailed and consistent procedures for the provision of these services are included in the NNGS Network Code and compliance with the Code, in its entirety, is a checkpoint.

Having completed the audit, it was found that the proposed procedures, according to the checkpoints of Chapter 9 of the Compliance Program are followed, having, thus, the Company taken all necessary measures for the compliance with the principle of transparency and equal treatment to Users. It is noted that on 03.10.2014 a liquefied natural gas load was unloaded by a LNG ship carrier to the facilities on the Revythoussa Island for the account of the VIU in the presence of the Compliance Officer.

4.1.6 Non-Regulated Services

Within the framework of Non-Regulated Services (checkpoint 10.1 of the Compliance Program), DESFA has conducted relevant contracts with the VIU and its affiliated undertakings, under the approval of RAE.

Having completed the audit, it was found that the provision of the abovementioned services, on behalf of the Company, is provided under the same terms and conditions, with no discrimination, to all Network Users through standardized contract agreements, in conformity with article 63B par. 1 case c of law 4001/2011. The standard contract agreements, the methodology for calculating the tariff for the service contract agreement, as well as the specific non-regulated services provided, are available on the Operator's official corporate website, on an immediate-access point for all interested parties.

4.2 Transparency in Procedures

4.2.1 Financial Transparency

The terms and procedures for the distinct budget allocation of (i) the Regulated Asset Base and the depreciation of fixed assets of every basic Activity (checkpoint 6.7), (ii) the operational cost of non-regulated services (checkpoint 6.8) and (iii) the regulated operational expenses of DESFA (checkpoint 6.9) have been provisioned.

⁴ M/R: Metering / Regulating Station

⁵ R: Regulating Station

Having completed the audit process on randomly selected invoices, regarding the aforementioned checkpoints, it was found that the Company has taken all necessary measures for financial transparency and the discrete distribution of invoice per service.

4.2.2 Procedures relating to purchasing gas by DESFA

The terms and procedures for the annual Plan of the Balancing Gas and a proposal for the capacity commitment for Load Balancing purposes (checkpoint 7.1), for the supply of Balancing Gas and the designation of a daily balancing gas price and cost for the use of the NNGS for load balancing purposes (checkpoint 7.2), for the study of Operational Gas Compensation (checkpoint 7.3), for the supply of Operational Gas and the introduction of an Operational Gas Compensation Charge Unit (checkpoint 7.4) have been foreseen.

Having completed the audit process, a time delay has been recorded on conducting the contracts for the balancing gas supply and NNGS operational gas for the period 01.01.2015 – 01.01.2016, whose conduct is still pending today. Below are the reasons for this delay:

- According to the 2nd Review of the Network Code, DESFA has issued the annual Plan for Load Balancing, which was submitted to RAE within the given deadlines for the relevant approval (checkpoint 7.1). Approval was granted on 24.07.2014.
- On 25.07.2014 DESFA proceeded in a tender procedure for conducting contracts for the supply of balancing and operational gas for the NNGS, in conformity with the provisions of Directive 2004/17/EP with a minimum date limitation for tender submission of fifty two (52) days, meaning the 09th. 09.2014.
- Due to drawing up the corporate budget, the contacts were sent to the Court of Audit on 29.12.2014 for a preliminary check and were granted approval on 20.01.2015 and 21.01.2015 for the supply of operational and balancing gas, respectively.
- Furthermore, due to the budget of the balancing gas supply competition, which exceeds the amount of 20 million euros, the Company sent to the Hellenic Parliament on 20.01.2015 the relevant documents, in order to notify the Parliament, in conformity with the relevant legal provisions. Due to national elections on 25.01.2015, and their aftereffect (dissolution of the House of Parliament, election of the President of the Hellenic Republic, reconstitution of the House of Parliament) the conclusion of the balancing gas supply contract has suffered a significant delay.
- The signature of the operational gas contract is pending.

It is highlighted that, in order to ensure the secure and unhindered operation of the NNGS due to the aforementioned incidents, a three month extension provision of the contractual duration of existing balancing gas supply and operational gas has been activated.

4.3 Confidentiality of Commercially Sensitive Information

4.3.1 Educational Actions

Pursuant to paragraph 3.1 of the Compliance Program, the Company shall carry out various educational actions, aiming to inform all employees on regulatory obligations and the legal operational framework of DESFA, ensuring confidentiality of commercially sensitive information.

Having completed the audit, it was found that the responsible organizational unit of the Company carried out educational actions from 24 to 26 February 2015 in the corporate Headquarters (357 – 359, Messogion Avenue), as well as to its regional facilities, deferring

from the proposed date according to the Compliance Program. It is noted that the abovementioned educational actions were conducted via the use and aid of an audiovisual system and were presented to the entire personnel.

4.3.2 Information Technology (IT) Systems

DESFA takes care of the security of its IT systems, aiming to ensure confidentiality, integrity and availability of the managed information, in accordance with the best available technology and through international best practices, with the aid of specialized devices protecting the Company's IT systems and the corporate intranet, in general, from Internet threats.

Having completed the audit, it was found that the responsible organizational unit applies advanced methods, in order to identify and address the vulnerabilities of IT systems, so as to ensure their effective protection and security. For the optimal monitoring of the above, the Operator uses a specialized software platform for the continuous monitoring and assessment of the security of its IT systems. However, it is crucial to introduce an Information Technology (IT) Systems Security Policy. On behalf of the Compliance Officer, it was proposed to create a reporting database including incidents and documenting the security situation of the IT systems by external rating agencies, in order to enable adequate information on a regular basis for any given auditor.

4.4 Independence of the Company

4.4.1 DESFA's Certification as an Independent Transmission Operator

DESFA S.A. was certified under RAE's decision No 523/2014/ (Government Gazette B 2572/26.9.2014) as a natural gas ITO. This certification engages in both the current ownership structure (100% subsidiary of DEPA) and the future ownership structure of the company (66% SOCAR - national oil and gas company of Azerbaijan, 34% Greek State), under the following comments:

- Within three working days from the completion of the process in the change of its ownership status, DESFA should inform RAE in writing.
- Within six months, since the completion of the process in the change of the ownership structure, DESFA should draw up in consultation with RAE and its shareholders and propose a specific plan subject to RAE's approval that is going to ensure the company will be able to cover on a permanent basis with its own human resources, working positions essential for the fulfillment of the company's obligations as the Operator of the NNGS, in conformity with the provisions of Law and the said Directive.
- DESFA should submit for approval to RAE all technical, commercial and financial agreements with TAP A.G. or any other documents relating to the natural gas transmission pipeline TAP.

Under these conditions, DESFA has been certified on the adequacy of its resources (infrastructure, human capital and financial resources), for performing its duties on the transmission of natural gas, as well as its independence from the VIU and its affiliated undertakings, on the course of its duties.

4.4.2 Independence of the Management and the Administrative Bodies

The Company is managed by a Board of Directors, which currently consists of eight Members, who are assigned and revoked by the decision of the Supervisory Board under RAE's approval, in conformity with the provisions of Law 4001/2011, as applicable, notwithstanding the provisions of Law 2190/1920. The Managing Director is the chief executive officer of the

Company. Furthermore, in accordance with Law 4001/2011, as applicable, notwithstanding the provisions of Law 2190/1920, a Supervisory Board is formed under RAE's approval, which currently consists of seven Members, whose responsibilities are further described in the Company's Articles of Association, as in force by the provisions of Law 4001/2011, as applicable. Moreover, in conformity with the relevant provisions of Law 4001/2011, the Compliance Officer is appointed under the decision of the Supervisory Board and RAE's approval and is an independent institutional body referring to RAE. It is noted that the Members of the Board of Directors, the members of the Supervisory Board and the Compliance Officer of the Company have been appointed and fulfill all requirements, as these apply by Law and the Company's Articles of Association.

4.4.2.1 Supervisory Board

As it has been previously stated, the composition of the Supervisory Board is seven members and has not been reformed until this day.

Having completed the audit, it has been found that in the archives of the responsible organizational unit there are the formal declarations, in conformity with law 4001/2011 (article 63E) of at least three members of the Supervisory Board stating solemnly that they do not fall under law restrictions, ensuring the independence of the Members of the Supervisory Board.

4.4.2.2 Board of Directors

As it has been previously stated, the composition of the Board of Directors of DESFA remains of eight members and has not been reformed until today.

Having completed the audit, it has been found that in the archives of the responsible organizational unit there are the formal declarations, in conformity with law 4001/2011 (article 63D) of all Members stating solemnly that they do not fall under law restrictions, ensuring the independence of the Members of the Board of Directors.

4.4.2.3 Meetings of the Administrative Bodies

From May 20, 2014 until February 28, 2015 the Managing Bodies of DESFA have participated in the following meetings:

- one (1) Annual General Shareholders' Assembly,
- five (5) Supervisory Board Meetings,
- thirty two (32) Board of Directors Meetings.

In all of the above mentioned Meetings, the Company's Compliance Officer received an Invitation, in conformity with the provisions of law and the Company's Articles of Associations, while he was present in thirty four (34) out of the thirty eight (38) Meetings, in total.

4.4.2.4 Compliance Officer

After the resignation of the Compliance Officer of DESFA, Mr. Paschalis Taris, on 06.05.2014 (Ref. No. DESFA 06.05.2014) it became crucial to appoint a new corporate Compliance Officer. With the 20.05.2014 Minutes of the Supervisory Board of DESFA S.A., Dr. Eleftherios Amoiralis, Ph.D. in Industrial Engineering and Management, was appointed as the Compliance Officer of DESFA. His appointment was approved by the 22.05.2014 decision of RAE.

It is noted that the Compliance Officer has submitted to the responsible organizational unit formal declarations stating solemnly that he does not fall under law restrictions, in conformity with article 63H of Law 4001/2011, ensuring his independence.

4.4.2.5 Managing Executives

The managing executives that exercise management tasks or make decisions on daily NNGS management issues and those referring directly to these people for issues relating to the operation, maintenance or development of the NNGS and belong to DESFA should ensure their independence, while performing their duties on representation and management. Based on paragraph 1.3.3. of the approved corporate Compliance Program, the aforementioned Managing Executives and all executives referring to them directly, are the ones that fall under the rank of the Director, namely in conformity with the valid corporate Organizational Chart have the rank of the Division Director, Coordinating Director and Director.

Having completed the audit, it has been found that in the archives of the responsible organizational unit exist the formal declarations, as provisioned by law 4001/2011 (article 63D) of all of the abovementioned entities stating solemnly that they do not fall under law restrictions, ensuring, thus, their independence.

4.4.3 Financial Independence

The terms and conditions for the preparation and approval of the company's Business Plan (checkpoint 6.1), the preparation and adoption of the Action Plan and Annual Budget (checkpoint 6.2), the appointment of Chartered Accountants and Auditors to issue the tax compliance report (checkpoint 6.3), the approval of the annual financial statements of the company, the amount of dividends distributed to shareholders, the remuneration of the Members of the Board of Directors and the Supervisory Board and the management report of the Company's Board of Directors (checkpoint 6.4), the approval for the loans conducted by the company (checkpoint 6.5) and further proposals for increasing share capital (checkpoint 6.6) have been foreseen.

Having completed the audit, as to checkpoint 6.1, it was found that the Company has postponed the drawing up of the Business Plan 2015-2024 until comprehensive data, regarding the new NNGS tariffs, become available.

As to checkpoint 6.2, it was found that the Action Plan 2015 has been approved by Decision No 266/02/26.02.2015 of the BoD of DESFA, while the 2015 Budget has been approved by Decision No 260/03/21.01.2015 of the BoD, sliding from the proposed dates of the Compliance Program, in force.

As to checkpoint 6.4, it was found that according to Decision No 261/03/29.01.2015 of the BoD of DESFA, the financial statements for the eighth corporate use for 2014 have been granted approval, while according to Decision No 265/03/19.02.2015 of the BoD the Financial Data and Information for 2014 have also been approved.

As to checkpoint 6.3, it was found that in the archives of the responsible unit there is a written statement of the Chartered Auditors that they have not undertaken similar services in the VIU or its affiliated undertakings, ensuring, thus, commercially sensitive information.

As to checkpoint 6.5, it was found that the Company applies strictly the legislative and regulatory corporate framework procedures for loan procurements, in order to finance investments and its unhindered operation, avoiding a potential conflict with the VIU (case of

indebtedness, etc). Therefore, for the fiscal year 2014, the Company and, in particular the Coefficient of Gearing Leverage did not exceed 0.5, according to RAE's Decision No 594/2012 (Government Gazette B 2093 / 07.05.12) and the provisions of article 88 of Law 4001/2011, as applicable. It is also noted that it has never been necessary for the company previously to increase its share capital, which remains the same as it was at the outset, namely 639.1 million Euros.

Finally, pursuant to the audit it was found that according to the Decision of the BoD of DESFA No 260/03/21.1.2015 the Annual Funding Plan for the year 2015 has been approved, where, as it appears, the company is able to finance its investment plan without receiving any additional financial support from its shareholders.

4.4.4 Operational Independence

The operational independence has to do, on the one hand, with the human resources (technical or otherwise) that are essential for the company to perform effectively its duties and, on the other hand, to a series of prohibiting the use and/or provision of services to the VIU, ensuring thus confidentiality on commercially sensitive information.

Having completed the audit, it was found that the company employs personnel, which is not connected to the VIU or its affiliated undertakings in any type of business relations. DESFA receives services of administrative, financial and technical support from a human resources pool coming from collaborating companies by signing contracts that ensure its independence towards the VIU based on a relevant clause of confidentiality.

At the same time, it was found that DESFA does not have common hardware and software systems with any part of the VIU or its affiliated undertakings and does not cooperate with the same advisors or external contractors for hardware, software and security systems. The contracts that have been signed with the aforementioned companies include clauses of confidentiality and exclusivity, ensuring confidentiality on commercially sensitive and classified information.

Finally, it has been found that DESFA provides services to the VIU and its affiliated undertakings (EPA Attikis, EPA Thessalias and EPA Thessalonikis), however the specific services are available to all Network Users on the same terms and conditions, in conformity with article 63B par. 1 case c of Law 4001/2011, as amended and applicable.

4.4.5 Independence of the Corporate Identity

In accordance with the provisions of Law 4001/2011, DESFA receives and implements the appropriate measures that ensure the imprint of a distinct corporate identity, in order to avoid any confusion as to the VIU and any other affiliated undertakings (par. 2.1 of the Compliance Program). The obligation to house its services on a premise different than the one of the VIU strengthens its distinct corporate identity (par. 2.2 of the Compliance Program). According to the Decision No 232/02/10.04.2014 of the Board of Directors the Company has an approved Corporate Identity Policy. Furthermore, a Directive on the application of the designated policy is expected in due time.

Following an on-site audit in September 2014, it was found that there were direction signs with the logo "DEPA" on them along the pipeline transit zone. After the remarks, made by the Compliance Officer, the responsible organizational unit of the Company took corrective measures and replaced these signs with corresponding ones with the logo of DESFA.

Moreover, within the framework of updating the Company's regulating documents, following the indications of the Compliance Officer, the responsible organizational unit has initiated a process for the incorporation and adoption of these with the logo "DESFA" (Systems of Organization and Management - SOM, Internal Labor Regulation). This process is currently in progress.

A case of corporate identity confusion has been noted on October 2014, when it was found that in the official VIU website existed photos with informatory material for advertising reasons, related to DESFA's facilities in the Island of Revythoussa. There was an immediate response on behalf of the Company demanding to restore the confusion of the corporate identity of DESFA with the VIU, something that was implemented promptly.

Having completed the audit, as to checkpoint 2.2 of the Compliance Program, the Compliance Officer requested by the responsible organizational unit the creation of a file, where all building or premises leased by DESFA for the scope of its operation will be included. This process is currently in progress.

4.4.6 Commercial Relations between DESFA and DEPA

Commercial Relations between DESFA and the VIU, as well as the affiliated undertakings are subject to strict regulations, in order to ensure the independence of the Natural Gas Transmission Operator, according to article 63B par. 1 case c of Law 4001/2011.

Within the framework of Regulated Services, DESFA has signed a contract, following a tender agreement procedure, with the VIU for the Supply of Gas for the Operation and Balancing needs of the NNGTS for the year 2014, which has received a three month extension, in accordance with contractual provisions.

Within the framework of Non-Regulated Services, DESFA has signed relevant contracts with the VIU and its affiliated undertakings.

Having completed the audit, it was found that the provision of the aforementioned services is provided to all Network Users based on the same terms and conditions, without discrimination.

Chapter II

5 Compliance Officer's Proposals Adopted for the Proper Implementation of the Compliance Program

The specific unit regards the improvement measures of the Compliance Program, proposed by the Compliance Officer and adopted by the Company, for the proper information of DESFA's employees in issues of compliance. The aim is to develop and implement a series of actions, in order to raise the sense of corporate culture regarding compliance matters.

5.1 DESFA Compliance Guide

The Compliance Guide under the title "A Roadmap to I.D.E.A. of DESFA S.A." was developed by the Compliance Officer of DESFA S.A. within the jurisdiction of his responsibilities and

regards DESFA S.A. obligations, as an Independent Transmission Operator, as these have been defined by the European Directive 2009/73/EC, the Regulation (EC) 715/2009 and law 4001/2011 (Government Gazette A' 179), as applicable. The Supervisory Board and the Board of Directors of DESFA have been notified regarding the present Guide during the 12th Meeting and the 252nd Meeting of the aforementioned bodies, respectively.

The aim for the acronym IDEA is to present a corporate Compliance Guide that will establish the principles that all administrative bodies and the employees of the Company should follow during the proper management and performance of their tasks, ensuring DESFA's compliance with its obligations, as an ITO.

The specific Guide aims to:

- inform the management bodies and the personnel of DESFA for the special role they are called to play in issues of compliance,
- ensure the basic principles of operation, according to the acronym **IDEA** (Equal User treatment, Transparency in procedures, Confidentiality in commercially sensitive information, Independence of DESFA from the VIU) that DESFA has to fulfill as an ITO,
- promote behavior that encourages the management of business related issues and the establishment of a human capital for DESFA, according to the provisions of European and National legislation,
- prevent, detect and respond to activities that are opposed to existing rules and guidelines,
- strengthen and further develop procedures of ethical business and legal compliance, so that these are a part of the daily routine.

This Guide was distributed to the Management Bodies and the Company's employees in February 2015.

5.2 Upgrade of the Corporate Website of DESFA

According to the European and National legislation and taking into consideration the strict regulating framework under which the Operator functions, it deemed appropriate to establish a separate section in the official corporate website under the title "Compliance" aiming to inform DESFA's employees and third parties on the subject of natural gas. This restructured section has an informative character, is in force since the end of June last year and includes significant documentation on Compliance issues, as for example the Compliance Program, European Directives, National Legislation and Codes.

It is noted that the upgrade of DESFA's official website is currently under construction, emphasizing on better promoting and managing information, as well as to the strict compliance of the security specifications of the information systems. Within the framework of his jurisdiction, the Compliance Officer in collaboration with the Company gave directions and ideas for the better depiction of the regulatory framework.

5.3 Channels of Communication

In order to ensure compliance of the administrative bodies and the company's employees with the national legislation, governing the operation of DESFA, Codes and Corporate Policies, a channel of communication among the Compliance Officer and the employees, as well as the Users of the natural gas transmission system, was introduced. The objective is to provide the ability to submit to the Compliance Officer incidents of non-compliance that are related to

unethical or illegal activities (such as conflict of interest, leak of commercially sensitive information, non-equal treatment to the Network Users, non-compliance with the Compliance Program / Corporate Policies) and at the same time to protect the anonymity of the person disclosing this information. The existing channels of communication, in force since July 2014, are the following four:

- electronic form of submission via the corporate website www.desfa.gr,
- mail,
- e-mail to the address complianceofficer@desfa.gr,
- fax.

Moreover, one may submit (anonymously or not) complaints, denunciations, suggestions for improvement on issues relating to the Compliance Program through designated boxes located in communal areas in all premises of DESFA, in order for all employees to have access to these.

Finally, within the framework of publishing the corporate information brochure “Pipeline Communications”, a special unit was introduced under the title “Compliance Officer”, aiming to inform the Management bodies and all DESFA employees, as well as any third party in the natural gas market and the Independent Operator on Compliance related issues, concerning the European Union rules of competition. In the specific unit, the work of the Compliance Officer, as well as informatory articles on compliance policy and DESFA S.A. generic activities are presented. This unit was first introduced on the July-August-September 2014 issue and is an ongoing section of the “Pipeline Communications” publication.

5.4 Introducing new Techniques in Educational Actions

In conformity with Article 3.1 of the Compliance Program, DESFA S.A. is obligated to apply on an annual basis the appropriate educational actions, in order to update its employees on issues deriving from its regulatory framework of operation.

Given that in 2013, 81.32% of DESFA’s employees attended the mandatory educational actions, as it was depicted in the Annual Report of the responsible organizational unit for the year 2013 and aiming for an 100% participation of the human capital of the Company in 2014, it was suggested to broadcast the recorded presentations for all four modules (I. Organization of the natural gas market; II. Choosing the ITO model and the ITO obligations; III. The responsibilities of the Operator and IV. Compliance Program, Commercially Sensitive Information). The monitoring of this educational action for 2014 was carried out in February 2015 by rapporteurs with the required experience.

Following the completion of the training activities, a comprehension questionnaire on the basic educational points regarding the principles of operation and compliance of DESFA, in accordance with the regulatory and legal requirements, was distributed to all employees of the Company. This educational material is available, upon request, to all personnel by the responsible organizational unit at any given time.

6 Compliance Officer’s Proposals for the Proper Implementation of the Compliance Program

6.1 Revision of DESFA’s Compliance Program

Taking into consideration:

- the revised edition of the National Natural Gas System Code (Government Gazette B' 3131/09.12.2013),
- the Company's new organizational chart, according to the Management's Decision No 178/25.07.2014,
- the Company's Compliance Guide, issued in October 2014,
- the implementation leverage of the Compliance Program by the Company's employees,
- the electronic correspondence with the subject "Review of the Compliance Program of DESFA S.A." that has been exchanged among the Compliance Officer, the Division Directors, the Coordinating Directors and the Head of the Public Relations and Corporate Communications Department,

it has been established that the Company's Compliance Program requires a review not only typically, but also essentially. As such, it has been suggested to the Company's Management Team, via email, to commence the procedure for the review of the Compliance Program, which is currently in progress.

6.2 Integration of the Code of Conduct to the Compliance Program

On 27.02.2013 the Company's Board of Directors approved the Code of Ethics for DESFA S.A. regarding the Company's relations with the Network Users and the Vertical Integrated Undertaking (VIU). The specific Code establishes the behavioral framework for all employees and is valid for all Members of the Supervisory Board, the Board of Directors and the subjective organizational units of DESFA S.A. with a fixed or indefinite period relation with DESFA and the Lawyers of DESFA with a paid order relation.

The specific Code was a statutory obligation, according to Law 3428/2005 and the Natural Gas Licensing Regulation (Ministerial Decree Δ1/A/5815, Government Gazette 464 /19.04.2010), where DESFA has the sole ownership of the NNGS and is obligated to receive a Regulation / Network Permission Ownership and Management License for the NNGS. In application of the aforementioned provisions and in conjunction with the provisions of Law 3428/2005, which were subsequently replaced by the provision of Law 4001/2011, it was granted to DESFA, after submitting a relevant application, in force of the Ministerial Decree Δ1/A/6537/22.03.2011 (Government Gazette 18.04.2011), the Ownership and Management License of the National Natural Gas System. In the same Ministerial Decree it is also provisioned that DESFA shall comply with the conditions defined in article 36 of the Licenses Regulation, where compliance with the Code of Conduct is also included.

Following, Law 4001/2011 was issued, as applicable, under which the provisions of Directive 2009/73/ EC were incorporated to national legislation and DESFA was assigned (by law) with the management of the NNGS, while it was specifically stated that DESFA could exercise its activity based on the amendments of the said Law. Furthermore, in the same provision it has been foreseen that every citation or reference to another provision (ownership or management license of the NNGS) is understood as a citation to the relevant provision of the said Law (article 67 par. 3 of Law 4001/2011).

Moreover, under the provision of paragraph 5, Article 195 of the same Law 4001/2011, it is provisioned that *"When this law comes into force, any other general or special provision that is contrary to the content of the provisions hereof or otherwise related to a topic regulated by it shall be revoked."*

Taking into consideration the aforementioned, the incorporation of the Code of Conduct to the revised Compliance Program is suggested. It is noted that the Company, as an Incorporated Company, reserves the right to draw up a Code of Conduct in conformity with the provisions under Law 2190/1920, where this Code of Conduct will be governed by the principles and values the Management Team shall set in issues related to ethics and professional behavior, as well as in issues of deontology, accounting, audit and other regulating issues.

6.3 Directive about the Corporate Identity and Corporate Communications Policy

According to article 2.1 of the Compliance Program, DESFA undertakes and implements the appropriate measures and develops the relevant monitoring mechanisms that ensure the depiction of a distinct corporate identity in every vehicle of promotion and communication, in order to avoid any confusion as to the VIU or any other related undertakings.

For the optimum depiction of a distinct corporate identity, it was proposed to the responsible organizational units of the Company, to draw up a Directive, in order to thoroughly describe the practices that the Company's employees should apply during the performance of their duties, so as to ensure the depiction of DESFA's corporate identity, as a distinct, autonomous and functionally independent company.

An indicative casuistry is cited.

- Corporate Identity (Company Name, use of the company's logo)
- Integrated Visual Imprint of the Company (indicatively: signage, means of correspondence, working overalls, corporate e-mails signature, corporate presentations)

The specific Directive is currently under internal consultation process.

6.4 Directive regarding the Information Classification Policy

The principle of confidentiality regards DESFA's employees' confidentiality obligation, concerning commercially sensitive information that may come to their attention during the course of their duties and prevent the partial disclosure of information that has to do with their activities and could possibly provide a commercial advantage.

In order for DESFA to comply with its employees' confidentiality obligation, regarding commercially sensitive information they handle, it is suggested that the Company adopts and implements an information classification and management system. Indicatively and without restriction, the following classification is proposed:

- Top Secret: for issues of high national security.
- Classified: when only the absolutely necessary people should have knowledge of the issue.
- Confidential: when the information provided may cause dysfunctions, if they come to the attention of unauthorized people.
- Unclassified: when it has not been classified with any of the above mentioned degrees.

6.5 Compliance Criteria Integration Concerning the Annual Human Resources Evaluation Procedure

The responsible organizational unit of the Company performs an annual performance evaluation procedure for its employees, through an electronic platform (software). This system has been established by DESFA after running a two year pilot program. The specific platform runs since 2012, including criteria that are adjusted to the Operator's responsibilities. Taking into consideration the specific program, it is suggested to include in the existing framework of the employees' performance (competence) evaluation compliance with the company's policies and procedures, according to DESFA's basic principles of operation, as these derive from the Compliance Program and the relevant legislation.

Chapter III

7 Conclusions

Taking into consideration that the ITO model application was introduced to the Greek energy market in the past few years, via Directive 2009/73/EP and was depicted in Greek Legislation under Law 4001/2011 that came into force on the 22nd August 2011 (Government Gazette A' 179), the undertaking Hellenic Gas Transmission System Operator S.A., by adopting and implementing compliance regulations and eliminating a partial and anti-competitive behavior during the execution of its corporate activity, obtained its certification from the most designated institution (RAE) in these issues, as an Independent Gas Transmission Operator. This is of significant importance, since it proves that DESFA maintains its independence from the Vertical Integrated Undertaking and its affiliated undertakings and the adequacy of its resources (infrastructure, human capital and financial means) for exercising its corporate activities.

Equally, the Company's Compliance Officer played an interactive role in the acquisition and maintenance of the Company's certification as an ITO, as the sole independent and responsible authority assigned by law to oversee and control the correct implementation of DESFA's approved Compliance Program.

In addition, the Regulatory Authority for Energy participates actively and supervises the financial and commercial activities between the Operator and the VIU, ensuring their compliance with the European competition standards.

Based on the foregoing, the need to establish a greater percentage of corporate culture in complying with the regulatory framework is apparent; a fact leading to the immediate review of the Compliance Program and its adjustment to new facts, as these have been presented in par. 6.1 of the present report. A succor to this attempt is the Compliance Guide, where the basic principles of the Company's operation are depicted (IDEA).

In conclusion, the excellent cooperation among the Compliance Officer, during the performance of his duties, with all organizational units of the Company, the members of the Board of Directors and the Supervisory Board, the company's Management Team, but mainly

with all Company employees, whenever it was necessary to communicate cooperate, is emphasized.

Athens, 20.03.2015

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