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Annual Compliance Report 2017-2018

on the adoption of measures set out for the implementation of the Compliance programme 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.

This report was prepared based on material that was provided by the Hellenic Gas Transmission System Operator (DESFA) S.A. to the Company's Compliance Officer during the fulfillment of his responsibilities in 2017-2018.

Pursuant to Law 4001/2011, as amended and in force, the annual report shall be published on the official website of the Hellenic Gas Transmission System Operator (DESFA) S.A. (www.desfa.gr) within five days from its submission to the Greek Regulatory Authority for Energy (RAE). The report must have been completed by the 31st March of each year.

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Acronyms

DEPA: Public Gas Corporation of Greece S.A.

DESFA: Hellenic Gas Transmission System Operator S.A.

DG COMP: Directorate-General (DG) for Competition

ELPE: Hellenic Petroleum S.A.

ENTSO: European Network of Transmission System Operators for Gas

GSC: Gas Supply Company (EPA)

HRADF: Hellenic Republic Asset Development Fund S.A.

IDEA: Independence of DESFA from the VIU, Data confidentiality (of commercially sensitive data), Equal treatment of users, Adoption of transparent procedures

ITO: Independent Transmission Operator

LNG: Liquefied Natural Gas

NNGS: National Natural Gas System ¹

NNGTS: National Natural Gas Transmission System ¹

RAE: Regulatory Authority for Energy

VIU: Vertically Integrated Undertaking ²

¹ The NNGS includes the LNG facility, while the NNGTS does not include the LNG facility.

²At the time of drafting of the annual report, the VIU is the Company DEPA.

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Chapter I

1 Introduction

Pursuant to the provisions of European Directive 2009/73/EC “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, Series I, No 179/22.8.2011), as in force, ‘On the operation of Energy Markets in Electricity and Natural Gas for Hydrocarbons Research, Production and Transmission Networks and other provisions’, and especially pursuant to the provisions of Article 63H, para. 3(b) and para. 7, Dr. Eleftherios Amoiralis, Ph.D. in Industrial Engineering and Management (hereinafter referred to as the Compliance Officer of DESFA) drafts this annual report concerning the adoption of measures by DESFA for the implementation of the Compliance Programme, approved by the RAE (Decision No 184/25.04.2013).

Dr. Amoiralis was appointed by virtue of Decision No 9/20.05.2014 of the Supervisory Board of DESFA, which was subsequently approved by virtue of RAE Decision No. 280/22.05.2014.

This annual report was drafted as part of Compliance Officer’s statutory powers in relation to the Compliance Programme, as it was established by DESFA under its capacity as ITO. It is pointed out that the Compliance Programme includes the LNG facility on the island of Revithousa, which, other than the fact that it forms part of the NNGS pursuant to article 67 para. 1(b) of Law 4001/2011, is an infrastructure of critical importance for the safety of the country’s supply and the activation of new Users in the NNGS, whose equal access to the System must be ensured.

The 2017 – 2018 annual report describes the most important measures to be adopted in implementation of the Compliance Programme over the period 01.03.2017 - 28.02.2018, with a view to ensuring the non-discriminatory treatment of NNGS Users and natural gas market operators, DESFA’s independence, the confidentiality of all information managed by DESFA and the application of the principle of transparency to all DESFA procedures.

2 The Company

Hellenic Gas Transmission System Operator S.A. is a société anonyme, 100% subsidiary of Public Gas Corporation of Greece S.A. (DEPA), which, in turn, is owned by 65% by Hellenic Republic Asset Development Fund S.A. (HRADF) of the Greek State and by 35% by Hellenic Petroleum S.A. (ELPE).

DESFA is the owner and operator of the NNGS, which comprises the National Natural Gas Transmission System and the Liquefied Natural Gas station on the island of Revithousa. In such capacity, DESFA is exclusively responsible for the functioning, maintenance, development and exploitation of the NNGS, and operates as per ITO standards, as same are laid down in Directive 2009/73 and in Law 4001/2011, as in force, by virtue of RAE decision No 523/2014 (Government Gazette, Series II, No 2572/26.9.2014). It is noted that DESFA currently awaits the decisions of its shareholders as regards the course of its privatisation, a procedure coordinated by the HRADF.

3 Compliance Programme – Methodology of Controls

DESFA, as an Independent Transmission Operator, establishes and implements a Compliance Programme, pursuant to the provisions of Law 4001/2011, as in force, laying down the measures to be adopted by the Company to ensure its independence, prevent any form of discriminatory treatment and apply proper procedures to monitor the management's and staff's compliance with said Compliance Programme.

More specifically, the Compliance Programme lays down the checkpoints that need to be reviewed in terms of compliance with the basic principles governing the Company's operations, as per the applicable methodology:

- sample controls, whereby individual cases are examined, where possible on the basis of complaints; notifications; complaints mainly to the RAE; the importance of each checkpoint for the Company's operations; any implementation difficulties, etc.;
- thorough controls on all cases relating to each checkpoint;
- meetings and supplementary interviews with the responsible staff, primarily where departures are identified from the requirements of the Compliance Programme, which need to be further explained.

Hence, the regular annual³ inspections/audits regarding the implementation of the Compliance Programme started in early November 2017 and were completed in late February 2018, in accordance with the principles of international Auditing standards, with a view to assessing the Operator's compliance by means of systematic, independent and evidentiary observation and documentation procedures (records, statements or other information collected on the basis of the control criteria). In addition, it is pointed out that the aforementioned audits were conducted taking into consideration standard principles (International Standard ISO 19011) and best practices, as follows:

- Ethical conduct: *The foundation of professionalism* (Trust, integrity, confidentiality, and discretion)
- Fair presentation: *The obligation to report truthfully and accurately* (Inspection findings, inspection conclusions and inspection reports reflect truthfully and accurately the inspection activities)
- Due professional care: *The application of diligence and judgment in inspecting* (Inspectors exercise care in accordance with the importance of the task they perform and the confidence placed in them)
- Independence: *The basis for the impartiality of the inspections and objectivity of its conclusions*
- Evidence-based approach: *The rational method for reaching reliable and reproducible conclusions in a systematic audit process.*

The inspections/audits took place at the offices of the inspected persons and comprised the following phases:

1. opening meeting;
2. on-site audit;
3. interview;

³ In addition to scheduled inspections, non-scheduled inspections were conducted throughout the year, whenever that was considered essential.

4. sample controls;
5. documentation;
6. final meeting and inspection completion.

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

- **I**ndependence of DESFA from the VIU and/or its undertakings.
Pertains to the obligations of DESFA that relate to the separation of the corporate identity and of the subject of the Services provided by DESFA from the VIU and/or its affiliates.
- **D**ata confidentiality of commercially sensitive information:
Pertains to the determination, classification and protection of the confidential nature of commercially sensitive information, concerning both the users of the NNGS and the Activities of DESFA.
- **E**qual treatment of Users
Pertains to the obligations of DESFA regarding the equal treatment of Users without discriminatory behaviors and practices, and distortion of competition.
- **A**doption of transparency in procedures
Pertains to the equal provision of access to data concerning the Activity and the processes of DESFA, which must be determined by the Operator with impartiality and objectivity, without distortions and discriminatory (biased) practices.

4 Basic Principles governing DESFA Operations

As a founding member of the European Network of Transmission System Operators for natural gas (ENTSOG) and ITO of the NNGS, DESFA plays a decisive role in the natural gas market, ensuring the operation of an integrated natural gas market in the European Union as per EU and national regulatory requirements. As an essential prerequisite, DESFA needs to be fully independent from the VIU or its affiliates, and carry out its duties with impartiality and transparency, by applying strict rules to ensure free competition.

These are important regulatory requirements, which must form a basic priority for DESFA. To achieve compliance with the above requirements, it is imperative that each of DESFA's organisational units seek and ensure compliance with all four basic operational principles set out above ("IDEA" principles).

4.1 Equal Treatment of Users

4.1.1 DESFA Information Systems

DESFA has taken a series of actions to ensure transparency and equal access of Users to all information which DESFA is liable to publish on its official corporate website, as per the regulatory framework governing its operations (checkpoint 4.1 of the Compliance Programme). Moreover, specific terms and limitations were introduced to the functioning of the Integrated Information System (checkpoint 4.2 of the Compliance Programme).

In relation to checkpoint 4.1, the Operator has taken all steps necessary to ensure due implementation thereof, through publication of specific information on its official website, providing a description of DESFA's distinct identity as well as of the distinct identity of the

Services which DESFA offers to all NNGS users with transparency, impartiality and without discrimination. For this purpose, on 17/02/2016, DESFA upgraded its website (www.desfa.gr), to ensure better presentation and management of the relevant information and strict compliance with the security standards applicable to information systems. Following an audit, DESFA Management is in the process of rendering a decision nominating a DESFA Website Manager and the officers responsible for each of the Company's' thematic sections, who will be responsible for updating the respective information on the Company's website (checkpoint 4.1.3). At the same time, specific recommendations were made to the relevant organisational unit with regard to certain problems which were identified in relation to the registration of new users on the website, recommending the delivery of instant notices, by email, on matters of regulatory nature. Further, the Compliance Officer identified a need for the publication of historical data (of regulatory nature) on the official website of DESFA for at least the last five years, despite the fact that the competent departments of DESFA pointed out that there is no specific obligation for the retention of historical data and/or regulatory texts for a specific period of time. In light of the aforementioned issues, the competent organisational unit informed the Compliance Officer that a new upgrade of the website was under way, the time schedule of which is about to be determined. In carrying out his duties, the Compliance Officer advised the competent organisational unit of the requirements that must be fulfilled in the Operator's new website, in accordance with the obligations provided for in the regulatory framework and Compliance matters.

In regard to checkpoint 4.2, and taking into consideration Law 4001/2011, Regulation (EC) 715/2009 (Annex I, No 1(1)) and the applicable EU regulations, and the 2nd and 3rd Revisions of the NNGS Network Code⁴, the Company must develop information systems and means of electronic communication which ensure sufficient supply of data to network users and simplify certain transactions, such as booking applications, capacity agreements, the organisation of auctions at Interconnection Points, the possibility of submission of multiple renominations and the transfer of capacity rights between users of the network. In order to comply with the new regulatory framework and to deal with the significant increase in the number and complexity of transactions between DESFA and NNGS Users, DESFA developed a transitional information system for regulated natural gas services, gradually replacing the operation of the Pilot Information System. Specifically, an audit found that, in the first semester of 2017, DESFA provided access to NNGS Users via the pilot information system for regulated services that the competent departments of DESFA developed in collaboration with an external associate, whereas, the operation of the Transitional Information System for Regulated Natural Gas Services started on 1st June 2017, in pursuance to the provisions of the 3rd Revision of the NNGS Network Code. The Pilot Information System for Regulated Natural Gas Services, following the implementation of the 3rd Revision of the NNGS Network

⁴ By virtue of decision No 239/17.3.2017 and following a proposal by DESFA, the RAE approved the 3rd Revision of the NNGS Network Code, which entered into force on 1.6.2017 (Government Gazette, Series II, No 1549/5.5.2017 & Government Gazette, Series II, No 2159/23.6.2017). The 3rd revision introduced necessary additions and amendments of the national secondary framework for the application of EU Regulations and especially of Regulation on Capacity Allocation (Regulation (EU) 984/2013, which was replaced by Regulation (EU) 459/2017 in April 2017), of Regulation on Gas Balancing (Regulation (EU) 312/2014) and of Regulation on the interoperability of natural gas systems (Regulation (EU) 703/2015), as well as provisions necessary for the implementations of the actions suggested by the Operator in the Report on Temporary Measures under the EU Regulation on Gas Balancing (RAE Decision No 274/2015).

Code (01/06/2017), services the organisation of Additional Storage Area Auctions, while, at the same time, it provides historical data on its implementation before the 3rd Revision of the NNGS Network Code. According to the competent organisational units, the company's aim is to complete the development of the final Information System for Regulated Natural Gas Services (the Integrated Natural Gas Information System - INGIS - as referred to in the approved Development Plan, for the management of the NNGS), in collaboration with the same external associate until the end of 2018. Lastly, the aforementioned systems were found to have functioned smoothly and no complaints were submitted by NNGS Users.

It is worth pointing out that DESFA presented its proposals on the revision of the framework (4th Revision of the NNGS Network Code⁵) that regulates access to the National Natural Gas System during an information day held at its headquarters on Friday 13 October 2017. The event was attended by representatives of the companies that have been registered in the RAE's Users Register and representatives of the Regulatory Authority.

4.1.2 NNGS Development: Development Study, Ten-Year Development Plan, List of Small Scale LNG Projects, Connection of Users to the NNGS

In respect of the checkpoints that relate to equal treatment of NNGS Users, DESFA's approved Compliance Programme lays down procedures for the preparation of a Forecast of Demand Allocation Study, a Development Study (checkpoint 5.1), a Development Plan (checkpoint 5.2) and a List of Small Scale LNG Projects (checkpoint 5.3), as well as Development Programme implementation monitoring/emergency review procedures (checkpoint 5.4), the connection of Users to the NNGS, verification procedures as to the completeness of future capacity reservation applications (checkpoint 5.5), evaluation procedures of Future Capacity Booking applications for Scheduled Projects (checkpoint 5.6) and evaluation procedures of Future Capacity Booking applications for Non-Scheduled Projects (checkpoint 5.7).

An audit established the following:

1. Decision No 342/03/12.07.2017 of the Board of Directors approved the 2018-2027 Development Study, which was promptly posted on DESFA's official website, as per the requirements of the Compliance Programme (checkpoint 5.1). However, in September it was considered appropriate to update the demand forecast study for the years 2017-2027, because of significant fluctuations in the data/assumptions that were used for the application of models of simulation of the electricity wholesale market, which led to important deviations from the purchase made. Said update was approved by virtue of decision No 346/06/18.09.17 of the Board of Directors, which was taken into account for the update of the Development Study for the years 2018-2027, which was promptly posted on the official website of DESFA.

⁵ Following the smooth adjustment of the market to the new provisions stipulated by the 3rd Revision of the Network Code, the Operator has recommended the 4th revision of the Network Code, with the aim of harmonising, to the fullest possible extent, the secondary national framework on the access by third parties to the National Natural Gas System with the provisions of the aforementioned EU Regulations. The RAE, by virtue of decision No 123/31.01.2018, approved the 4th revision of the Network Code, which shall enter into force on the first day of the first month after 90 days from the publication of the revised Code in the Government Gazette.

2. The NNGS Development Plan for 2017-2026⁶ was approved by virtue of decision No 342/05/12.07.2017 of the Board of Directors. Said Plan was then submitted to public consultation by the competent organisational unit until 21 August 2017, through DESFA's website, as per the requirements of the NNGS Network Code and the Compliance Programme (checkpoint 5.2). Following the end of the public consultation and given that there were no comments, DESFA submitted the Draft Development Plan for 2017-2026 to the RAE (DESFA Decision No 109219/19.9.2017), in accordance to the deadline that has been set by the Compliance Programme, i.e. the end of September 2017. The RAE carried out a public consultation on the Draft Development Plan for 2017-2026 from 13.10.2017 until 10.11.2017. Following the submission of the Draft Development Plan for 2017-2026 (September 2017), DESFA was requested to submit to the RAE additional data for public consultation, which pertained to the description of a new project, specifically the upgrade of the existing compression station of Nea Mesimvria. Said data were submitted by DESFA with Decision No 110333/26.10.2017. The RAE carried out a public consultation for the letter (09.02.2018-16.02.2018) and then asked DESFA to provide certain clarifications and to re-submit the Draft Development Plan for 2017-2026 with the amendments made, as well as to submit the schedules for the implementation of the projects that are included in the three-year Development Period, pursuant to article 92 of the NNGS Network Code.
3. A List of Small Scale LNG Projects was prepared and revised as per the procedure prescribed in checkpoint 5.3 of the Compliance Programme.
4. The report on the monitoring of the implementation of the Development Plan for 2016-2025 (checkpoint 5.4) was sent to the RAE at the same time as the new Draft Development Plan for 2017-2026, in September 2017 (DESFA Decision No 109219/19.9.2017).
5. On 14.07.17, the company KAVALA OIL, in application of Article 95B of the NNGS Network Code, submitted Advance Capacity Reservation Application No 0193082/14.07.2017 to the Operator (checkpoint 5.5) for its facilities in Kavala. DESFA followed the procedure applicable under the NNGS Network Code and the Compliance Programme, examining the completeness of the application dossier. Following additional submissions by the company, DESFA, on 25th October 2017, published on its website the application's technical data for public consultation until 27th December 2017. No comments were submitted nor did another User submit an Advance Capacity Reservation Application for the specific point by the end of the public consultation. DESFA proceeded to publish the technical data of the application on its website.
6. Following the application of the company KAVALA OIL for advance capacity reservation in the NNGS, dated 14th July 2017 (checkpoint 5.5), from 2 January 2018 DESFA evaluated accordingly the Advanced Reservation of Capacity Application for Non-Scheduled Project (checkpoint 5.7), preparing its recommendation to the RAE bearing the title 'Proposal for Capacity Extension for the New Project', which contains a detailed budget of the project, a detailed schedule, a technical description, a preliminary environmental impact assessment and a preliminary safety impact assessment from the project's implementation, so that the project could be included in the List of Small Scale

⁶The approved Development Plan of DESFA for the years 2016-2025 formed the prerequisite for the drafting of the Draft Development Plan for 2017-2026. The former plan was approved by virtue of decision No 64/2017 of the RAE (Government Gazette, Series II, No 436/15.02.2017).

Projects and its implementation could be launched following the signing of a related Agreement with the Company.

7. No actions were required regarding checkpoint 5.6 in 2017, as no relevant User Applications were submitted.

4.1.3 Gas Transmission Services

Terms and procedures are laid down regarding the provision of Gas Transmission Services, to prevent any discriminatory treatment on the part of DESFA. It is noted that thorough and detailed Gas Transmission procedures are laid down in the NNGS Network Code⁷, comprehensive compliance with which is the subject of audits. Chapter 8 of the approved Compliance Programme provides that audits may be conducted following a complaint by any NNGTS User. As per the checkpoints set out in Chapter 8, the following were established through an audit procedure:

1. The booking of transmission capacity (checkpoint 8.3.1) on the NNGS between Users and DESFA is carried out in accordance with the provisions of the Network Code (2nd and then 3rd revision of the Network Code). Until 31.05.2017, Transmission Capacity in the National Natural Gas Transmission System was booked via the submission of requests for the conclusion of Transmission Agreements, pursuant to the provisions of the Law, of the NNGS Network Code (2nd revision), of article 8.1 of the Compliance Programme and of the standard Transmission Agreement, the text of which is posted on the DESFA website. In the first five months of 2017, the Operator concluded 854 Transmission Agreements.

Following the entry into force of the 3rd Revision of the NNGS Network Code on 01.06.2017, fourteen (14) Transmission Agreements were harmonised; seven (7) new Transmission Agreements were concluded in the last seven months of 2017, i.e. from 01.06.2017 until 31.12.2017. From 01.06.2017, interested Transmission Users who wish to book Transmission Capacity at all Entry and Exit Points of the NNGTS (with the exception of Transmission Capacity Auction Point 'Sidirokastro') submit a request for the provision of Natural Gas Transmission Services via the Electronic Information System, pursuant to the provisions of the Law, the NNGS Network Code and the standard Transmission Agreement. On 31.05.2017, with the 3rd Revision of the NNGS Network Code and the Standard Framework Agreements for the Transmission of Natural Gas and the Use of an LNG Facility, (55) Natural Gas Transmission requests were submitted. One thousand eighty-two (1,082) Requests for the provision of Natural Gas Transmission Services were approved in the last seven months of 2017, i.e. from 01.06.2017 until 31.12.2017. It is pointed out that, in 2017, booking of Transmission Capacity at the Transmission Capacity Auction Point 'Sidirokastro' was done exclusively via Standardised Product auctions. In 2017, there were (216) auction of products for the booking of Transmission Capacity on firm and interruptible basis⁸. Moreover, the sample control procedure revealed that all NNGS Users enjoyed equal treatment in the processing of their requests. No complaints have been submitted to the Operator concerning the booking of Transmission Capacity.

2. In regard to the variation in the Booked Transmission Capacity for Delivery/Reception (checkpoint 8.3.2), the release of Transmission Capacity (checkpoint 8.3.3), the

⁷ See footnote no 4

⁸ The booked and available Capacity per Entry and Exit Point is posted on the DESFA website (http://www.desfa.gr/?page_id=2028)

Assignment of Transmission Capacity (checkpoint 8.3.4) and the Resale of Natural Gas (checkpoint 8.3.5), and the Annual Maintenance Schedule for year 2018 (checkpoint 8.3.13), it was established that, in 2017, the Operator complied with the applicable institutional framework.

3. In relation to checkpoint 8.3.6, the competent unit declared that, in the time period from 01.01.2017 until 31.05.2017, two thousand one hundred and eighty (2,180) Initial and Final Allocations of Natural Gas Quantities were approved, while for the time period from 01.06.2017 until 31.12.2017, when the 3rd Revision of the NNGS Network Code (Government Gazette, Series II, No 1549/05.05.2017) entered into force, three thousand and seventy-two (3,072) Initial and Final Allocations of Natural Gas Quantities were approved. It was established that, in 2017, the Operator complied with the applicable institutional framework.
4. In relation to checkpoint 8.3.7 (Weekly Nominations), for the time period from 01.01.2017 until 31.05.2017, Transmission Users who had concluded a Transmission Agreement or a Virtual Reverse Flow Agreement with the Operator did not submit Weekly Nominations; as such, the Operator was not required to take any action. For the time period from 01.06.2017 until 31.12.2017, when the 3rd Revision of the NNGS Network Code entered into force, Article 24 was repealed (pursuant to said Article, Users had the possibility of submitting a Weekly Nomination for Natural Gas Delivery or Reception).
5. During the time period from 01.01.2017 until 31.05.2017, the Operator granted two thousand one hundred and eighty (2,180) Approval Acts and did not reject any Daily Nominations (checkpoint 8.3.8). In the time period from 01.06.2017 until 31.12.2017, when the 3rd Revision of the NNGS Network Code entered into force, a total of three thousand eight hundred and fifteen (3,815) Daily Nominations/Renominations were submitted by all the Users who are active in the NNGS. An audit showed that said nominations/renominations were handled in accordance with the provisions of the NNGS Network Code.
6. In 2017, there were ten (10) violations - rectifications of the Natural Gas Quality Specifications (checkpoint 8.3.9), as the latter are set out in Annex I of the Network Code; the Transmission Users were notified in writing regarding said violations.
7. In 2017, there were cases of Minimum Entry Pressure Violations (checkpoint 8.3.10); specifically, there were thirty-six (36) violations and rectifications of the Minimum Entry Pressure at the Entry Point 'KIPOI', while there were no violations or rectifications of the Minimum Entry Pressure at the Entry Point 'SIDIROKASTRO'. In all cases, the Operator complied with the applicable institutional framework and notified the Transmission Users involved.
8. In relation to checkpoint 8.3.11, there was one (1) case of Alert Crisis Level, pursuant to the provisions of Articles [63] and [64] of the NNGS Network Code and of Chapter [3] of the Emergency Plan, which took place in the period from 09.01.2017 to 13.02.2017, due to low recoverable reserves at the LNG facility of Revithousa, in conjunction with the extremely high Receptions of Natural Gas. During the Alert Crisis Level, the Operator complied strictly with the provisions of Chapter [10] of the Network Code and of the Emergency Plan concerning its declaration and end, its notification to the RAE (with letter/incident report Ref. No 103116/14.03.2017) and to the Parties Involved, in accordance with the Emergency Plan.

There was also one (1) case of Emergency Crisis Level, in accordance with the provisions of Article [65] of the NNGS Network Code and of Chapter [3] of the Emergency Plan,

which took place in the period from 12.03.2017 to 16.03.2017, due to a fire in a section of the Lavrio branch of the NNGTS. During the Emergency Crisis Level, the Operator complied strictly with the provisions of Chapter [10] of the Network Code and of the Emergency Plan concerning its declaration and end, its notification to the RAE (with letter/incident report Ref. No 104380/10.04.2017) and to the Parties Involved, in accordance with the Emergency Plan. To date the Operator is not aware of any complaints or reports regarding the procedures followed during the two aforementioned incidents.

9. In 2017, a total of twenty (20) Days of Limited Natural Gas Transmission (checkpoint 8.3.12) were recorded, which were posted on DESFA's website and handled as per the requirements of the NNGS Network Code. A letter was sent to the Regulatory Authority (Ref. No 112435/24.01.2018).
10. In relation to checkpoint 8.3.14 (Emergency Maintenance), the Operator did not carry out Emergency Maintenance operations on the NNGS in 2017. All operations for the Maintenance of the NNGS that were implemented in 2017 had been included in the Annual Maintenance Plan for 2017, which had been posted on the Operator's website in accordance with the provisions of Article 98 of the Network Code.
11. It was confirmed that the Annual Calibration Programme for the Metering Equipment at the NNGTS Stations (M/R⁹ stations and R¹⁰ stations) for 2018 was drafted and published as per the applicable procedure (checkpoint 8.3.15).
12. In 2017, the calibration of the Metering Equipment at the NNGTS Metering Stations (checkpoint 8.3.16) was carried out with minor deviations from the Annual Calibration Schedule for 2017, as same was notified to the Transmission Users by means of a post on DESFA's website in December 2016. In all situations where the Metering Equipment at the NNGTS Metering Stations underwent calibration, the Transmission Users who had reserved Transmission capacity at an Entry or Exit Point of the NNGTS were informed in writing by DESFA of the exact date of the calibration works at the respective Metering Station, so as to be able to attend the calibration procedure through their representatives. Moreover, in all situations where the Metering Equipment at the NNGTS Metering Stations underwent calibration, the relevant inspection/calibration reports were delivered by DESFA to the Transmission Users, in the form of informative letters.
13. The NNGS Operation Report for 2017 was drafted and posted on DESFA's website on 20.03.2018, i.e. after expiry of the indicative deadline (28.02.2017) prescribed in the Compliance Programme (checkpoint 8.3.17).
14. It was confirmed that, in 2017, the procedure for checkpoint 8.3.18 was duly complied with, based on the Metering Regulation and the NNGS Network Code.

It is pointed out that, in relation to the above, the Units responsible for verifying compliance with the checkpoints of Chapter 8 have stated that, to this date, they have not received any complaints in relation to those checkpoints.

4.1.4 Use of LNG Facility

Terms and procedures are laid down regarding the use of the LNG facilities, to prevent any discriminatory treatment on the part of DESFA. It is noted that thorough and detailed LNG

⁹ M/R: Metering/Regulating Station

¹⁰ R: Regulating Station

facility use procedures are laid down in the NNGS Network Code¹¹, comprehensive compliance with which is the subject of audits. Chapter 9 of the approved Compliance Programme stipulates that audits may be conducted following a complaint by any NNGTS User. As per the checkpoints set out in Chapter 9, the following were established through an audit procedure:

1. Until 31.05.2017, Gasification Capacity (checkpoint 9.3.1) at the LNG Facility was booked via the submission by interested Users of an application for the conclusion of an LNG Facility Usage Agreement, pursuant to the provisions of the Law, of the 2nd Revision of the NNGS Network Code of Article 9.1 of the Compliance Programme and of the standard LNG Facility Usage Agreement (http://www.desfa.gr/?page_id=2221). One hundred and fifty-two (152) LNG Facility Usage Agreements were signed in the first five months of 2017.

Under the 3rd Revision of the NNGS Network Code, an NNGS User, in order to become active at the LNG Facility, submits an LNG Facility Usage Framework Agreement Application to the Operator, in accordance with the provisions of the Network Code and the standard LNG Facility Usage Framework Agreement Application. On 31.05.2017, under the 3rd Revision of the NNGS Network Code and the Standard Framework Agreements for the Transmission of Natural Gas and LNG Facility Usage, four (4) Natural Gas Transmission Agreements were harmonised. Three (3) LNG Facility Usage Agreements were signed in the last seven months of 2017, i.e. from 01.06.2017 to 31.12.2017. Since 01.06.2017, in order to book Gasification Capacity at the LNG Facility, interested LNG Users have submitted an LNG Facility Usage application, in accordance with the provisions of the Law, of the NNGS Network Code and the standard LNG Facility Usage Agreement (http://www.desfa.gr/?page_id=2221). On 31.05.2017, under the 3rd Revision of the NNGS Network Code and the Model Framework Agreements for the Transmission of Natural Gas and an LNG Facility Usage, five (5) LNG Facility Usage applications were harmonised. Eighty-six (86) LNG Facility Usage Applications were approved during the last seven months of 2017, i.e. from 01.06.2017 to 31.12.2017. It is noted that the Available Gasification Capacity is posted on the following website: http://www.desfa.gr/?page_id=2110

2. No actions were required from the Operator in 2017 in regard to checkpoint 9.3.2 (Assignment of Gasification Capacity) and checkpoint 9.3.3 (Release of Gasification Capacity).
3. As regards disposal of Additional Storage Area at the LNG Facility (checkpoint 9.3.4) and the LNG Offloading Schedule (checkpoint 9.3.5), it was established that in 2017 the Operator complied with the applicable institutional framework.
4. In 2017 there were thirty-four (34) Non-Scheduled LNG Offloading operations (checkpoint 9.3.6), while twenty-six (26) LNG User agreements relating to LNG Transactions were submitted to and authorised by the Operator (checkpoint 9.3.7), in respect of which it was established that the Operator complied with the procedures applicable under the NNGS Network Code.
5. As regards the LNG Loss Coefficient study for year 2018 (checkpoint 9.3.8), it was established that the Operator complied with the NNGS Network Code and the obligations arising from the Compliance Programme, by submitting to the RAE the LNG Loss Coefficient Study for 2018, which was sent on 09.11.2017 and received by the RAE

¹¹ See below 4

on 25.11.2016. The RAE's approval is still pending. It is noted that approval for the LNG Loss Coefficient Study for 2017 was granted by virtue of RAE Decision No 1126/2017 (Government Gazette, Series II, No 4860/29.12.2017) and was promptly posted on the Operator's website. Subsequently, the Regulatory Authority invited DESFA to submit a draft of the 1st revision of the LNG Facility Loss Coefficient for the time period from 01.01.2017 to 01.01.2018, due to the amendments made to Article 80 of the NNGS Network Code that entered into force on 1st June 2017. The Operator replied to the aforementioned demand of the RAE with letter No 113059/20.02.2018.

It is pointed out that, in relation to the above, the Units responsible for verifying compliance with the requirements (checkpoints) of Chapter 9 have stated that, to this date, they have not received any complaints in relation to those checkpoints.

4.1.5 Non-Regulated Services

As part of the provision of Non-Regulated Services (checkpoint 10.1 of the Compliance Programme), DESFA may enter into agreements for the provision of non-regulated services (as same are thoroughly listed on the Operator's official website) with any customers wishing to obtain such services.

Following an audit procedure, it was established that these services are offered by the Company under the same terms and conditions to all Users of the NNGS, on a non-discriminatory basis, by virtue of standard agreements. Said standard agreements, the methodology applied to calculate the financial consideration payable for the services, and the specific non-regulated services offered are posted on the Operator's official website, which is freely accessible by all interested parties. More specifically, under the provisions of Article 63B paragraph 1 subparagraph (c) of Law 4001/2011, as in force, DESFA has concluded related agreements with the VIU and with its affiliates. The specific agreements were drafted in the form of standard agreements and were submitted to the RAE.

It is noted that, until 31.12.2016, the Distribution and Management of Natural Gas Distribution Networks in Greece were carried out exclusively by DEPA S.A., EPA Thessalias S.A., EPA Thessalonikis S.A. and EPA Attikis S.A. for their corresponding geographical areas of activity. Laws 4336/2015, 4414/2016 and 4425/2016 amended Law 4001/2011 and the three aforementioned companies were obliged to separate their distribution activities from their other activities (mainly the supply of natural gas) both legally and operationally by 1st January 2017. In compliance with the legal framework as per above, DEPA S.A. separated the Distribution branch and contributed it to the newly established 'NATURAL GAS DISTRIBUTION COMPANY REST OF GREECE S.A. - EDA Rest of Greece' (with the distinctive title DEDA), which is the Operator of the Distribution Networks for the whole of Greece, with the exception of the Regions of Attica, Thessaly and the Thessaloniki Urban Area. Further, the Distribution and Management of the Distribution Networks of Thessaly and Thessaloniki are carried out by the 'EDA THESSALONIKI-THESSALIA S.A.' (with the distinctive title EDA THESS); the Management of the Attica Distribution Network is carried out by 'ATTICA GAS DISTRIBUTION COMPANY' (with the distinctive title EDA Attikis). Consequently and following an audit, it was determined that the agreements that had been concluded with DESFA before the legal and operational separation of the aforementioned companies have been adapted pursuant to the provisions of the applicable legislation; as a result, said new companies have substituted the old companies and have undertaken all active agreements concerning natural gas distribution networks.

Lastly, two agreements entered between DESFA and the VIU and currently in effect will be redrafted on the basis of standard agreements, which, however, have not been approved to this date (samples have been submitted to the RAE for approval).

4.2 Transparency of Procedures

4.2.1 Financial Transparency

Terms and procedures are in place to ensure a distinct allocation of the calculation of (i) the Regulated Asset Base and Asset Depreciations of each Basic Operation (checkpoint 6.7); (ii) the operating cost of non-regulated services (checkpoint 6.8); and (iii) DESFA's regulated operating expenses (checkpoint 6.9).

Following an audit procedure in relation to the above checkpoints, it was established that the Company has taken all steps necessary to ensure financial transparency and a distinct allocation of tariffs/services. Moreover, particular invoices were inspected (by means of random checks) and compliance with the above procedures was established. It is noted that by RAE letter Ref. No O-62313/13.10.2015 'implementing guidelines relating to Accounting Separation Allocation Rules and Principles', the Operator has amended the drafting and monitoring of Regulatory Accounts. According to the email dated 17.02.2017 sent by the Chief Financial Executive, the aforementioned guideline shall be applied by DESFA as of 01.03.2017, as regards in particular the new cost centers and profit centers. It is noted that an updated list of the company's profit centers was published by an email from the competent department dated 11.01.2018.

4.2.2 Procedures relating to natural gas purchases by DESFA

Terms and procedures are laid down for preparation of an annual Gas Balancing Plan and a recommendation for booking of capacity for Gas Balancing purposes (checkpoint 7.1); for procurement of Balancing Gas and determination of a daily balancing gas price and a NNGS usage price for gas balancing purposes (checkpoint 7.2); for preparation of an Operating Gas Offset study (checkpoint 7.3); for procurement of Operational Gas and for recommendation of an Operational Gas Offset Unit Price (checkpoint 7.4).

Following an audit procedure, the following were established:

1. The Annual Gas Balancing Plan for 2018 (checkpoint 7.1), and DESFA's recommendation as to the part of the NNGS capacity to be booked by the Operator for Gas Balancing purposes during the same year, were submitted to the RAE on 02.05.2017 (Ref.: DESFA 104964/28.04.2017), as per the requirements of the NNGS Network Code and the Compliance Programme. By virtue of Decision Ref. 979/15.11.2017 (Government Gazette, Series II No. 4275/07.12.2017), the RAE approved the above. The RAE's decision was notified to DESFA, following which the latter posted the approved Annual Gas Balancing Plan for 2018 on its website.
2. With DESFA letter No 104854_26.04.2017, the Operator forwarded to the RAE the Operational Gas Offset Study for 2018 (checkpoint 7.3), as per the requirements of the NNGS Network Code (Article 46). The study in question was approved by virtue of RAE Decision No 988/15.11.2017 (Government Gazette, Series II, No 4244/05.12.2017) and was posted on the website of DESFA.
3. Letter No 099655/24.11.2016 of DESFA notified the Authority of the three-month extension to the existing Framework Agreement No 906/16, concerning the supply of Balancing Gas (checkpoint 7.2) to cover the needs of the NNGTS by DEPA for 2017, for

the time period from 01.01.2017 at 08:00 to 01.04.2017 at 08:00. It is noted that Framework Agreement No 906/16 resulted from international tender No 554/14/ΔΔΠ and has been approved by the Court of Auditors.

On 6 June 2017, with letter Ref. No 106277, DESFA sent to the RAE Agreement No 998/17 concluded with DEPA for the supply of NNGTS Balancing Gas by DEPA for the period from 01.04.2017 at 08:00 to 01.08.2017 at 07:00. Agreement No 998/17 was concluded in accordance with Article 91(1) of Law 4001/2011, as in force.

With its letter No 106830/22.06.2017, DESFA submitted to the RAE Framework Agreement No 1012/17 concluded with DEPA for the supply of NNGTS Balancing Gas by DEPA for the period from 01.06.2017 at 07:00 to 01.01.2018 at 07:00. Framework Agreement No 1012/17 resulted from international tender No 638/16/ΔΔΠ and has been approved by the Court of Auditors.

Decision No 334/08/15.05.2017 of the Board of Directors of DESFA approved the feasibility of the organisation of an International Tender for the award of an LNG Supply Agreement for NNGTS Gas Balancing for the period from 01.01.2018 at 08:00 to 01.01.2019 at 08:00, in accordance with the provisions of the Network Code and of the Compliance Programme (checkpoint 7.2); decision No 345/09/14.09.2017 of the Board of Directors approved the recommendation for the award of the aforementioned Tender.

4. With a letter, DESFA notified the Authority of the three-month extension to the existing Agreement No 907/16, concerning the supply of Operational Gas (checkpoint 7.4) to cover the needs of the NNGTS by DEPA for 2017, for the time period from 01.01.2017 at 08:00 to 01.04.2017 at 08:00.

For the period from 01.04.2017 at 08:00 to 01.05.2017 at 08:00, following approval by the Board of Directors, Decision No 328/06/23.03.2017 and the organisation of Tender No 691/17/ΔΔΠ with the title '*Supply of Natural Gas Quantity required for the Operational Gas Offsetting in the Hellenic Natural Gas Transmission System for the period 01.04.2017 08:00 – 01.05.2017 08:00*' with a negotiation procedure without an invitation, DESFA signed Agreement No 1011/17 with DEPA S.A. for the supply of Operational Gas.

For the period from 01.05.2017 at 08:00 to 01.06.2017 at 08:00, following approval by the Board of Directors, Decision No 328/09/23.03.2017 and the organisation of Tender No 710/17/ΔΔΠ with the title '*Supply of Natural Gas Quantity required for the Operational Gas Offsetting in the Hellenic Natural Gas Transmission System for the period 01.05.2017 08:00 – 01.06.2017 08:00*' with a negotiation procedure without an invitation, DESFA signed 1022/17 with DEPA S.A. for the supply of Operational Gas.

For the period from 01.06.2017 to 01.01.2018, following the approval of the Board of Directors, Decision No 328/08/23.03.2017 and the organisation of Open Tender No 639/16/ΔΔΠ with the title '*Supply of Natural Gas Quantity required for the Operational Gas Offsetting in the Hellenic Natural Gas Transmission System during the year 2017 (01.01.2017 - 31.12.2017)*', Agreement No 1013/17 was concluded with DEPA S.A. for the supply of Operational Gas.

Decision No 334/09/15.05.2017 of the Board of Directors of DESFA approved the feasibility of the organisation of an International Tender for the award of an LNG Supply Agreement for NNGTS Gas Balancing for the period from 01.01.2018 at 08:00 to 01.01.2019 at 08:00, in accordance with the provisions of the Network Code and of the Compliance Programme (checkpoint 7.4); Decision No 345/10/14.09.2017 of the Board

of Directors approved the recommendation for the award of the aforementioned Tender.

4.3 Confidentiality of Commercially Sensitive Information

4.3.1 Training Initiatives

In accordance with paragraph 3.1 of the Compliance Programme, training initiatives are in place, intended to keep the Company's staff informed on the applicable regulatory requirements and the regulatory framework governing DESFA's operations, to ensure the confidentiality of commercially sensitive information.

Following an audit procedure it was established that the competent organisational unit has organised and implemented a series of training actions, in the form of distance learning procedures, to raise awareness and inform the Company's staff and the staff of other undertakings providing DESFA with administrative, financial or technical support services (checkpoint 3.1) on the aforementioned matters. Such training initiatives included, *inter alia*, the mandatory completion of a key-point questionnaire, which was sent to the Operator's staff on 19 December 2017. In accordance with the obligations arising from the Compliance Programme, the competent organisational unit drafted a relevant annual report for 2017 which included a full evaluation of the range of information provided to the staff on related matters; participation was 94.42% and the average correct answers were 23/25 for permanent staff and lawyers. These figures for the staff of affiliated companies were at 97.07% and 23/25, respectively.

4.3.2 Information Systems

DESFA safeguards the security of its information systems, to ensure the confidentiality, integrity and availability of the managed information, using state-of-the-art technologies and applying optimum international practices. DESFA's information systems and intranet network are effectively protected against Internet threats through special devices.

Following an audit procedure it was established that the competent organisational unit applies advanced methodologies to identify and handle effectively any vulnerabilities of its information systems, with a view to ensuring efficient system protection and security. To ensure the efficient monitoring of the relevant procedures, DESFA uses a specialised software interface which enables its staff to monitor unfailingly and evaluate the security of its information systems. However, the establishment of an Information System Security Framework is considered imperative.

4.4 Independence of the Company

4.4.1 DESFA certification as Independent Transmission Operator

DESFA S.A. was certified by virtue of Decision of the RAE No 523/2014 (Government Gazette, Series II, No 2572/26.9.2014) as a natural gas ITO. Specifically, the RAE, having regard to the provisions of Law 4001/2011 (Government Gazette, Series I, No 179/22.8.2011) and the related Opinion of the European Commission (C 5483 final) '*Commission Opinion of 28.7.2014 pursuant to Article 3(1) of Regulation (EC) No 715/2009 and Article 10(6) and 11(6) of Directive 2009/73/ EC – Greece – Certification of DESFA*' issued Decision No 523/2014 (Government Gazette, Series II, No 2572/26.9.2014), with which it decided to certify the company DESFA S.A. as a Natural Gas Independent Transmission Operator.

Subject to these conditions, DESFA was granted certification as to the adequacy of its resources (infrastructures, staff and financial means), the performance of its duties relating

to the transmission of natural gas, and its independence from the VIU and its affiliates in the performance of those duties.

4.4.2 Independent Bodies and Management Executives

The Company is managed by a Board of Directors which currently comprises eight members, all being appointed and revoked by decision of the Supervisory Board, subject to RAE approval, as per the provisions of Law 4001/2011, as in force, by way of derogation from the provisions of Law 2190/1920. The Managing Director is the Company's top-ranking executive officer. Furthermore, pursuant to Law 4001/2011, as in force, by way of derogation from the provisions of Law 2190/1920, a Supervisory Board was established under approval from the RAE, which currently comprises seven Members, with the powers and responsibilities laid down in DESFA's Articles of Association and in the relevant provisions of Law 4001/2011, as in force. Moreover, according to the relevant provisions of Law 4001/2011, a Compliance Officer was appointed by decision of the Supervisory Board, subject to the RAE's approval, as an independent institutional body reporting directly to the RAE. It is noted that the members of the Board of Directors, the members of the Supervisory Board and the Compliance Officer have been appointed in accordance with the requirements of the Law and DESFA's Articles of Association.

4.4.2.1 Supervisory Board

As mentioned above, at the time of drafting of this report, the Supervisory Board has seven members, while the member that is appointed by the representative workers' union of DESFA staff has been replaced for the period from 01.03.2017 to 28.02.2018 (in accordance with Decision of the Supervisory Board No 43/03/22.02.2018).

Following an audit procedure (checkpoint 1.1) it was established that the competent organisation unit of the Company kept in its archive the related documentation and the solemn declarations (Article 63E of Law 4001/2011) of all the Members who state in writing that they do not fall under the restrictions of the law, thus safeguarding the independence of the Members of the Supervisory Board.

4.4.2.2 Board of Directors

As already mentioned, DESFA's Board of Directors currently comprises eight members and no changes have been introduced in this regard to this date. More specifically, from 01.03.2017 to 28.02.2018 the following took place: On 21.03.2017, during its 35th Meeting, the Supervisory Board of DESFA appointed a new member of the BoD to replace two members of the BoD who had resigned. The Board of Directors now has seven members instead of eight. Subsequently, on 07.12.2017, during its 42nd Meeting, the Supervisory Board of DESFA decided to appoint a new member of the BoD, as per Article 16 para. 1 of the Articles of Association, which stipulates that the company is managed by the Board of Directors, which comprises seven (7) to nine (9) members. The Board of Directors now has eight members instead of seven.

Following an audit procedure (checkpoint 1.2) it was established that the competent organisation unit of the Company kept in its archive the related documentation and the solemn declarations (Article 63D of Law 4001/2011) of all the Members who state in writing that they do not fall under the restrictions of the law, thus safeguarding the independence of the Members of the Board of Directors.

4.4.2.3 Meetings of Management Bodies

From March 1st, 2017 until February 28th, 2018, the following Meetings were held by DESFA's management bodies:

- one (1) Ordinary General Meeting of the Company's Shareholders;
- nine (9) Meetings of the Members of the Company's Supervisory Board;
- thirty-two (32) Meetings of the members of the Company's Board of Directors.

The Compliance Officer was duly notified to attend all the aforementioned meetings, as required by the Law and the Company's Articles of Association, and attended forty (40) out of a total of forty-two (42) meetings.

4.4.2.4 Compliance Officer

By virtue of Minutes dated 20.05.2014 of DESFA's Supervisory Board, Dr. Eleftherios Amoiralis, Production and Management Engineer, was appointed as DESFA's Compliance Officer. His appointment was approved by virtue of RAE Decision No 280/22.05.2014.

It is noted that the Compliance Officer has submitted to the Company's competent organisational unit the solemn declarations stipulated by the law (Article 63H of Law 4001/2011) in which he declares in writing that he does not fall under the restrictions of the law, maintaining his independence.

4.4.2.5 Managerial Executives

Any management executives/members of DESFA's staff exercising the management of NNGS or making the decisions required for the NNGS's daily operation, and any persons reporting directly to these persons on any matters relating to the operation, maintenance or development of the NNGS and belong to DESFA, are liable to ensure their independence in the performance of their duties as representatives and managers of DESFA. According to paragraph 1.3.3 of the approved Compliance Programme, such management executives/members of DESFA's staff and any persons reporting directly to them, are those holding the post of Manager, namely the post of Operations Manager, Coordination Manager or Manager according to the Organisation Chart as same is currently in effect.

Following an audit procedure (checkpoint 1.3) it was established that the competent organisation unit of the Company is missing from its archive very few items of the related documentation (i. Curriculum Vitae, ii. Certification of their qualifications and professional experience, and iii. Solemn declaration as per Article 8 Law 1599/86, especially per the provisions of Article 63D of Law 4001/2011); the majority of them have been collected by the Operator's competent members of staff, with completeness exceeding 97%. Following recommendations and according to statements by the competent organisational unit, the archive will soon be complete.

4.4.3 Financial Independence

Terms and procedures are in place regarding the preparation and authorisation of the Company's Business Plan (checkpoint 6.1), Action Plan and Budget (checkpoint 6.2); the appointment of certified auditors and controllers to issue a tax compliance report (checkpoint 6.3); the approval of DESFA's annual financial statements, the dividends payable to the Shareholders, the fees 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 of the loan agreements concluded by the company (checkpoint 6.5) and any share capital increase recommendations (checkpoint 6.6).

Following an audit procedure, the following were established:

1. In relation to checkpoint 6.1, the Company approved the Business Plan for 2017-2026, in accordance with Business Plan Decision No 316/04/25.10.2016 and revised it (Rev. 1) by virtue of Decision No 336/01/30.05.2017 of the Board of Directors, following the approval of the financial statements for 2016 and the budget for 2017. However, the publication of the new Tariffs Regulation (RAE Decision No 871/2017, adopted on 18th October 2017), on the one hand, and the approval of the revised budget for 2017 (Decision No 347/03/05.10.2017 of the Board of Directors), made it necessary to publish a 2nd edition of the Business Plan for 2017-2026. Said Business Plan was approved by Decision No 384/04/24.10.2017 of the Board of Directors. As per the requirements of the Compliance Programme, the members of the Supervisory Board were informed by the Chairman regarding the Business Plan, at the 38th Meeting of the Supervisory Board.
2. In relation to checkpoint 6.2, it was found that Decision No 359/03/08.03.2018 of the Board of Directors of DESFA approved the Action Plan for 2018, by way of derogation from the Action Plan approval deadline indicatively prescribed in the Compliance Programme (31.12.2016). The same meeting of the Board of Directors approved, by virtue of Decision No 359/04/08.03.2018 of the BoD of DESFA, the company's budget for the financial year 2018 and the annual Financing Plan for 2018, with a deviation from the date suggested by the Compliance Programme (31.12.2017). Following an audit procedure, it was established that the drafting of the company's budget for the financial year 2018 was done based on the relevant Budget Drafting Procedure and within the time limits set by the Compliance Programme.
3. In relation to checkpoint 6.3, it was established that the Agreement entered between DESFA and the Certified Auditors includes terms which ensure the contractor's independence from the VIU and its affiliates and the confidentiality of all information; however, no penalty clause was identified imposing a penalty of twice the contract price in case of breach.
4. In relation to checkpoint 6.4, it was found that Decision No 357/05/08.02.2018 of the Board of Directors of DESFA approved (a) the Annual Financial Statements of DESFA S.A. for the tenth financial year (01.01.2017 to 31.12.2017), in accordance with the International Financial Reporting Standards, and (b) the proposal for the Distribution of Profits for the 11th financial year (01.01.2017 to 31.12.2017), while Decision No 357/06/08.02.2018 of the Board of Directors approved the Management Report for the tenth financial year (01.01.2017 to 31.12.2017), as per the requirements of the Compliance Programme. Subsequently, by virtue of Decision No 43/01/22.02.2018, the Supervisory Board was informed regarding the Annual Financial Statements of DESFA S.A. for the 11th financial year (01.01.2017 to 31.12.2017). Thereafter, by virtue of Decision No 43/02/22.02.2018, the Supervisory Board approved the proposal for Distribution of Profits for the 11th financial year (01.01.2017 to 31.12.2017).
5. In relation to checkpoint 6.5, the company did not conclude any new loans in 2017. At the same time, the Indebtedness Coefficient of the Company in 2017 did not exceed 0.5¹², in accordance with Decision No 594/2012 of the RAE (Government Gazette Series II, No 2093/05.07.12) and the provisions of Article 88 of Law 4001/2011, as in force.

¹² According to the approved management report of DESFA's Board of Directors (Decision No 324/04/09.02.2017) regarding DESFA's tenth fiscal year (01-01-2016 through 31-12-2016)

6. It is also noted that the company has never had to effect a share capital increase to this date; hence, its share capital remains unchanged (€639.1 million) (checkpoint 6.6).

4.4.4 Operational Independence

Operational independence (checkpoint 3.2) refers to (i) the human, technical or other resources required in order for DESFA to operate efficiently, and (ii) a series of use restrictions on the supply of services to and/or procurement of services by, the VIU, which ensures the confidentiality of commercially sensitive and classified information.

It is noted that the company's staff have no employment relations with the VIU or any of its Affiliates. Furthermore, DESFA procures administrative, financial and technical support services from external service providers. Following an audit of the relevant agreements, it was established that they are consistent with the requirements of the Compliance Programme (confidentiality and exclusivity clauses). However, following a letter received from a service provider and addressed to the Operator and of which the Compliance Officer was notified, concerning tender participation documentation submitted by bidders and which are linked to the provisions of Article 63B para. 3 of Law 4001/2011 and para. 3.2.3 of the approved Compliance Programme, which, *inter alia*, mentions: '*... (f) the contractor's obligation not to provide simultaneously, either by itself or by an Affiliate, services to the Vertically Integrated Undertaking or one of its Affiliates; (g) the obligation of the contractor to ensure that the staff it makes available to the Operator is not also employed by the Vertically Integrated Undertaking or one of its Affiliates*', the Compliance Officer made recommendations to the competent unit of DESFA via email (sent on 27.11.2017), in order to remove the risk (if any) of disclosure of commercially sensitive or classified information by the contractors' staff in case they provide services (administrative, financial, technical or a combination thereof) to DESFA and to the Vertically Integrated Undertaking or to its Affiliates, as per the requirements of the Compliance Programme.

It was also established that DESFA does not share any information systems (in terms of both hardware and software) with any department of the VIU or its Affiliates or any consultants or associated contractors in relation to its information and security systems. All agreements signed with the aforementioned parties include confidentiality and exclusivity clauses which ensure the confidentiality of commercially sensitive and classified information.

Lastly, it was established that DESFA indeed provides services to the VIU and its affiliates (Natural Gas Corporation ('EPA') of Attica, Thessaly and Thessaloniki); however the particular services are offered to all system Users under the same terms and conditions, in accordance with Article 63B para. 1 case (c) of Law 4001/2011, as in force.

4.4.5 Distinct Corporate Identity

In line with the provisions of Law 4001/2011, DESFA applies proper procedures to establish a distinct corporate identity, so as not to be confused with the VIU or any of its Affiliates (checkpoint 2.1). Such distinct corporate identity is also enhanced by the fact that DESFA is under an obligation to maintain its Departments at different locations from the VIU (checkpoint 2.2).

Following an audit procedure, it was established that, by virtue of Labor Code No 21.01-01, the Company has an approved revised Corporate Identity & Communication Policy, which bears the title 'Determination of Corporate Identity & Corporate Communication', published on 01.01.2017 (checkpoint 2.1). Taking into consideration the aforementioned policy, the

Compliance Officer found weaknesses in its implementation and suggested the creation of the appropriate monitoring mechanisms, while, at the same time, it is necessary to inform the company's staff with appropriate training, as per the requirements of the Compliance Programme and the regulatory framework. Further, concerning the promotion of the corporate image of DESFA and the correct use of the corporate brand (logo) (checkpoint 2.1), as well as older recommendations, the company removed the DESFA main sign, which was located outside the Operator's headquarters on Mesogeion Avenue, in cooperation with the Municipality of Chalandri, due to the incorrect use of the logo and non-compliance with the provisions of Law 2946/01 on the establishment of terms and conditions for the placement of signs on buildings and common spaces.

In relation to checkpoint 2.2, following an audit procedure it was established that the competent organisational unit has lease agreements in place in relation to DESFA's building facilities, as per the requirements of the Compliance Programme.

4.4.6 DESFA - DEPA Commercial Relations

The commercial relations between DESFA and the VIU and its Affiliates are subject to strict rules, which ensure DESFA's independence as a natural gas transmission operator, as per Article 63B para. 1(c) of Law 4001/2011.

As part of the Regulated Services, DESFA has signed an agreement, following a tender procedure, with the VIU for the Supply of Operational Gas (see also paragraph 4.2.2) and Balancing Gas (see also paragraph 4.2.2) to cover the needs of the NNGTS for 2017.

As part of the Non-Regulated Services, DESFA has signed relevant agreements with the VIU and some of its Affiliates (see also paragraph 4.1.5).

Following a control procedure it was established that these services are offered by DESFA under the same terms and conditions, to all System Users, on a non-discriminatory basis.

Chapter II

5 Compliance Officer's Recommendations adopted for more efficient implementation of the Compliance Programme

This section lays down procedures intended to improve the Compliance Programme, as same have been proposed by the Compliance Officer since the date the latter took up duties and have been adopted by the Company, for a more thorough briefing of DESFA's staff on compliance-related matters. Such procedures are intended to develop and implement a series of actions which will activate the sense of corporate culture on compliance-related matters.

5.1 DESFA Compliance Guide

During the first year that the Compliance Officer was appointed at DESFA, a Compliance Guide was drafted under the title 'Guide to I.D.E.A. for DESFA S.A.', and submitted to DESFA's Board of Directors and Supervisory Board for information purposes. The Guide was handed out to all staff in February 2015, whereas in July 2016 its first revised edition was distributed electronically, as presented at the 29th Meeting of DESFA's Supervisory Board. In

2017, the staff of DESFA were once more informed concerning the aforementioned guide through staff training sessions, as per the requirements of the Compliance Programme.

IDEA's primary goal is to provide and implement a modern and updated Compliance Guide laying down the principles that all corporate bodies and staff need to apply in order to manage DESFA efficiently, perform their duties effectively and ensure DESFA's compliance with its obligations as an ITO.

5.2 DESFA Website Restructuring

According to EU and Greek legislation, and having due regard to the strict regulatory framework governing DESFA's operations, it was considered advisable to create a separate section on the company's website entitled 'Compliance', providing information to both DESFA's staff and third parties on matters relating to the natural gas sector. Part of the specific section is mandatory, pursuant to Law 4001/2011, as amended and in force, for the publication of the Compliance Officer's annual report on the official website of DESFA (www.desfa.gr) within five days from its submission to the RAE. The report must have been completed by the 31st March of each year. Another section has been drafted for information only. This specific section has been in force since late June 2014. It includes some important Compliance-related instruments, e.g. the Compliance Programme, EU Directives, Greek Laws, Codes and Annual Compliance Reports. It is pointed out that the aforementioned section is regularly updated to reflect all recent developments relating to the aforementioned matters.

5.3 Communication Channel

In order to ensure compliance by the Company's corporate bodies and staff with the applicable regulations governing DESFA's operations, with the Codes and with the corporate Policies, a communication channel was established in July 2015 (and is still in use today) between the Compliance Officer and the Company's staff and the natural gas transmission system Users. This is intended to ensure that the Compliance Officer gains knowledge of all non-compliance incidents relating to unethical or illegal conduct (e.g. conflicts of interest, disclosure of commercially sensitive information, discriminatory treatment of System Users, non-compliance with the Compliance Programme/DESFA Policies), and that the anonymity of the persons reporting those incidents is thoroughly protected. The communication channel is implemented in four different ways:

- electronic submission form via the corporate website (www.desfa.gr),
- by post,
- by e-mail (complianceofficer@desfa.gr),
- by fax.

It is noted that, to date, there has been an increase in the number of incidents in comparison to last year; the Compliance Officer was notified of said incidents via the aforementioned means of communication. Specifically, they are cases which, once examined by the Compliance Officer and handled appropriately, were judged either to have been unfounded or were handled via the necessary acts/recommendations, so as to safeguard the main principles of IDEA.

Moreover, as part of the publication of DESFA's quarterly news release entitled 'Communication Channel'¹³, a section was created entitled 'Compliance Officer' for the purpose of informing DESFA S.A.'s corporate bodies and staff (having any form of employment relationship with DESFA) and all other parties involved in the natural gas sector, including the Independent Operator, on matters of compliance with the applicable EU competition rules. This section presents Compliance Officer's work and includes a number of informative publications relating to DESFA S.A.'s compliance policy and general activities. It was originally integrated in the July-Aug-Sept 2014 Issue and is still published to this date.

5.4 e-idea Platform

As part of the effort to optimise the Compliance Programme monitoring and implementation procedures, DESFA's Compliance Officer, acting in cooperation with the Director of the Department of Quality and Security, has developed and put into effect a new electronic application for the Compliance Programme, as same is currently in effect. The relevant electronic platform was developed in Microsoft Sharepoint, was named 'e-idea' (*electronic idea*) and has operated successfully for the third year in a row. The application aims at:

- providing more direct access to the latest information and data regarding DESFA's Compliance,
- archiving and keeping historical information and data regarding DESFA's Compliance,
- monitoring the implementation of the Compliance Programme online.

The creation and implementation of the e-idea system offer multiple benefits, such as:

- direct cooperation between the inspector and the subject of the inspection,
- direct access to information,
- immediate data updates,
- reduced use of resources, thanks to e-management,
- compliance with the principles of Transparency, Confidentiality and Independence.

It is noted that this e-monitoring system is a safe storage and management space for the data arising from the Compliance Programme and it is used exclusively by authorised staff, as per the requirements of the Compliance Programme.

5.5 Code of Ethics

In compliance with paragraph 6.2 of the annual compliance report for 2016-2017, a working group was created that works towards updating/revising the company's Code of Ethics, with the active participation of the Compliance Officer. The revised Code of Ethics was approved by virtue of Decision No 352/09/15.12.2017 of the Board of Directors of DESFA and was posted on the company's official website.

¹³ The quarterly corporate publication 'Communication Channel' is also posted on the Operator's website in electronic format.

6 Compliance Officer's recommendations for more efficient implementation of the Compliance Programme

6.1 Revision of DESFA's Compliance Programme

Having regard to:

- the 2nd and 3rd revised edition of the NNGS Network Code (Government Gazette, Series II, Nos. 3131/09.12.2013 and 1549/05.05.2017, respectively);
- Decision No 123/31.01.2018 of the RAE approving the 4th revision of the NNGS Network Code;
- DESFA's updated Organisation Chart, as per the latest Management Decision amending DESFA's organisational structure;
- the Company's Compliance Guide issued in July 2016;
- the Compliance Programme implementation procedures applied by DESFA's staff;
- the General Data Protection Regulation 2016/679 (GDPR), issued on 27 April 2016 and which enters into immediate force on 25 May 2018;
- the electronic communications exchanged between the Compliance Officer and the Operations Manager, the Coordination Manager and the Head of the Department of Public Relations and Corporate Communication, entitled 'Revision of the Compliance Programme of DESFA SA';
- DESFA's Compliance Programme, as in force, as per RAE Decision No 184/25.04.2013;

it is established that DESFA's Compliance Programme needs immediate review.

A successful Compliance Programme prevents and manages efficiently the risks arising from DESFA's operations in relation to non-compliance with the applicable regulatory framework. This purpose is achieved through proper policies and procedures and efficient risk identification, control and monitoring mechanisms, whose main objective is to safeguard the I.D.E.A.. To attain these objectives, it is imperative that the Compliance Programme be consistently implemented in the context of the ever-changing regulatory framework.

Therefore, it was recommended to DESFA's management to carry out a review of the Compliance Programme. Such review is currently under way, without progress. The need to review the Compliance Programme was also pointed out to the RAE, by means of the annual Compliance Report 2016-2017 (Ref. No 022/21.03.2017, DESFA Compliance Officer's office).

6.2 Information Classification Policy Guideline

The rule of confidentiality refers to the obligations of DESFA's staff to treat as strictly confidential any commercially sensitive information that comes to their knowledge as part of their duties, and prevent a biased disclosure of information which refers to their own actions, where this could offer a commercial advantage to the recipient.

To ensure compliance with the confidentiality obligation applicable to DESFA's staff, and as part of the Compliance Officer's duties (as stated in the Annual Compliance Report 2016-2017), DESFA's management was recommended to adopt and implement an Information Classification and Management System to ensure confidentiality (as defined above).

The competent organisational unit has drafted a Guideline to that effect, with the title '*Management of Corporate Correspondence*', which has been under review by DESFA for over a year.

6.3 Adaptation of the Compliance Programme to new laws and regulations

In addition to the regulatory and general statutory framework that governs DESFA's operations - by virtue and on the basis of which the current Compliance Programme was drafted - DESFA will be required in the future (is actually already required) to integrate in its organisation and operation all new statutory or regulatory provisions and guidelines issued by the RAE or other regulatory Authorities. As an example, the RAE, by virtue of Decision No 123/31.01.2018, approved the 4th revision of the Network Code. The 2nd and 3rd revisions have influenced a large part of the Compliance Programme currently in force, while the RAE has already sent guidelines for the Principles and Rules for the Distribution of the Accounting Segregation, pursuant to Articles 80A and 89 of Law 4001/2011, as in force, which guidelines amend the current paragraphs 6.7-6.9 of the Compliance Programme. Further, the General Data Protection Regulation 2016/679 (GDPR)¹⁴ will enter into force on 25 May 2018; it is imperative that this fact be taken into consideration in revising the Compliance Programme. These changes (which are just a few examples) are bound to have an impact on the Compliance Programme, which will have to be amended accordingly, to ensure consistency with the new regulations.

Based on the foregoing, a guideline will have to be issued, ensuring the Programme's prompt adaptation to the new regulatory requirements, updating its requirements accordingly and ensuring the unflinching attainment of its objectives.

Chapter III

7 Conclusions

The foregoing analysis establishes that, in 2017 (the fifth year of the implementation of the Compliance Programme), DESFA has continued with the implementation of the Compliance Programme. The company's staff has largely adhered to the specific regulatory framework; the organisational units that handle the needs of the NNGS Users even more so. The ITO (Independent Transmission Operator) model selected by DESFA is being successfully implemented, in line with the ever-changing legislative framework that governs the energy market.

The audits that were carried out in 2017-2018 (and which are described in detail in Chapter I hereof) established the satisfactory application of the Compliance Programme's checkpoints concerning, for example, the management of NNGS Users' regulatory issues, such as the development of a Transitional Natural Gas Regulated Services Information System for the management of NNGS Users, agreements, nominations and renominations, allocations and tariffs. It is important to mention that, in 2017, no complaints were submitted to the

¹⁴ The Compliance Officer successfully attended a 40-hour workshop offered by a recognised body concerning the General Data Protection Regulation 2016/679 (GDPR), given that he must collect, manage and act in the exercise of his duties, as per the provisions of the General Regulation.

Operator by an NNGS User regarding the incorrect implementation of the natural gas Network Code. In some cases, however, there were delays in comparison with the deadlines suggested by the Compliance Programme (see paragraph 4.4.3 - financial budget 2018), shortcomings/incomplete procedures (see paragraph 4.1.1 - Decision concerning the Competent Administrators of the DESFA website), while recommendations were made to one of the Operator's competent units (see paragraph 4.4.4 - removal of eventual risk of disclosure of commercially sensitive or classified information).

At the same time, the Compliance Officer presented Proposals for the more correct implementation of the Compliance Programme and the regulatory framework (see paragraph 6) to the Operator, the most important of which concerned the need to revise the DESFA Compliance Programme and the immediate implementation of the Information Classification Policy Guideline.

The Compliance Officer's prompt and efficient handling of all matters falling within the scope of his powers and duties (e.g. through constant monitoring of all developments in the energy market and actions taken to prevent, identify and handle any activities potentially violating the institutional framework governing the Company's operations) has improved the corporate culture of DESFA's staff on matters of regulatory compliance, ensuring fulfilment of all requirements for its certification as an ITO.

In conclusion, we should praise the Compliance Officer's impeccable cooperation with all organisational units of DESFA S.A., as part of his duties, as well as with the members of the Board of Directors, the Supervisory Board and the management executives, and, most importantly, with the Company's staff, whenever any form of communication or cooperation between them was required.

Athens, 28.03.18

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