

COMPLAINT PROGRAMME

ensure that discriminatory conduct by the independent transmission system operator is excluded and set out an specific obligations of employees to meet this objective

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INTRODUCTION

1. LEGAL FRAMEWORK OF THE PROGRAMME

The Compliance Programme (herein after referred to as „**the Programme**“) has been developed in accordance with the requirements of Art. 21 of Directive 2009/73/EC concerning common rules for the internal market in natural gas, transposed into the Bulgarian legislation in the Energy Act (EA) and Regulation (EC) N^o 715/2009 on conditions for access to the natural gas transmission networks.

According to Art. 81k of the EA in conjunction with Art. 186a of the EA, & 1, item 27d of of the EA (No. 54/2012, effective as of 17.07.2012) **and § 201, para 1 of the Transitional and Final Provisions of the Act on Amendments and Supplements to the Energy Act** (SG No. 54/2012, effective as of 17.07.2012), when the Combined operator is part of a vertically integrated company, its activity should be independent in terms of the legal form and in decision making of the activities of the other companies integrated in the holding structure, and also independent of the holding structure itself, part of which the Combined operator is.

According to Art. 186 of the EA the provisions of Chapter 8, a) of the EA shall be applied for the Combined operator (Certification of transmission system operators. Rules for investment. Independence of the transmission system operators).

In order to ensure that discriminatory conduct by the independent transmission system operator is excluded, Art. 81, k) of the EA provides for the adoption of a Compliance Programme and appointment of a Compliance officer by the Supervisory Board.

The Compliance Programme shall enter into force following its approval by the State Energy and Water Regulatory Commission (SEWRC).

2. PROGRAMME OBJECTIVES

The Programme shall be prepared by and for Bulgartransgaz EAD as a Combined operator carrying out the licensing activities of natural gas transmission and storage and for its certification as an independent transmission system operator.

Considering the obligation of the independent transmission system operator to adopt Compliance Programmes according the relevant internal rules specifying:

- Measures to eliminate discriminatory conduct towards the gas market participants who are not part of the same vertically integrated gas undertaking;
- The obligations and rights of the employees of the independent transmission system operator in achieving the Compliance Programme objectives;

Considering also that the Compliance Programme and its implementation should provide conditions for:

- equal access of all participants in the gas market to the transmission system and services of the transmission system operator;
- prevention of preferential treatment to certain market participants when providing access to the transmission system to the detriment of other market participants;

- prevention of certain gas market participants benefiting from information about the operation and development of the transmission system and the access to it to the detriment of other market participants;

Bulgartransgaz EAD is an owner and operator of gas transmission network, a subsidiary of Bulgarian Energy Holding EAD and is part of a vertically integrated undertaking within the meaning of the Energy Act.

Bulgarian Energy Holding EAD owns 100% of Bulgartransgaz EAD capital and is a vertically integrated undertaking within the meaning of the Energy Act.

Bulgartransgaz EAD (hereinafter referred to as **the Company** or **the Operator**) has adopted this Compliance Programme (**the Programme**).

The Programme objectives are the following:

1. Ensuring the independence of the gas transmission operator as part of a vertically integrated undertaking;
1. Excluding discriminatory conduct by the independent transmission system operator and ensure equal treatment of all natural gas market participants;
1. Setting out specific obligations of the Company employees to achieve this objective.

SCOPE OF APPLICATION OF THE PROGRAMME

Measures relating to the corporate structure, the management and regulation of the relationship with the vertically integrated undertaking and its parts to ensure that discriminatory conduct of the independent transmission system operator is excluded.

1. CORPORATE STRUCTURE OF THE INDEPENDENT TRANSMISSION SYSTEM OPERATOR ENSURING INDEPENDENCE AND AUTONOMY IN DECISION MAKING AND EXCLUDING THE POSSIBILITY OF DISCRIMINATORY CONDUCT

1.1 Bulgartransgaz EAD is a joint-stock company with a two-tier management system, independent legal form and a sole owner - Bulgarian Energy Holding EAD, holder of 100% of Bulgartransgaz EAD shares. Bulgartransgaz EAD overall management structure and Statute ensure its effective independence.

1.2 The Company is managed and represented by a Management Board. The Supervisory Board exercises general supervision and control on the activity of the Management Board;

1.3 The Company is independent in terms of its legal form of the vertically integrated undertaking and the other legal persons, part of the vertically integrated undertaking to which it belongs.

1.4 The Company makes its decisions independently of the vertically integrated undertaking and of any other part of the vertically integrated undertaking.

1.5 Subsidiaries of the vertically integrated undertaking performing functions of production or supply shall not have any direct or indirect shareholding of the independent transmission system operator.

1.6 The Operator shall have no direct or indirect shareholding in any subsidiary of the vertically integrated undertaking performing functions of production or supply, nor receive dividends or other financial benefits from that subsidiary.

2. APPLYING MODEL OF MANAGEMENT OF THE TRANSMISSION SYSTEM OPERATOR ACTIVITIES

2.1 The vertically integrated undertaking shall not determine, directly or indirectly, the competitive conduct of the transmission system operator regarding its ongoing activities and management of the network, or regarding the necessary activities for preparation of the ten-year network development plan.

2.2 When performing its activities and during operation of the transmission system the Operator shall not accept orders from legal persons who are part of a vertically integrated undertaking, if such orders could directly or indirectly affect the conduct of the Operator or the competitive environment in the gas market, if directly or indirectly affect

the preparation and development of the ten-year network development plan, or otherwise threaten the independence of the Company or the performance of its tasks.

2.3 The persons in charge of management of the Operator shall make autonomous decisions in performance of their obligations according to the Energy Act and shall not discriminate the other natural gas market participants when performing their duties.

2.4 The independent transmission system operator shall take autonomous decisions, regardless of the vertically integrated undertaking, with respect to the assets necessary for the transmission network operation, maintenance or development.

2.5 The independent transmission system operator has the powers, by the Management Board and without prejudice to the decisions of the Supervisory Board in accordance with Art. 81, para 1 of the Energy Act, to offer at the General Assembly binding decisions on raising the funds in the capital market by borrowing or capital increase.

3. RELATIONSHIPS WITH THE VERTICALLY INTEGRATED UNDERTAKING AND ITS PARTS

3.1 The independent transmission system operator cannot receive services from the other parts of the vertically integrated undertaking performing natural gas supply or production activities.

3.2 The independent transmission system operator can provide services to the vertically integrated undertaking or any part thereof, on terms and conditions approved by SEWRC, whereas:

- the provision of services does not discriminate between the different network users;
- they are available to all network users under the same terms and conditions;
- the services do not limit, violate or prevent competition in production or supply.

3.3 Any commercial and financial relations between the vertically integrated undertaking and the transmission system operator, including loans from the transmission system operator to the vertically integrated undertaking, shall comply with market conditions.

3.4 The Operator is bound to maintain a record and keep detailed documentation of all commercial and financial relations under item 3.3 and upon request make them available to the State Energy and Water Regulatory Commission. The Operator shall submit for approval by the Regulator the commercial and financial agreements under item 3.3.

3.6 The independent transmission system operator shall notify the Regulator of any planned transactions which may require reassessment of its compliance with the independence requirements.

3.6 The independent transmission system operator shall notify the Regulator of any financial resources provided by the vertically integrated undertaking under Art.81, z), para 2 of the Energy Act.

3.7 The independent transmission system operator shall be subject to independent audit by an auditor other than the one if the vertically integrated undertaking and of any other

part of the vertically integrated undertaking performing activities of natural gas supply or production.

3.8 The independent transmission system operator shall use individual systems and/or information technology equipment, premises and access control systems independent of any other part of the vertically integrated undertaking performing activities of natural gas supply or production.

3.9 The independent transmission system operator shall use the services of different consultants or external contractors for the systems or the information technology equipment, and for the access control systems than the consultants or contractors providing services to any other part of the vertically integrated undertaking performing activities of natural gas supply or production.

3.10 The independent transmission system operator shall use the necessary equipment and any legal, accounting and information services on its own.

4. CORPORATE IDENTITY

4.1 The independent transmission system operator is an owner of the assets necessary for natural gas transmission, including the gas transmission system, has its own identity and own office and personnel, has all the human, technical, physical and financial resources needed to carry out the natural gas transmission and storage activities.

4.2 By its corporate identity, communications, branding and facilities the independent transmission system operator shall not create confusion regarding its separate identity from the vertically integrated undertaking or any part thereof.

4.3 The obligation under item 4.2. applies also for the employees of the independent transmission system operator in the course of performance of their duties.

4.4 The Head office of the independent transmission system operator is located in a completely separate building than those of the other companies within the holding structure of the vertically integrated undertaking. Entry into the building/s takes place under a special admission control regime set out in detail in the Rules for security and admission control of Bulgartransgaz EAD.

4.5 The independent transmission system operator shall appoint the necessary personnel but cannot employ and transfer personnel from and to any other parts of the vertically integrated undertaking.

5. RULES FOR AVAILABILITY AND DISCLOSURE OF INFORMATION. COMMERCIALY SENSITIVE INFORMATION. PUBLIC INFORMATION

5.1 For the purposes of this Programme the term "commercially sensitive information" or "commercial information" shall have the following meaning:

- information on the operation, maintenance and development of the transmission system;

- facts that constitute trade secrets by their nature, and other commercially sensitive information coming to the Company's knowledge during implementation of its activities;
- other information of commercial, financial or technical nature, which the Company and its employees have come to know in the course of performing their activities on the basis of contractual relationship, which is commercially sensitive and could provide commercial advantage to a certain legal entity over other market participants.
- facts that are subject to confidentiality agreements setting up obligations for the Company.

5.2 The information under item 5.1 a) shall be provided in a transparent and non-discriminatory manner, simultaneously to all users, following a decision of the Management Board of the Company that the same can be made public.

5.3 The Company shall not be empowered to disclose commercial information to third parties except in the cases expressly described in this Programme. Commercial information can be disclosed or provided to third parties:

- a. if so stipulated by the provisions of the Act, provided that the provision or disclosure is made in accordance with them;
- b. with prior permission of the person to whom the Company has obligations of confidentiality;

5.4 For all Company employees, consultants, authorized representatives and members of management bodies there is a total ban for distribution of commercially sensitive information, both during and up to 3 years after expiry of their employment contracts or other relationships with the Company, except where:

- contractual partner of the Company has given its explicit consent such information to be shared with a third party;
- the information is no longer confidential due to its spread in the public domain;
- its provision is required based on statutory instrument.

5.5 The independent transmission system operator shall not disclose any information that constitutes a trade secret to the other parts of the integrated enterprise, unless it is necessary for conclusion of a commercial transaction and under the terms of this Programme.

5.6 During performance of their official duties, the Operator's employees are obliged not to provide any type of information, except for public one, to the other parts of the vertically integrated undertaking if that could provide commercial advantage to the detriment of other network users.

5.7 The employment contracts concluded by the Company should provide for a special clause of confidentiality and appropriate penalties for its violation.

5.8 The Company shall disclose commercially sensitive information to third parties only if necessary and to the extent needed for provision of the transmission and storage services, and provided that this is in line with the provisions of the confidentiality

agreement, establishing obligations for the Company, and provided that third parties are obliged to keep confidentiality of the information under a confidentiality agreement.

Public information

5.9 Public information is accessible to the public and shall not be treated as commercially sensitive information or classified information in accordance with the Protection of Classified Information Act (PCIA).

5.10 Public information shall be available to all natural gas market participants and any third party interested in it.

5.11 In order to ensure equitable, non-discriminatory and open natural gas market, the Operator shall publish the regulations, rules, notifications and other information required by legislation on its website in accordance with the requirements of the Energy Act and the effective European energy legislation.

6. MANDATORY RULES FOR BULGARTRANGAZ EAD EMPLOYEES ENSURING EQUAL TREATMENT AND EXCLUDING DISCRIMINATORY CONDUCT DURING FULFILMENT OF THE OBLIGATIONS UNDER THE ENERGY ACT

6.1 During performance of their duties the Operator's employees are obliged to

- Not allow, to declare and prevent conflict of interests with natural and legal persons, including the vertically integrated enterprise;
- The employment contracts of Bulgartransgaz EAD employees must include a clause prohibiting them from concluding both labor and civil contracts with the vertically integrated undertaking or parts thereof. This clause is also provided for in the form of employment contract with the Company approved by an Order.

6.2 Obligation of the Operator's employees to protect information.

6.2.1 Leaving documents, copies, faxes and any other media in public areas unattended is prohibited.

6.2.2 Discussions of confidential information at public places is prohibited.

6.2.3 When using e-mail, the Company employees are required to carefully check the addresses they send them to in order to prevent information leakage to third parties and to the other parts of the vertically integrated undertaking structure.

7. MEASURES TAKEN TO ENSURE THAT DISCRIMINATORY CONDUCT OF THE COMBINED OPERATOR RELATED TO NATURAL GAS TRANSMISSION AND STORAGE ACTIVITIES IS EXCLUDED

7.1. The independent transmission system operator is obliged to provide access to its gas transmission networks on an equal footing to the persons meeting the conditions laid

down in the Rules approved by the Regulator and provide users with the information they need for efficient access to the network.

7.2. Access to the gas transmission network can be denied only in the cases explicitly provided for in the provisions of Art. 172, para 1-4 of the Energy Act.

7.3. As a Combined operator and holder of a license for natural gas storage Bulgartransgaz EAD:

7.3.1. Shall provide equal access to the natural gas storage facilities users according to the Rules on conditions for access and the approved by the Regulator Rules on the conditions and procedure for providing customers with natural gas storage services in the underground gas storage;

7.3.2. Shall provide networks and facilities users with the information they need for their efficient access to underground gas storage.

7.4. The Operator shall develop and implement price for access and natural gas transmission through the gas transmission network, price for access and storage in the underground gas storage facility, imbalance charges approved by the State Energy and Water Regulatory Commission;

7.5. In case of emergency, in order to maintain the integrated control of the system and minimize the risk for network users, the Operator can impose restrictions on the network use under the terms and conditions set out in the Energy Act, Ordinance No. 12/2004 on the activities of the gas transmission and gas distribution networks' operators and Emergency action plan approved in line with Regulation (EC) 994/2010 concerning measures to safeguard security of supply.

7.6. Until acceptance or approval of the above Rules and prices, Bulgartransgaz EAD shall provide access and conditions for using the gas transmission system by third parties in compliance with the principles of transparency, equal treatment and non-discrimination.

8. TERMS AND CONDITIONS FOR TRAINING THE PERSONNEL TO IMPLEMENT THE PROGRAMME. INFORMING THE EMPLOYEES ABOUT THE COMPLIANCE PROGRAMME

8.1 After its approval by the Regulator the Compliance Programme shall enter into force and become available to all employees and members of Bulgartransgaz EAD management team by an Order issued by the Executive Director.

8.2 All Company employees, consultants, authorized representatives and managers shall confirm by signature that they have become familiar with the content of the Programme and accept the obligations established thereof. The Company shall apply the same procedure to any amendments in the Programme and all new Company employees, authorized representatives and managers.

8.3 If any of the Company employees becomes aware that an obligation under the Programme has been violated or is being violated, he/she shall be obliged to immediately notify the Compliance officer.

8.4 The Compliance officer shall continuously monitor the implementation of the Compliance Programme and organize annual personnel training for implementation of the obligations set out in the Programme.

9. COMPLIANCE OFFICER OF THE INDEPENDENT TRANSMISSION SYSTEM OPERATOR

9.1 Monitoring on the implementation of the Programme shall be assigned to the Compliance officer appointed by the Supervisory Board of the independent transmission operator and approved by the Regulator (SEWRC).

9.2 The Supervisory Board shall appoint and dismiss the Compliance officer under the terms and conditions of the Energy Act and the Statute of Bulgartransgaz EAD.

9.3 The Compliance officer shall monitor the implementation of the Compliance Programme and has the powers set out in Art. 81, k) of the Energy Act.

10. ENTRY INTO FORCE OF THE PROGRAMME

10.1. The Compliance Programme shall enter into force on the date of its approval by SEWRC.

11. IMPLEMENTATION OF THE PROGRAMME

11.1 Observance of the Compliance Programme with all the amendments and supplements thereto is compulsory for the Company employees as of the date of its entry into force.

12. AMENDMENTS IN THE PROGRAMME

12.1 The Compliance officer shall monitor the implementation of the Programme and submit written proposals the Management Board of the Company for the necessary amendments thereto. He/she should advise all employees about the Programme amendments as soon as they are approved by SEWRC.