



ALBGAZ sh.a.
COMBINED NATURAL GAS OPERATOR
COMPLIANCE OFFICER

Nr. _____ Prot

Tirana, on ___/___ 2019

ANNUAL COMPLIANCE REPORT
2018

**On the adoption of measures out for the implementation
of the Compliance Program in the Natural Gas Sector by
Albgaz sh.a.**

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Combined Natural Gas Operator

Administrative Unit Nr. 5, The Way of the Kosovars,

Ndër Pro Center, Tirana, Albania

www.albgaz.al

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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 on the basis of information that was provided by the ALBGAZ Sh.a. Natural Gas Transmission and Distribution System Operator to the company's Compliance Officer during the fulfillment of his responsibilities in 2017-2018.

According to the requirements of Article 47, Article 16, point 7 of Law No. 102/2015, dated 23.09.2015, "On the Natural Gas Sector", as amended, as well as the ERE decision no.77, dated 26.05.2017, the annual report will to be published in two languages on the official website of the Transmission System Operator - ALBGAZ Sh.a (www.albgaz.al) within five days of its submission to the Albanian Energy Regulatory Entity (ERE). The report must have been completed by 31 March each year.

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ABBREVIATIONS AND DEFINITIONS

ALBGAZ sh.a. : Combined Operator of the Natural Gas Transmission and Distribution System established by the Decision no. 848, dated 7.12.2016 of the Council of Ministers, "On the establishment of the company" ALBGAZ "sh.a. and the determination of the public authority representing the state as the owner of the shares of the companies "ALBPETROL" sh.a. and "ALBGAZ" SH.A., as amended.

ALBPETROL sh.a. : Public Company for Oil and Gas Production established by Decision no. 756, 26.11.1998 of the Council of Ministers "On the restructuring of Albpetrol sh.a.", supplemented by Decision no. 848, dated 7.12.2016 of the Council of Ministers, "On the establishment of the company" ALBGAZ "sh.a. and the determination of the public authority representing the state as the owner of the shares of the companies "ALBPETROL" sh.a. and "ALBGAZ" sh.a.

ERE : "Energy Regulatory Entity" is the regulatory body of the electricity and natural gas sector, which operates in accordance with the law on the natural gas sector and the law on the electricity sector.

DSO : "Distribution System Operator" is a legal entity that performs the distribution function and is responsible for the operation, maintenance and, where necessary, the development of the distribution system in a given area and, where applicable, , interconnection with other systems, as well as guaranteeing long-term system capabilities to meet reasonable gas distribution requirements;

TSO : "Transmission System Operator" is a legal entity that carries out the transmission activity and is responsible for the operation, maintenance and, if necessary, development of the transmission system in a given area and where it is applicable, its interconnection with other systems, and to ensure long-term system capabilities to meet the reasonable requirements for gas transport.

Combined Natural Gas Operator : "Combined Natural Gas Operator" shall be considered when the same natural gas company may be licensed to carry out the transmission, distribution, operation of LNG facilities and / or storage plants, provided that it respects the allocation requirements for each system operator as provided for by this law, and be independent of companies that perform any of the functions of production, supply or trading.

ENTSO-G : is the European Network of Transmission System Operators for Gas

MIE : Ministry of Infrastructure and Energy

LNG : "Liquid Natural Gas" is methane gas, including associated gas, as well as all gaseous hydrocarbons in normal atmospheric conditions, including LNG, biogas or other types of gas, which transmitted and distributed in the piping system.

Compliance Program is a program developed by system operators and approved by the ERE, which sets out the necessary measures to be taken by the operator to ensure non-discriminatory behavior, as well as the methods to be applied for monitoring its implementation .

Compliance Officer is a natural or legal person, independent, determined by the system operator, with the prior approval of the ERE, in charge of monitoring and reporting on the implementation of the compliance program.

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PART ONE

1. Introduction

In support of the Law no. 102/2015 “On Natyral Gas Sector” (Published in Official Gazette No. 178, dated 15.10.2015), pursuant to the requirements of Article 47, the Compliance Program has been approved by the Board of the Energy Regulatory Entity (hereinafter referred to as "the Natural Gas Sector" ERE) with Decision Nr. 77, dated 26.05.2017 "On the Approval of the Operator of the Transmission System for Natural Gas".

By the Decision no. 233, dated 16.10.2018, "On the Approval of" Minimum Requirements for the Compliance Officer, Professional Criteria and Other Selection Criteria "and the prior approval of the Natural Gas TSO Compliance Officer", the Supervisory Council of ALBGAZ Sh.a. , Combined Natural Gas Operator, established by Decision no. 848, dated 7.12.2016 of the Council of Ministers, "On the establishment of the company" ALBGAZ "sh.a. and the determination of the public authority representing the state as the owner of the shares of the companies "ALBPETROL" sh.a. and "ALBGAZ" sh.a., appointed Mr. Elvis Ponari MBA, MSc, in the position of the Compliance Officer, with the prior approval of the Energy Regulatory Entity according to decision no. 223, dated 16.10.2018, "On the Approval of Minimum Requirements for the Compliance Officer, Professional Criteria and Other Selection Criteria "and the prior approval of the Compliance Officer".

This annual report was compiled by the Compliance Officer as a legal requirement foreseen by the ERE Board Decision no. 78, dated 26.05.2017 "On the approval of the contract for the provision of services of the Compliance Officer in the Natural Gas Sector". This annual compliance report sets out the monitoring and follow-up of the process under the Compliance Program adopted by the ERE Decision no. 77, dated 26.05.2017 "On the Approval of the Operator of the Transmission System for Natural Gas".

In the core functioning of the company "ALBGAZ" sh.a. during 2018 there has been a significant change regarding the change of the public authority, representing the state as 100% owner of the shares of "ALBGAZ" sh.a., after referring the Council of Ministers Decision no. 108, dated 23.02.2018, "On an amendment to Decision no. 848, dated 7.12.2016, of the Council of Ministers, "On the establishment of the company" ALBGAZ "sh.a. and the determination of the public authority, representing the state as the shareholder of the companies "ALBPETROL" sh.a. and "ALBGAZ" sh.a., it is determined that the public authority, representing the state as the 100% shareholder of the company "ALBGAZ" will be the ministry responsible for infrastructure. Under the conditions that MIE is a ministry with a wide area of scope such as: the energy sector, infrastructure sector, mining resources (oil and mining); works with separate accounts. For the moment that we do not have a gas market, I do not see the problem of impact on normal daily operations of ALBGAZ.

The field of the activity of ALBGAZ sh.a. is the energy sector, in 2018 two of the mos important documents for the energy sector and specifically of the gas sector were approved, including directly the object of activity of ALBGAZ sh.a., which are:

- Approval of the National Energy Strategy for the period 2018 - 2030, approved by the Decision no. 480, dated 31.7.2018 of the Council of Ministers "On the adoption of the National Energy Strategy for the period 2018-2030".
- Approval of the Master Plan for Natural Gas for Albania, approved by Decision Nr. 87, dated 14.02.2018 of the Council of Ministers "On the approval of the development plan of the natural gas sector in Albania and the identification of priority projects".

Company "ALBGAZ" sh.a. after being certified by the ERE by the Board Decision no. 179, dated 8.11.2017 "On the Certification of the Company Combined Natural Gas Operator, ALBGAZ sh.a." and was licensed as Combined Natural Gas Operator with the Decision of the Board of ERE no. 188, dated 10.11.2017, "On the Licensing of the Company" ALBGAZ "sh.a., in the natural gas transmission activity", in 2018 there was another ERE Decision for amendment to the Decision on Licensing with the Decision of the Board of ERE no. 178, dated 20.8.2018 "On an amendment to the ERE Board Decision no. 188, dated 10.11.2017, "On the licensing of the company" ALBGAZ "sh.a., in the activity of transmission of natural gas".

The company "ALBGAZ" sh.a. in 2018, despite the minimal activity in the transmission of natural gas, there has been a concrete activity in terms of its role as the public gas transmission company. During 2018 the company "ALBGAZ" sh.a. has entered into cooperative relations with Italian company SNAM S.p.A. for the creation of a joint venture "ALBANIAN GAS SERVICE COMPANY" sh.a., which has signed Trans Adriatic Pipeline AG (TAP AG) an agreement for the maintenance of the Trans Adriatic Pipeline (TAP) in the Albanian territory.

The agreement for the establishment of a joint venture was approved by Decision no. 609, dated 17.10.2018 of the Council of Ministers "On the approval of the joint venture agreement between and between" Snam "S.p.a. and "ALBGAZ" sh.a., on 11 June 2018 ", as previously approved by the Decision of the Council of Ministers no. 164, dated 21.3.2018, "On Negotiation with Private Partner Selected by the Company" ALBGAZ "sh.a. for the creation of a joint network maintenance network established by Trans Adriatic Pipeline AG in the territory of the Republic of Albania ".

The 2018 Annual Report includes the mTSO important measures related to the most efficient implementation of the Compliance Program (Program) during the period 1.1.2018 - 31.12.2018.

This annual Compliance Report that is drafted for the first time as part of the legal competences of the Compliance Officer of ALBGAZ sh.a. regarding the implementation of the Compliance Program, has aimed to present the mechanism for the implementation of this Program, the definition of the functional duties and obligations of the TSO employees in relation to this Program, based on the monitoring and reporting of the implementation of this Program.

2. The company ALBGAZ sh.a.

ALBGAZ Sh.a. is a joint stock company with 100% of the shares owned by the Albanian state, created by the Decision no. 848, dated 7.12.2016 of the Council of Ministers, "On the establishment of the company" ALBGAZ "sh.a. and the determination of the public authority representing the state as the owner of the shares of the companies "ALBPETROL" sh.a. and

"ALBGAZ" sh.a, as amended. The headquarter of the company is located in the city of Tirana. The company also has a representative office in the city of Fier.

ALBGAZ Sh.a. will function as a combined operator performing the activity of the transmission system operator and the operator of the natural gas distribution system in the Republic of Albania.

With the Decision of Council of Ministers (DCM) No. 848, dated 07.12.2016, as amended by DCM no. 108 of 23 February 2018 provides for the obligation that natural gas production and trading activities will be separate from natural gas transportation and distribution activities, but also the obligation to determine the public authority representing the state as a shareholder of companies operating in the field of natural gas, respectively for the company "ALBPETROL" Sh.a. will be the ministry responsible for energy (ex MIE) and for the company "ALBGAZ" Sh.a. will be the ministry responsible for infrastructure (MIE). Under the conditions that MIE is a ministry with a wide area of scope such as: the energy sector, infrastructure sector, mining resources (oil and mining); works with separate accounts. For the moment that we do not have a gas market, I do not see the problem of impact on normal daily operations of ALBGAZ.

The pipeline network is distributed throughout the western part of Albania and ends up in ORC in Ballsh. The domestic gas network infrastructure in Albania has a greater extent than the oil infrastructure. Gas fields stretch from Durres to Delvina, thus creating an opportunity for consumers to connect to the grid. The limited domestic gas infrastructure in Albania in some parts of it is out of the operational state and major rehabilitation work is needed. ALBGAZ Sh.a. administers about 500 km of gas pipeline pipelines built more than 40 years ago, with outdated technology, where corrosion protection measures are minimal.

Currently the main object of the activity of ALBGAZ Sh.a. as a combined operator, is to provide transport and distribution of natural gas through the transmission and distribution network, and could potentially include in the future the underground storage activity of natural gas and liquefied natural gas plant.

The Company realizes the object of its activity under Law no. 102/2015, "On the Natural Gas Sector", as amended, namely:

- Conduct necessary and direct activities related to the operation and operation of the transmission network and the natural gas distribution network, in accordance with the legislation in force.
- Development of the natural gas transmission and distribution network according to the approved financial plans in line with the economic development perspectives, national, regional and national policies approved by the Government of the Republic of Albania or the Energy Community, such as the National Strategy of Energy for the period 2018-2030, approved by the DCM no. 480, dated 31.7.2018, and the Master Plan of Gas for Albania, approved by DCM no. 87, dated 14.2.2018.
- Proposal, development and adaptation of the natural gas transmission and distribution network code.
- Providing access without discrimination to all licensed operators under the applicable legislation.
- Balancing the transmission and distribution network of natural gas.

- Other customer services that are required to meet their obligations in accordance with the applicable legislation.

Gas extraction and management of its supply in Albania has been made by the state owned company such as Albpetrol Sh.a. and by companies operating the production development activity in the existing oilfields under the Hydrocarbon Agreements signed with ALBPETROL sh.a. and approved by the respective Decisions of the Council of Ministers in accordance with the provisions of law no. 7746, dated 28.07.1993 "On Hydrocarbons (Research and Production)", as amended. The total number of drilled gas wells is over 500, but currently the number of gas wells is reduced to about 20 wells. At present, natural gas production mainly serves to supplement a part of the technological needs of the oil industry. Natural gas has historically been an important element for supplying the Albanian energy market, but its contribution so far has been low, due to the minimum levels of production.

Albania is the only European country that is not connected to international natural gas networks. The mTSO optimal way to connect Albania to the international gas network is through the regional gas pipeline that is the "TAP" project, part of the Southern Gas Corridor, which will contribute to the diversification and security of Europe's gas supply, but even in the development of Albania's gasification and its entire economic development.

2.1 Legal form and status of the company

ALBGAZ Sh.a. has been certified according to the Board of the Energy Regulatory Entity (ERE) Decision no. 179 dated 08.11.2017 "On the Certification of the Company Combined Natural Gas Operator ALBGAZ Sh.a." as TSO and DSO of natural gas.

The legal form of the TSO is like an Albanian legal entity that has the legal form of a private limited company, according to the provisions of Law no. 9901, dated 14.04.2008, "On Traders and Business Companies" as amended ("Law on Business Organizations"). The only shareholder of the Company is the Ministry responsible for infrastructure (currently the Ministry of Infrastructure and Energy - MIE) for the account of the Republic of Albania, with address at "Abdi Toptani" Street, 1001, Tirana, Albania.

The TSO shareholder structure does not include the TSO shareholder relationship with companies engaged in production and / or supply of natural gas and electricity or those having any commercial interest.

The decision-making and administration of the Company is structured under a two levels system, in accordance with Part V, Title IV, Chapter III of the Law on Business Organizations. Managing bodies are of importance; The General Assembly comprised of the Minister and is the highest decision-making body of the company. The Supervisory Council, consisting of six members appointed by the General Assembly, is the body of the company in charge of supervising the activity of the Administrator according to the policies of the Company, Articles of the Company Statute and the applicable legislation. The Company Administrator is elected by the Supervisory Board by a simple majority and is authorized to exercise all executive powers provided by law and / or the Statute of the Company.

2.2. TSO affiliates and / or other companies where the TSO is a shareholder

Gas TSO, ALBGASZ SH.A., has the main offices in Tirana with the address "Administrative Unit Nr. 5, the "Kosovars" street, the "Inter Pro" palace, and the office in Fier.

ALBGASZ sh.a. is in a joint venture of 75% with SNAM Spa in Italy createin the company "Albanian Gas Service Company" Sh.a. (AGSC) which has as its main object the maintenance of the pipeline system of the TAP pipeline in Albanian territory.

Establishment of Albanian Gas Service Company sh.a. as a joint venture between ALBGASZ sh.a. and the Italian company SNAM S.p.A., was made by the Supervisory Council Decision no. 12, dated 01.11.2018, through which the Founding Act and its Statute have been approved. The Albanian Gas Service Company, Inc., has been registered with the National Business Center under NUIS L82407006D, dated 7.12.2018, and have been appointed the Supervisory Council and the Administrator of this company.

AGSC with office at the address "Administrative Unit Nr. 5, the "Kosovar" street, the "Inter Pro" sh.pk, has been created as a fully operational company responsible for carrying out the activity, maintenance and technical services for the Trans Adriatic Pipeline AG pipeline under the agreement to be entered between this company and company and TAP AG.

The TSO has ownership and:

- Land 4.000m² and 188m² Building in Drizë (Fier)
- Land plot 4.290m² and 376m² Building in Gjonça (Fier)
- Ground 1.995m² and 56m² Building in Lavdan (Mallakastër)
- Ground 1.366m² in Cërrik (Elbasan)
- Land plot 980m² and 194m² Building in Sheq i Madh (Fier)

2.3. The structure of ALBGASZ sh.a. (Combined Natural Gas Operator, TSO and DSO gas) including management.

The structure of ALBGASZ Sh.a. (Combined Natural Gas Operator, TSO and DSO gas) has been approved by the Supervisory Council Decision no. 211, dated 26/01/2017 "On the approval of the organizational structure and job descriptions for the" ALBGASZ Sh.a. "Company, and has been amended recently with the Decision of the Supervisory Council no. 16, dated 11.09.2018, "On the addendum to the organizational structure of the" ALBGASZ Sh.a."

Attachment A, attached to this compliance report, is provided by the organizational structure of ALBGASZ Sh.a. (Combined Natural Gas Operator, TSO and OSSH Natural Gas), referred to the Decision of the Supervisory Council no. 16, dated 11.09.2018, "On the addendum to the organizational structure of the" ALBGASZ Sh.a. "Company.

The following are the competencies and responsibilities of the managing bodies of the company "ALBGASZ" Sh.A., referring to the Statute of the Company.

The General Assembly

According to the Statute of the Company ALBGAZ sh.a. The General Assembly takes decisions on the following issues of the company:

- a. Determining the Company's business policies for the development of the business activity of the Company;
- b. Adopting the Company's strategy and financial plans, as well as any changes thereto;
- c. Amendments to the Statute;
- d. Election, dismissal and acceptance of the resignation of members of the Supervisory Council and approval of their remuneration scheme;
- e. Selection and dismissal of registered accounting experts and liquidators.
- f. Approval of financial statements, performance reports and changes in the accounting policies of the Company;
- g. Distribution of annual profits and loss coverage;
- h. Share, withdraw, cancel, repurchase and re-acquire shares;
- i. Increase and reduce the Company's capital;
- j. Representation of the Company in court and other proceedings against members of the organs of the Company;
- k. Transformation (including merger, freezing, separation, alteration of legal form or other company reorganization), disruption and liquidation of the Company;
- l. Request from the Administrator or the Supervisory Board to provide information or to report on any matters relating to the Company; and
- m. Issues and other issues provided by the Law on Business Organizations or the Statute of the Company.

The General Assembly shall have the right to give its prior approval on the following matters and actions:

- a. The opening or closing of a controlled company or the merger of a company's interest in a controlled company or other entity or the entry, modification or termination of any joint venture, partnership, consortium or similar arrangement;
- b. Reduction, expansion and any other modification of the object of the activity or purpose of the Company or the involvement of the Company in any activity without connection to the foregoing;
- c. Actions under Article 13 of the Law on Business Organizations, including, but not limited to, taking part, altering or terminating contracts or any other agreement between the Company, on the one hand, and the Administrator, the Member (s) of the Supervisory Council , or any third party that is considered to be affiliated with the Administrator of the Company or the members of the Supervisory Council under Articles 13 (2) and (3) of the Law on Business Organizations on the other;
- d. Bonding, modifying or resolving a loan or credit agreement (taken or granted) or other creation (or settlement agreement) of a company's debt exceeding the amount of EUR 10,000,000 for each transaction and 20,000,000 Cumulative EURO for one year;
- e. Withdrawal of a right with a nominal value exceeding EUR 300,000 for each transaction or exceeding the total amount of EUR 500,000 in a given financial year;
- f. Approve in advance, sale and any disposition of immovable property where the value of a contract related to a subject is over 300,000 EURO.

g. Approve in advance the sale or any form of disposal of movable assets if the value of a contract is over 300,000 EURO or if the cumulative value of these contracts is over 700,000 EURO within a financial year.

h. Any other matter and / or action for which the General Assembly has, with a special decision, reserved the right of prior approval.

Procedures of the General Assembly:

a. The General Assembly may establish rules on holding procedures and participation in the assembly. These rules are approved by the General Assembly by a majority of three-quarters of the capital, represented at meetings, as provided by the law.

b. The General Assembly appoints a chairman for the preparation and direction of the meeting as well as a secretary.

c. All decisions of the General Assembly must be recorded in the minutes.

d. The minutes of the matters reviewed at the Assembly meeting indicate the date and place of the meeting, the manner of the call, the agenda, the names of the President and the Secretary of the Assembly, the number of shares with which it was voted and the quorum reached, documents and reports reviewed at the Assembly meeting, a summary of the debates, the text of previous voting decisions and the outcome of voting. The minutes are signed by the President and the Secretary of the Assembly. The company administrator is responsible for maintaining the decisions and meeting minutes of the meeting.

e. Meetings of the General Assembly may also take place through teleconferencing or videoconferencing, or by similar electronic means, provided that all participants are identified and given the opportunity to attend the discussion and participate actively in it with the requirements of applicable law; in this case, the General Assembly shall be deemed to be held at the place where they are both the President and the Secretary of the meeting.

f. The place chosen (or the manner of development, if applicable), the date and time of the organization of such meeting, as well as the program of the meeting in question, shall be notified to the shareholders by hand, by post, by email or by fax no later than than 21 (twenty-one) days before the date of the meeting. If the meeting takes place via electronic communications it will be considered as held at the time and headquarters of the Company. The shareholder notice procedure and the Assembly meeting procedures will be in accordance with the Albanian legislation in force for joint stock companies.

The Supervisory Council

According to the Statute of the Company ALBGAZ sh.a. The Supervisory Council has the duty to:

a. Provide guidelines for the Administrator for the implementation of the company's policies.

b. Observe and supervise the implementation of Company's business policies by the Administrator; and

c. Prepare, at the request of the General Assembly, measures which are within the competence of the latter; to recommend decisions to be taken by the General Assembly, and to execute its Decisions.

The Supervisory Council is competent to:

- a. Call the General Assembly whenever this is deemed necessary for the interests of the Company and immediately after the verification of the circumstances provided for in points 3, 4 and 5 of Article 136 of the Law on Business Organizations;
- b. Ensure that the Company applies the applicable accounting laws and standards;
- c. Examine the Company's books, documents and assets;
- d. Ensure that the annual accounting and performance reports of the Company are regularly prepared by the Administrator and that the latter complies with any other legal or statutory obligation to report or publish. These documents should be approved and signed by all members of the Supervisory Council to submit them to the General Assembly together with a report of the Supervisory Council on the reasons for the approval and a description of how management monitoring during the financial year ; and
- e. Ensure that the investigation of books and records is carried out at least annually by an independent accounting expert and that the auditor's report to the General Assembly has been made available to each member of the Supervisory Council. The Council's report under the previous letter should also contain the Council's opinion on the investigation report.
- f. Establish permanent or special committees for different operational issues of company;
- g. Establish a special internal investigation committee, which includes not less than 3 members of the Supervisory Council;
- h. Request information and initiate accountability processes for any case it deems reasonable in relation to Decisions taken by the Administrator or the activity of the company or its divisions and other departments.
- i. To approve the organizational structure and structure of the staff of the Company as well as their change;
- j. To appoint and dismiss the Administrator of the Company from duty.
- k. To approve the structure of the internal audit directorate of the company and appoint the director and its members.
- l. To approve the annual investment plan, including arrangements regarding cross-border interconnection capacities, transmission, storage and installation facilities or natural gas distribution.
- m. Approve the entry into a Loan or Credit Agreement (Received or Data), or any other creation (or settlement agreement) of a Company's debt up to the amount of EUR 10,000,000;
- n. Provide preliminary approval for the purchase of real estate above the value of 100,000 Euros.
- o. To approve in advance the sale or any form of disposition of the immovable property of the Company in the amount of 50.000 to 100.000 EURO, and request prior approval of the Assembly for amounts greater than 100.000 EURO.
- p. Approve in advance the sale of movable assets if the value of a contract is from 50,000 to 100,000 EURO or if the cumulative value of these contracts is between 250,000 and 500,000 EURO within a financial year.
- q. To approve in advance the changes in the Company's financial plan at the request of the Administrator and to obtain approval from the Shareholders Meeting for changes that are higher than 25% (twenty-five percent) of the initial value of the financial year's financial plan.
- r. To approve in advance the changes in the Company's financial plan at the request of the Administrator when the initial value change is less than 25% (twenty-five percent).
- s. To approve in advance the proposals of the Administrator for donations, sponsorships, financing of social, cultural and charitable projects.

t. Except for the specific cases set out in letter l, m, n, o, p, point 3 of article 16, approve changes to the approved plan for the supply of goods, services or other expenses. It is the Supervisory Council's competence to propose to the General Assembly the amendment of these limits once a year during the approval of the budget for the following year, as well as whenever this may be a stimulus to increase the financial and economic activity of the company.

Composition of the Supervisory Council

- a. The Supervisory Council consists of 6 (six) members, who are appointed by the General Assembly.
- b. Members of the Supervisory Council hold their post for a period of three years, at the end of which they may be re-appointed.
- c. The members of the Supervisory Board are individuals who must be independent and different from the administrators of the company, the administrators of other companies of the same group, as well as the persons associated with the above persons. Independent members of the Supervisory Council are considered persons who have no conflict of interest or membership in accordance with the provisions of point 3 of article 13 and point 3 of article 167 of the Law on Business Organizations. Any appointment, made in contravention of these predictions, is absolutely void. Members of the Supervisory Board are obliged to immediately inform the company of any conflict of interest, of membership in the boards of other companies.
- d. Any seat vacant in the Supervisory Council as a result of resignation, dismissal, disability or death shall be supplemented by a new member appointed by the General Assembly Decision. The new member will remain in office until the end of the term of the replaced member.
- e. The Supervisory Council elects the Chairman among its members and the Secretary of the Supervisory Council.
- f. Except as stipulated in this Article, members of the Supervisory Council must meet the terms, obligations, responsibilities and criteria provided for in Articles 163 (1) to (3) and 167 of the Law on Business Organizations.

Decision-making Process of the Supervisory Council

- a. The Supervisory Council may hold its meetings in the Republic of Albania at a place appointed by the Chairman of the Supervisory Council. If no other country is appointed, the Supervisory Council will hold its meetings at the official headquarters of the Company.
- b. The Supervisory Council will convene at least six times a year. Each other meeting of the Supervisory Council shall be held at the request of the Chairman, a member of the Supervisory Board or an Administrator.
- c. The meeting may be called by the Chairman on his own initiative or at the request of another member of the Supervisory Board or the Administrator. As a rule, the call must be made 3 (three) days before me by letter, fax or any reliable electronic communication, but the call may be valid both verbally and indefinitely if the members of the Supervisory Council accept it. Every call must indicate the main issues of the agenda.
- d. The minutes of the meetings of the Supervisory Council are maintained in the form and content specified in Article 161 (3) of the Law on Business Organizations.
- e. The decisions of the Supervisory Council are valid if more than 1/2 of its members are present in person or through representatives. If this quorum is not reached, the meeting is postponed for another future. The Supervisory Council shall decide by a simple majority of the

votes of the members present. In the event of the vote being equaled, the vote of the Chairman shall be decisive. As an exception to this rule, the Supervisory Council decides by unanimity on the Council's internal regulation

f. A member of the Supervisory Council may not exercise the right to vote in the cases provided for in Article 162 (3) of the Law on Business Organizations.

G. Meetings of the Supervisory Council may also be conducted through teleconferencing or videoconferencing, or through other similar electronic means, provided that all participants are regularly identified and able to attend the discussion and to be actively involved in it.

h. The Supervisory Council may also take its decisions outside the meeting through written communication (delivered personally, by mail, electronic mail or by fax). In this case, the person invoked by the Supervisory Council delivers (in person, by mail, email or facsimile) the members of the Supervisory Council identical copies of the proposal of the Decision, containing clear instructions on how the members will cast their vote and return the Decision signed. Members of the Supervisory Council express their vote, in accordance with the Project Decision Guidelines, regularly sign the respective copy and return as instructed in the instructions. A member of the Supervisory Council decides on the proposed Decision and returns it to the Company within 7 (seven) days from the date the Proposal of Decision was delivered to such member or considered as having participated in the decision-making process and abstained from voting with respect to the Decision.

i. The Supervisory Council may request the attendance of the Administrator at his meetings and request from the Administrator all the necessary documentation to perform the duties and fulfill his obligations.

Administrator

According to the Statute of the Company ALBGAZ sh.a. Administration of the Company:

a. The company is administered by an Administrator who is authorized to exercise all executive powers provided by law and / or this Statute.

b. The administrator is elected by the Supervisory Board by a simple majority.

c. The administrator must have Albanian nationality, and be elected for a period of three years with the right of reelection.

d. If the position of the Administrator remains vacant as a result of resignation, dismissal, disability or death, then the Supervisory Council will elect minimum within 3 days the new Administrator.

e. Upon receipt of his / her election, the Administrator acknowledges that his relationship with the Company is a contractual relationship under the applicable law.

f. The Administrator also carries out other duties that may be given from time to time by the General Assembly or by the Supervisory Council in accordance with this Statute and with the law.

g. The Administrator shall apply the criteria, principles, projections, limitations, exclusions and responsibilities provided for in the Law on Business Organizations and in particular with the provisions of Article 167 of this Law.

Administrator Competencies

a. The Administrator is in charge of administration and representation of the Company.

b. The Administrator shall decide on any matter that is not the exclusive competence of the General Assembly or the Supervisory Council.

In particular, the Administrator has the ability and the duty to:

- c. Administer the Company by implementing its policies;
- d. To represent the Company in relation to third parties;
- e. Establish long-term business partnerships, and propose policies related to the formation of new societies or groups;
- f. Ensure the proper keeping and administration of books and accounting documents;
- g. Take care of the preparation, sign the annual financial statements and balance sheet and performance report and submit it for approval to the Supervisory Council and then to the General Assembly together with the proposal to distribute profits or loss coverage;
- h. Establish an early monitoring system for developments that threaten the existence of the Company;
- i. Report to the Supervisory Council regarding the implementation of business policies and the execution of transactions of special importance for the performance of the Company;
- j. Perform any registration or publication of the Company's data required by the Law on Business Organizations, or other applicable laws;
- k. Perform other duties provided for by law or this Statute; and
- l. Immediately notify the Chairman of the Supervisory Council and the General Assembly in the cases provided for in points 3, 4 and 5 of Article 136 of the Law on Business Organizations such as:
 - The Company's annual or temporary balances show or clearly indicate the possibility that losses amount to up to 50% of the registered capital or that the Company's assets will not cover its obligations that will become eligible within the next 3 months. In relation to this issue, the General Assembly shall be presented with a report by an independent accounting expert;
 - there is a proposal to sell or dispose of assets that represent more than 5% of the Company's assets or worth more than 200,000 euros of real estate assets and 200,000 euros of movable assets. The General Meeting shall be presented with a report of an independent accounting expert, except when the above transaction is conducted on the stock market or as part of the day-to-day operation of the Company, carried out under normal market conditions.
- m. The Administrator is obliged to receive prior approval from the General Assembly and / or the Supervisory Board prior to the receipt and / or enforcement of any decision concerning the specific issues set out in Articles 13.3 and 16.3 of this Statute
- n. The duties assigned by the law to the Supervisory Council can not be delegated to the Administrator
- o. The Administrator has the right to within one of his or her powers to give one or the dissidents of the company the right to perform special actions or categories of actions, with the right of sub-delegation
- p. The acts by which the Company assumes obligations towards third parties must be signed by the Administrator or by the person regularly authorized by the latter for such acts.

3. Compliance Program - Control Methodology

ALBGAZ sh.a. as a combined gas operator is performing the activity of the transmission system operator and the operator of the natural gas distribution system in the Republic of

Albania, establishes and implements a Compliance Program, in support of Law 102/2015, dated 23.09.2015, "For the Natural Gas Sector", as amended, referred to Article 47, which sets out the necessary measures to ensure non-discriminatory behavior and the compliance monitoring method within this program, which is approved by the ERE. The Compliance Program sets out the specific obligations for TSO employees in order to meet these objectives. Compliance with the program is monitored independently by a Compliance Officer.

This Compliance Program (hereinafter the Program) of ALBGAZ sh.a., the natural gas transmission system operator (hereinafter TSO) establishes the conditions for the allocation and independence of the TSO according to Law no. 102/2015, dated 23.09.2015, "On the Natural Gas Sector", as amended, and aims to determine the measures to be taken to ensure the exclusion of discriminatory behavior in the activities of the TSO, as well as to determine the specific obligations of employees of the TSO to meet the objectives set out in this document and the requirements for the implementation and monitoring of this Program.

This Program aims at ensuring:

- Proper unbundling and independence of TSO;
- Avoidance of the TSO's discriminatory behaviour towards other participants of the natural gas market (hereinafter – "participants") and network users;
- Prevention of access on concessionary terms to the transmission system provided to individual participants and network users;
- Introduction of a mechanism for the implementation of this Program and definition of functional duties and obligations of the TSO's employees in this regard; and
- Introduction of a mechanism for the monitoring of and reporting on the implementation of this Program.

Program Control Methodology by ALBGAZ SH.A. Compliance Officer will be such:

- Collection of information in paper form, e-mail with access to the necessary data and in TSO offices
- Verification of documentation, complaints, contracts on a case by case basis.
- Participating in all meetings of TSO Managers and Corporate Bodies, including the General Assembly, the Supervisory Council and management units.
- Meetings and interviews with responsible employees and management staff and investigation of tasks, projects and collected information. Mainly identify topics and discuss topics for deviations from the Program that need to be further explained.

Consequently, in order to ensure the implementation and monitoring of this Program and the performance of its duties, the Compliance Officer carries out regular annual investigations starting from January 2018 and ending December 2018, in accordance with the principles of international standards of investigation, TSO compliance in a systematic, independent manner, and observation procedures to remedy deviations from the Program. In addition, it is noted that the above-mentioned investigations have been made taking into account the standard principles (International Standard ISO 19011) and the best practices, as follows:

- Ethical Behavior: The Foundation of Professionalism
(Faith, integrity, confidentiality and discretion)
- Fair presentation: Obligation to report truthfully and accurately

(Inspection findings, inspection conclusions and inspection reports reflect sincerely and accurately the inspection activities)

- Proper professional care: Applying care and judgment to inspection

(Inspectors exercise caution in accordance with the importance of their duty and trust placed on them)

- Independence: The basis for the impartiality of inspections and the objectivity of its conclusions
- Evidence-Based Approach: Rational Approach to Finding Reliable and Reproductive Conclusions in a Systematic Investigation Process

Inspection / investigation was carried out at the offices of ALBGAZ sh.a. and responsible persons and included the following stages:

- The first meeting
- Inspection / Investigation in the country;
- Interview / Questionnaire
- Check the documentation
- Closing meeting

Inspection / Investigation is based on the four basic principles of operation according to the ERE Board Decision no. 77, dated 25.06.2017 "On the Approval of the Transmission System Operator for Natural Gas Operator Program", according to the following four principles:

I. TSO unbundling and independence

The TSO shall be unbundled from other activities that are not related to the transmission of natural gas. TSO executives are independent of vertically integrated companies or any part of it.

The TSO functions as a transmission system operator for natural gas according to the terms and conditions set forth in Law no. 102/2015, dated 23.09.2015, "On the Natural Gas Sector", as amended, as well as other legal acts and projections in the Transmission Network Code, in the process of preparation and approval.

II. Exclusion of discriminatory conduct

In the operation of the TSO it is determined that it must ensure equal access to the transmission system for all participants and network users who comply with the requirements set out in Law no. 102/2015, dated 23.09.2015, "On the Natural Gas Sector", amended, other applicable legal acts and the Transmission Network Code, in the process of preparation and approval. The TSO's activities are determined not to restrict or affect fair competition in the natural gas market. In the case of an existing conflict of interest or potential conflict, the TSO manager or employee must inform the TSO's Administrator and Compliance Officer on time, but no later than the next working day, as he / she has been informed for an existing conflict of interest or any circumstance that may cause a conflict of interest.

III. Information Policy of the TSO

ALBGAZ sh.a. in the role of the TSO shall provide the operational and other relevant information on the transmission system and its services, which is not protected as sensitive

commercial information under the terms and conditions of the applicable legal acts and this Program.

The TSO is required to ensure the confidentiality of the sensitive commercial information received by the TSO during functional and / or commercial activities and must take all reasonable and prudent measures to avoid sensitive trading information regarding the activities that contain trade value for other persons from discriminatory distribution. Public Information means any information generally recognized as having a public character or any information to which the compulsory distribution requirements apply under the legislation in force.

IV. Implementation of the program

Provisions of this Compliance Program are binding to all the TSO's managers and employees and in cases referred to this Program and contracts closed concluded by the TSO or in applicable legal acts, implementation of certain provisions of this Programme is binding to the TSO's authorised representatives, auditors, advisors, contractors, participants, network users and other third parties.

Continuous monitoring of proper implementation of this Program shall be performed by the Compliance Officer who shall operate on the basis and within the powers provided by the Law No 102/2015 "On the Natural Gas Sector" and the contract concluded between the TSO and the Compliance Officer.

According to the Law no. 102/2015, dated 23.09.2015, "On the Natural Gas Sector", as amended, and the contract concluded between the TSO and the Compliance Officer, each year, no later than 31 March, the Compliance Officer has prepared for it submitted to the ERE a report on the compatibility of the TSO with this Program, which will be published (in two languages) on the website of ALBGAZ sh.a. (TSO) and ERE.

4. Four basic principles governing the activity of ALBGAZ sh.a.

ALBGAZ sh.a. as an TSO member of the Vienna-based Energy Secretariat, plays a decisive role in the natural gas market in the country, ensuring the functioning of an integrated natural gas market as required by national legislation and EU directives .

Below, a program based on the four basic principles of operation is analyzed, examining how ALBGAZ sh.a. as the TSO should be governed by the standards stipulated by the legislation in force.

4.1. TSO unbundling and independence

ALBGAZ sh.a. as the TSO has been created to provide natural gas transmission through the natural gas transmission and distribution network in Albania. Both as a TSO and a DSO (combined operator) of natural gas, ALBGAZ sh.a. has a decisive role in the local gas market, ensuring the functioning of the domestic gas market in Albania, based on local and European regulatory requirements. As an essential prerequisite, the TSO must be fully independent of vertically integrated companies or associates and perform its duties impartially and transparently, applying strict rules to ensure free competition.

These prerequisites have been assessed as important regulatory requirements for the TSO and their achievement has been a major concern for the company. These and other important regulatory requirements, which should be a key priority for the TSO. In order to achieve compliance with the above requirements, it was necessary for each of the TSO organizational units to comply with the four basic principles of operation under the Compatibility Program.

4.1.1. Unbundling of the TSO

ALBGAZ sh.a. as TSO is certified according to Decision no. 179 dated 08.11.2017 "On the Certification of the Company Combined Natural Gas Operator ALBGAZ SH.A.", as TSO and DSO of natural gas.

After the investigation was concluded:

- Under the terms and conditions of paragraphs 10 and 11 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements and is not involved in activities related to the production and / or supply of natural gas, although these activities are almost entirely minimal and are considered as non-existent.
- Under the terms and conditions of paragraphs 12 and 13 and their sub-paragraphs, ALBGAZ sh.a. as TSO according to Decision no. 179 dated 8.11.2017 "On Certification of the Company The Combined Natural Gas Operator" ALBGAZ SH.A. "is in discussions with the ERE and the Energy Community Secretariat (under the attention of the Compliance Officer). In the following, given that ALBGAZ sh.a. as the TSO actually does not deal with the activity of licensees engaged in production and / or supply of natural gas, activities which are almost entirely minimal and are considered as non-existent, the TSO in these conditions is considered to have temporarily met the conditions of established in the ERE Decision no. 179, dated 8.11.2017, for which also with the protocol filed in ERE no. 233/7 prot. dated 16.10.2018, was postponed the deadline for the full fulfillment of the conditions provided in Decision no. 179, dated 8.11.2017 until 10.4.2019. Under the conditions that MIE is a ministry with a wide area of scope such as: the energy sector, infrastructure sector, mining resources (oil and mining); works with separate accounts. For the moment that we do not have a gas market, I do not see the problem of impact on normal daily operations of ALBGAZ.

The TSO argues that the reasons for postponing the timely completion of the above conditions are quite specific situations of the real dysfunction of the gas market in Albania, fact confirmed by other institutions responsible for the organization and operation of the gas sector.

4.1.2. Managerial Independence of the TSO

The managers of ALBGAZ sh.a., such as the members of the Supervisory Board, the Administrator (Chief Executive Officer), the Chairpersons and the Lead Staff (structural unit managers), must be independent of vertically integrated companies or any part of it.

After the investigation was concluded:

- Under the terms and conditions of paragraph 15 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, and its subordinates,

ALBGAZ sh.a. as the TSO meets the requirements of the Program by taking the required steps to achieve the independence of the executives.

4.1.3. Operational and decision making independence of TSO

Functional Independence and Decision-Making of ALBGAZ sh.a. as the TSO on the one hand has to do with the development of the Human Resources Department, as the main department to guide the employee and the work order to perform the duties as required, and on the other hand, the independence and / or division of the TSO for independent decision making.

After the investigation was concluded:

- Under the terms and conditions of paragraphs 16, 17, 20, 21 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO has total functional independence and decision-making.
- Under the terms and conditions of paragraph 18 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as TSO, during the 2017-2018 period has been committed to achieve the following objectives:

First: Activity in 2018 for the transport and distribution of very minimal quantities of natural gas through existing gas infrastructure:

- It will pursue the activity of transporting and distributing excessive quantities of natural gas, including contracts with customers for gas distribution (while the supplier and customer will be Albpetrol Sh.a. itself).
- Will follow through the respective directorate of the company, all the existing gas infrastructure assets that have been transferred to the company "ALBGAZ" Sh.a., taking the necessary actions and investments for the registration but also the maintenance, if it is argued also the rehabilitation of specific parts of this infrastructure.
- Ensure cooperation with Albpetrol Sh.a. as well as with other hydrocarbon companies operating under the Hydrocarbon Agreements, such as the companies "Bankers Petroleum Albania" Ltd., SHELL Albania, etc.

Second: Activity for the period 2018 in natural gas transport and distribution projects related to the development of the gas sector in Albania, according to the Master Plan for Natural Gas for Albania, including regional interconnection:

- In the technical activity of ALBGAZ Sh.a. (regarding the participation of the company directly or on behalf of the Ministry of Infrastructure and Energy) will be participation in natural gas transport and distribution projects related to the development of the gas sector in Albania or in regional and European interconnection projects , including the engagement of the company in bilateral or multilateral agreements alone or in co-ordination with the Ministry of Infrastructure and Energy, as is the Treaty on the Establishment of the Energy Community.
- Engage in direct or indirect cooperation (also with the relevant entities of Montenegro) in the implementation of the Ionian Adriatic Pipeline (IAP) project.
- Engagement in direct or indirect cooperation (also with the relevant entities of Kosovo) in the implementation of the project Albania-Kosovo Pipeline (ALKOGAP), where

during 2018 was prepared to prepare the pre-feasibility study for this project. (A funding of Euro 0.3 million was approved by WBIF).

- Engagement in direct or indirect cooperation (with TAP AG as well as in the framework of the project with SECO) in the realization of the Project of the Pipeline that will connect the TAP project with TEC Vlora, including the period during the preparation phase Feasibility Study. (A funding of EUR 0.3 million was approved by the Swiss Government Project (SECO) for capacity building in the natural gas sector). In the framework of the 20th Round of the WBIF, in December 2018 a funding of 1.1 million Euros was approved for the preparation of the full technical project of this gas pipeline.

Third: The Company "ALBGAZ" Sh.a. will be committed to ensuring institutional and legal cooperation in terms of strategic development with foreign companies and foreign institutions in the gas field.

Fourth: An important strategic objective of the company ALBGAZ Sh.a. will be membership and cooperation with regional gas organisms and associations.

- Fulfillment of obligations arising from the membership of ALBGAZ Sh.a. in the role of the observer at the European Association of Gas Transmission Operators (ENTSO-G),
- Engaging in activities within the Energy Community Treaty establishing the Energy Community, by participating in the Gas Forum, the Gas Supply Group, etc.

Fifth: Another important aspect of the company ALBGAZ Sh.a. has been the establishment within a period of three months and the functioning of the Company's Technical and Scientific Council. (as an ad hoc structure composed of technically experienced experts and qualified expertise in the field of gas and hydrocarbons in general), which will have as its subject matter: Technical review and evaluation by preparing appropriate opinion on the programs, projects, studies and agreements in the field of gasification and its transmission, distribution, storage and LNG infrastructure, which are prepared by the directorates of the company "ALBGAZ" Sh.a. or in cooperation with institutions and consultancy subjects.

Sixth: An important objective of the company ALBGAZ Sh.a. will also be the guarantee of financing the activity of the company, and specifically for the period 2018 and 2019.

- Under the terms and conditions of paragraph 19 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO is in talks with the ERE (under the attention of the Compliance Officer), and has requested postponement of the deadline for submitting the 10-year network development plan by 31.10.201.201 according to the ERE Decision no. 235, dated 2.11.2018.

4.2. Exclusion of discriminatory conduct

The conditions and procedures are set in relation to the provision of Gas Transmission Services, in order to prevent any discriminatory treatment by the TSO.

It has been established that ALBGAZ is in the process of being realized for the preparation of the Transmission Network Code.

4.2.1. Access to the transmission system

After the investigation was concluded:

- Under the terms and conditions of paragraphs 22, 23, 24, 25, 26 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements of the Program by taking measures to ensure equal and non-discriminatory access.
- Under the terms and conditions of paragraph 27 of the Compliance Program approved by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO is in talks with the ERE (under the attention of the Compliance Officer), and has requested to postpone the deadline for submitting the 10-year network development plan by 31.10.2019 according to the ERE Decision no. 235, dated 2.11.2018.

4.2.2. Competition and Commercial Relations

After the investigation was concluded:

- Under the terms and conditions of paragraph 28 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, the activities of ALBGAZ sh.a. as the TSO did not affect to limit fair competition in the natural gas market.
- Under the terms and conditions of paragraphs 29, 30, 31 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements of the Program.

4.2.3. Conflict of Interest

After the investigation was concluded:

- Under the terms and conditions of paragraphs 32, 33, 34, 35 of the Compliance Statement approved by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements of the Program.

4.3. Information Policy of the TSO

ALBGAZ sh.a. as the TSO has undertaken a series of actions to ensure information, confidentiality and transparency to the public by providing equal access to users in all available documentation as it is required to publish on the corporate website, in accordance with the regulatory framework regulating its operations .

4.3.1. Provision of information

After the investigation was concluded:

- Under the terms and conditions of paragraphs 36, 37, 38 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements of the Program.

4.3.2. Confidentiality of information

After the investigation was concluded:

- Subject to the terms and conditions of paragraphs 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 and their sub-programs of the Compatibility Program approved by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO is undergoing to establish and implement an internal regulation based on these requirements of the Program.

The Compliance Officer along with the TSO is drafting such a regulation and it is expected that staff will be trained by the Compliance Officer on these requirements.

4.3.3. Public information

After the investigation was concluded:

- Under the terms and conditions of paragraphs 52, 53, 54 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements of the Program.

4.4. Implementation of the Compliance Program

Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, is designed to have the form of a regulation or mandatory mandatory instruction for all executives and employees as well as the authorized representatives of ALBGAZ sh.a. such as TSO, such as auditors, consultants, contractors, participants and network users as well as other third parties.

4.4.1 Binding character of the Program

After the investigation was concluded:

- Under the terms and conditions of paragraphs 55, 58, 59 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements of the Program.
- Under the terms and conditions of paragraph 56 of the Compliance adopted by the ERE Board Decision no. 77, dated 26.05.2017, all executives and employees of ALBGAZ sh.a. as the TSO, as well as authorized representatives and auditors and advisors are informed about the Program and will implement it.
- Under the terms and conditions of paragraph 57 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements and the Compliance Officer regularly guides the implementation of the program, executives and new employees before the beginning of their mandate.

4.4.2 Monitoring the implementation of the Compliance Program

After the investigation was concluded:

- According to the terms and conditions of paragraphs 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72 of the Compliance Program approved by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO meets the requirements of the Program.

4.4.3 Reporting on the implementation of the Compliance Program

After the investigation was concluded:

- Under the terms and conditions of paragraphs 73, 74, 75 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, each year, no later than 31 March, the Compliance Officer shall prepare and submit to the ERE a report on the compliance of the TSO with this Program, which shall be published (in two languages) in the TSO and ERE website.

The Compliance Officer must submit a prepared report referred to in Paragraph 73 of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, ALBGAZ sh.a. as the TSO Secretariat of the Energy Community. The Compliance Officer should report regularly, verbally or in writing to the relevant TSO corporate bodies regarding the implementation of this Program.

PART TWO

5. Compliance Officer's recommendations adopted for more efficient implementation of the Compliance Program

This section sets out various measures, procedures and recommendations aimed at improving the ALBGAZ SH.A. Compliance Program, approved by the ERE Board Decision no. 77, dated 26.05.2017, which have been proposed by the Compliance Officer since the date of taking over and approved by the Supervisory Council on 16.10.2018. These recommendations are intended to develop and implement a series of actions which will activate the sense of corporate culture on compliance related matters.

5.1. Updating the official ALBGAZ website to include the Compliance Program

According to the legal requirements set forth in the Law no. 102/2015, dated 23.09.2015, "On the Natural Gas Sector" as amended, as well as the requirements of the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, the Compliance Officer should have a separate section on Compliance on the official website (www.albgaz.al). It will publish

reports, regulations, and a contact point for those who want to get information on the program and to inform the program.

5.2. Improving the Code of Ethics and including parts of the Compliance Program

The current Code of Ethics used by the TSO is very good but requires an improvement by adding parts from the Compliance Program approved by the ERE Board Decision no. 77, dated 26.05.2017.

5.3. Compliance Guidelines: Principles of the Compliance Program

In 2019 the Compliance Officer will create guidelines for the four principles of the Program. These guidelines will serve as an internal document to inform employees about the ALBGAZ sh.a. Compliance Program. It is very important to know that with guidelines the employees of ALBGAZ will get the right informations to meet the requirements of the Program.

5.4. Communication channel with the Compliance Officer

To ensure compatibility with the program, a communication channel between the Compliance Officer and the staff, customers, the public, and natural gas users should be established. The Communication aims to ensure that the Compliance Officer gains knowledge of all non-compliance incidents relating to unethical or illegal conduct (eg conflict of interest, disclosure of commercially sensitive information, discriminatory treatment of System Users , disregard of the Compliance Program), and that the anonymity of the persons reporting these incidents is fully protected. The communication channel is realized in three different ways:

- by filling in the electronic form of through the corporate website (www.albgaz.al),
- by post,
- by e-mail (complianceofficer@albgaz.al) a new email to be established

5.5 Guidebook on Document Classification Policies

ALBGAZ sh.a. as the TSO has to set up a guide to classify the documentation according to the requirements of the Program chapter B "Confidentiality of Information". This guide may be included in the TSO Code of Ethics. The Compliance Officer will be in cooperation with the TSO to complete this recommendation.

5.6. Update / Amendement of the Program 2019

Notwithstanding the Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, is in its first application year, will be reviewed by the Compliance Officer, the TSO, and ERE, if it is deemed justified to be updated according to the requirements of EC as legal requirements may change and / or added. This recommendation is currently in the process.

5.7. Application / Mechanism for Monitoring and Reporting of the Compliance Program Implementation.

An Information Management System (MIS) will be added to the Information Bulletin. It is a technology information tool (IT) used for Decision-making, for coordination, control, analysis

and visualization of information in an organization, especially in a company. This system will be created and drafted by the Compliance Officer along with the TSO.

5.8. Presentation of new training techniques for staff

Given that ALBGAZ sh.a. as the TSO is a new company and the currently underdeveloped gas market is going to be the future of energy, the staff of ALBGAZ should be introduced to new techniques for gas field training, regulations, guidelines, projects and keep up with comprehensive information on the gas industry. The Compliance Officer will organize, and supervise these training in addition to the TSO staff training by SNAM and / or other organizations.

PART THREE

6. Conclusions

The above analysis establishes that in 2018 (the first year of implementation of the Compliance Program adopted by the ERE Board Decision No. 77, dated 26.05.2017 "On the Approval of the Gas Transmission System Operator Program Compliance Natural"), ALBGAZ sh.a. as the TSO has started and continued to implement the Compliance Program accurately since the day of its certification. Leaders and staff of the company, have largely followed the specific regulatory framework.

The combined model TSO and DSO (Combined Natural Gas Operator) selected by ALBGAZ sh.a , referred to Decision Nr. 848, dated 7.12.2016 of the Council of Ministers, "On the establishment of the company" ALBGAZ "sh.a. and the determination of the public authority representing the state as the owner of the shares of the companies "ALBPETROL" sh.a. and "ALBGAZ" sh.a., is being implemented successfully, in accordance with the legal framework consistent with the gas market.

The Supervisory Council of ALBGAZ sh.a., with Decision no. 233 dated 16.10.2018, appointed Mr. Elvis Ponari MBA, MSc, in the position of the Compliance Officer of the Transmission System Operator (TSO), with the prior approval of the Energy Regulatory Entity according to decision no. 223, dated 16.10.2018, "On the Approval of" Minimum Requirements for the Compliance Officer, Professional Criteria and Other Selection Criteria "and the prior approval of the TSO Natural Gas Compliance Officer".

In the operation of ALBGAZ sh.a. during 2018, there has been a significant change regarding the change of the public authority, representing the state as 100% shareholder of ALBGAZ sh.a., after referring to DCM no. 108, dated 23 February 2018, "On an amendment to Decision no. 848, dated 7.12.2016, of the Council of Ministers, "On the establishment of the company" ALBGAZ "sh.a. and the determination of the public authority, representing the state as the shareholder of the companies "ALBPETROL" sh.a. and "ALBGAZ" sh.a. "" it is determined that the public authority, representing the state as owner of 100% of the shares of the company "ALBGAZ" sh.a. will be the ministry responsible for the infrastructure (MIE).

In the field of the activity of ALBGAZ sh.a. which is the energy sector, in 2018 two of the mTSO important documents for the energy sector and specifically of the gas sector were approved, including directly the object of activity of ALBGAZ sh.a., which are:

- Approval of the National Energy Strategy for the period 2018 - 2030, approved by the Decision no. 480, dated 31.7.2018 of the Council of Ministers "On the adoption of the National Energy Strategy for the period 2018-2030".
- Approval of the Master Plan of Gas for Albania, approved by Decision Nr. 87, dated 14 February 2018 of the Council of Ministers "On the approval of the development plan of the natural gas sector in Albania and the identification of priority projects".

Based on the certification of the company "ALBGAZ" sh.a. initiated by ERE by ERE Board Decision no. 179, dated 8.11.2017 "On the Certification of the Company Combined Natural Gas Operator, ALBGAZ sh.a.", it has been licensed as a Natural Gas Transmission Operator with the Decision of the Board of ERE no. 188, dated 10.11.2017, "On the Licensing of the Company" ALBGAZ "sh.a., in the natural gas transmission activity", Decision which in 2018 has also made a difference through the ERE Board Decision no. 178, dated 20.8.2018.

During 2018 in the company "ALBGAZ" sh.a. there has been a concrete activity regarding its role as the public gas transmission company, as during this year the company "ALBGAZ" sh.a. has entered into cooperative relations with Italian company SNAM S.p.A. for the creation of a joint venture "ALBANIAN GAS SERVICE COMPANY" sh.a., which has signed Trans Adriatic Pipeline AG (TAP AG) an agreement for the maintenance of the Trans Adriatic Pipeline (TAP) in the Albanian territory.

The investigations conducted for the period 2018 from 1 January 2018 to 31 December 2018 were based on the application of the Compliance Program approved by the ERE Board Decision no. 77, dated 26.05.2017, regarding the control of the company, with the management of regulatory issues of natural gas users, including and

- Development of a National Transmission System for Natural Gas Services;
- Joint Venture Agreement "ALBGAZ" sh.a. and "SNAM SPA";
- Finalizing the Maintenance Agreement between the pipeline TAP AG and the joint venture "ALBGAZ" sh.a. and "SNAM SPA";
- Development of investment plan for 2018, as well as development of 10-year Network Development Plan;
- projects for the development of the Code of Natural Gas Network for the management of natural gas users;
- agreements, allocations and calculation of access and use tariffs for the gas transmission and distribution network in Albania as well as service tariffs provided by the gas network operator.

ALBGAZ sh.a. as TSO also has foreseen for new capacity building projects (EBRD Working Group) as well as staff training within strategic investments (Gas Masterplan) for 2018, where the pipeline TAP AG will have a supporting role in project implementation .

It is important to note that in 2018 no TSO complaint has been filed by users regarding the incorrect implementation of applicable laws on natural gas.

However, in some cases there have been delays compared to the deadlines suggested by the Compliance Program (see Chapter 4.1.3 - The Ten-Year Network Development Plan Revised, until 31.10.2019 "The Network Development Plan for the Period 2019 - 2028 ", according to Decision No. 235, dated 02.11.2018).

There has also been discussions (see Chapter 4.1.1) to argue MIE representatives at the Company's Supervisory Council. The current circumstances where there is actually no gas market presence in Albania, this situation is to be changed and waiting to be changed, but now it is considered to be of no problematic issues referring to the conditions set forth in the ERE Decision no. 179, dated 8.11.2017. Under the conditions that MIE is a ministry with a wide area of scope such as: the energy sector, infrastructure sector, mining resources (oil and mining); works with separate accounts. For the moment that we do not have a gas market, I do not see the problem of impact on normal daily operations of ALBGAZ.

There have been incomplete shortcomings / procedures (see Chapter 4.1.1) for the documentation showing the ownership titles on the assets of ALBGAZ sh.a. as TSO, to perform the functions or fulfill the obligations under the required license. The deadline for completing the environmental documentation and permit by the TSO was postponed until December 20, 2019 according to the Decision no. 188, ERE, dated 10.11.2017.

It should be noted that ALBGAZ sh.a. as the TSO, under the auspices of the Compliance Officer, is in regular communication with ERE on meeting legal requirements. The Compliance Officer has been involved in coordinating communication with ERE, with other competent authorities, participants or third parties related to the implementation of this Program.

Also during 2018, the Compliance Officer has been particularly responsible for:

- Monitoring the implementation of this Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, "On the Approval of the Operator of the Transmission System for Natural Gas".
- elaboration of an annual report setting out the measures taken for the implementation of this Program and sending it to the ERE;
- reporting to the responsible corporate bodies of the TSO and making recommendations for this Program and its implementation;
- Investigating and reporting to the responsible corporate bodies of the TSO for any alleged violations regarding the implementation of this Program, and submitting proposed solutions to the necessary corrective measures;
- Investigating existing or potential conflict of interest for TSO executives and employees, providing consultations to prevent possible conflicts of interest and correcting the existing conflict of interest, and solutions proposed for the necessary corrective measures;
- ERE notification of violations related to the implementation of this Program;
- reporting to the ERE on commercial and / or financial relations between the TSO and vertically integrated companies or any part thereof;
- submission of proposals to the responsible bodies of the TSO, as agreed by the ERE in connection with the 10-year plan for the development of the transmission network or individual investments in the transmission network;

- monitoring the compliance of the TSO with the provisions of Law no. 102/2015, dated 23.09.2015, "On the Natural Gas Sector", as amended, and this Compliance Program adopted by the ERE Board Decision no. 77, dated 26.05.2017, regulating confidentiality in the activities of the TSO company;
- monitoring of legislative and regulatory changes related to the application and implementation of this Program;
- answering questions from TSO managers and employees regarding this Program;
- Guidance of TSO Directors and Employees for this Program The Compliance Officer should have the right to participate in all meetings of TSO corporate bodies, meetings of managers or employees, including functional meetings. Responsible managers and / or employees should notify the Compliance Officer of the scheduled meetings or not.

At the same time, the Compliance Officer presented for the first time the Proposals / Recommendations for the Better Implementation of the Compliance Program and Regulatory Framework (see Chapter 5) of the TSO, such as updating the online website including the Compliance Program menu, and the immediate implementation of Program Classification Policy Policies Guide.

Immediate and efficient Processing of Compliance Officer for all matters pertaining to the scope of its powers and duties (eg through continuous monitoring of all developments in the energy market and actions taken to prevent, identify and addressing activities that might violate the institutional framework governing operations) has improved the working culture on regulatory compliance issues by ensuring that all requirements for its certification as a Combined Natural Gas Operator are met.

In conclusion, we should mention the excellent cooperation between the Compliance Officer with all the organizational units of ALBGAZ sh.a. as the TSO, with the staff, directors, members of the Supervisory Council, the respective structures of MIE, and the ERE Board and Directorates as part of its duties.

Tirana, 25.03.2019

Elvis Ponari, MBA, MSc

Compliance Officer, ALBGAZ Sh.a.

Annex A

The organizational structure of ALBGAZ Sh.a.

