



**Energy Regulatory Office**  
Masarykovo náměstí 5  
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**Ministry of Industry and  
Trade**  
Na Františku 32  
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**Annual report on the adoption of measures aimed at the implementation of the  
Compliance Program at NET4GAS, s.r.o. in 2012**



Pursuant to Sec. 58j (6) (c) of the Act No. 458/2000 Coll., on the conditions for business operations and the exercise of state oversight in the various branches of the energy industry and on the amendment of certain laws (the Energy Act) (the "**Energy Act**"), Mgr. Radim Doležálek, LL.M., attorney-at-law (the "**Compliance Officer**") has drawn up the following annual report on the adoption of measures aimed at the implementation of the Compliance Program 2012, which was adopted in the form of an internal policy of NET4GAS, s.r.o. with their registered office at 140 21 Prague 4, Nusle, Na Hřebenech II 1718/8, Czech Republic, identification No. 272 60 364, entered in the Commercial Register kept by the Prague Municipal Court in Section C, File No. 108316 (the "**Company**") on 28 February and approved by way of decision No. OLP-02651/2012-ERÚ of the Energy Regulatory Office on 3 September 2012 (the "**Program**"). This document describes the most important measures which were adopted in order to implement the Compliance Program 2012, so as to rule out any discriminatory actions on the part of the independent transmission system operator vis-a-vis those gas market participants who are not a part of the same vertically integrated gas undertaking alongside the transmission system operator.

## **I. Summary**

In the opinion of the Compliance Officer, the Company's actions in 2012 were in compliance with the provisions of the Program. The Compliance Officer is unaware of any facts or actions which would amount to a breach of the rules stipulated by the Program, to the extent of his knowledge derived from his monitoring of the implementation of the Program and from the information made available to him by Company management and employees.

## **II. Measures which rule out any discriminatory treatment in respect of other gas market participants**

### ***2.1 Unbundling of the transmission system operator***

In terms of the ownership structure, the Company was under the direct control in 2012 of RWE Supply & Trading CZ, a.s. (operating under the business name 'RWE Transgas, a.s.' up until 31 December 2012), with its registered seat at Limuzská 12/3135, 100 98 Prague 10, identification No. 26460815 ("**RWE TG**"), who was the sole shareholder of the Company up until 30 April 2012. Until that moment, the Company had been under the



indirect control of RWE Gas International N.V., with its registered office at 5211AK ,s-Hertogenbosch, Willemsplein 4, Kingdom of the Netherlands ("**RWE GI**"), the then sole shareholder of RWE TG and under indirect control of RWE Aktiengesellschaft, with its registered office at Opernplatz 1, 45128 Essen, Federal Republic of Germany ("**RWE AG**"), the then sole shareholder of RWE GI.

In order to conform to the requirement of independence of the transmission system operator pursuant to Section 58g (1) of the Energy Act, and based upon the agreement on the transfer of ownership interest made on 28 April 2012 by and between RWE TG and RWE GI, the ownership interest in the Company was transferred to RWE GI effective as of 1 May 2012, whereas RWE GI does neither produce nor trade in natural gas. Based on this transaction, the Company has been under the direct control of RWE GI and the indirect control of RWE AG (the sole shareholder of RWE GI) since 1 May 2012. That the ownership structure conforms to the Energy Act's requirement of an independent transmission system operator was confirmed, inter alia, in decision No. 02651-103/2012-ERU of the Energy Regulatory Office on the issuance of the ITO certificate of 28 January 2013.

The Compliance Officer's monitoring did not reveal any conduct in conflict with the applicable internal procedures and guidelines of the Company for the avoidance of discriminatory behavior vis-a-vis other gas market participants. The Company has been independent from other entities belonging to the same vertically integrated gas undertaking as itself; it has also been independent, to the extent required under the Energy Act, from all other entities that are a part of the RWE Group.

## ***2.2 Realization of the Company's management model within RWE Group***

Countless meetings were held over the course of 2012 between the Company and the other entities of the same vertically integrated gas undertaking or, as it were, the same RWE Group for the following reasons: (i) compliance with the requirements of the Energy Act with respect to the independent transmission system operator, and (ii) the anticipated transfer of ownership interest from RWE GI to a third party outside the RWE Group. The Compliance Officer attended the vast majority of these meetings.

The subject matter of the talks in connection with the fulfillment of the Energy Act's requirements regarding the independent TSO, which were conducted primarily within the context of the "Black Label" project, was the issue of how to configure the mutual relationships between the Company and the other entities within the same group such as



to conform to the Energy Act's requirements regarding the independent TSO by 28 February 2012.

In this respect, the Company discontinued the provision of services through other entities that were a part of the same vertically integrated gas undertaking and whose terms of business did not comply with the criteria set out in Section 58h (4) of the Energy Act.

The existing commercial contractual relationships with other entities that are a part of the RWE Group, and the execution of new commercial contracts with other entities that are a part of the RWE Group, were approved by the Energy Regulatory Office in individual administrative proceedings.

Similarly, the Company discontinued the provision of services to other entities that were a member of the same vertically integrated gas undertaking. To the extent that other entities that were a member of the same vertically integrated gas undertaking showed interest in being provided with such services, the services were rendered on the terms set out in, and in compliance with the rules contained in, Section 58h (6) of the Energy Act.

The Company has been operating the transmission system in accordance with the principle of mandatory cooperation with all operators of interconnected gas facilities in the Czech Republic as set out in statutory law, and the Compliance Officer is unaware of any instructions coming from entities that are a part of the RWE Group. Similarly, the preparation and drafting of the ten-year transmission system development plan were carried out by the Company without any interference by other companies that are a part of the RWE Group.

In the view of the Compliance Officer, the Company decided on operational assets and on the maintenance and development of the transmission system, including financing, independent from other entities that were a part of the same vertically integrated gas undertaking. The Company exercised its rights and honored its obligations independently from other entities that were a part of the same RWE Group. From such entities that are a member of RWE Group, the Company received no instructions regarding the manner in which it should conduct its affairs or operate the transmission system that might directly or indirectly influence the Company's conduct in a manner relevant to the competition in the gas market, or directly or indirectly affect the preparation and drafting of the ten-year transmission system development plan, or otherwise jeopardize the Company's independence or the discharge of its obligations.



### **2.3 Rules of disclosure and access to information**

As was already mentioned earlier above, in the course of 2012, numerous talks were held between the Company and RWE AG, which is a member of the same RWE Group, in connection with the planned transfer of ownership interest in the Company from RWE GI to a third party outside the RWE Group. As a part of these talks, a very narrowly refined group of financial and legal advisors of potential investors received information which was strictly limited to the amount and kind of information necessary for making a value assessment of the Company. Non-Disclosure Agreements (NDAs) were made with all the above-mentioned involved parties.

In the course of his monitoring activities, the Compliance Officer encountered no case in which access was granted to sensitive information in conflict with the Program rules. Sensitive information regarding the operation, maintenance, and development of the transmission network has been made available in a transparent and non-discriminatory manner on the website of the Company. The undertaking entered into Non-Disclosure Agreements with third-party providers whose performances (i.e. the subject matter thereof) necessitated that the undertaking make sensitive information available to them. The Compliance Officer is unaware of any breach of this requirement, to the extent of his knowledge derived from his own monitoring activities and from the facts communicated to him by the employees of the Company.

### **III. Implementing, and monitoring compliance with, the Program**

As of the moment in which the application was filed with the Energy Regulatory Office for issuance of the ITO certificate, i.e., as of 29 February 2012, the Company always proceeded in accordance with Article II (1) of Act No. 211/2011 Coll. amending the Energy Act, and in accordance with those provisions of the Energy Act which govern the obligation to establish an independent transmission system operator; the Company implemented the measures anticipated by the Program which was eventually approved on 3 September 2012 by the Energy Regulatory Office, in the wording adopted by way of the Company's internal policy of 29 February 2012.

On 5 March 2012, a letter by the executive of the Company was posted on the intranet of the Company, which informed employees of the commencement of administrative proceedings before the Energy Regulatory Office for the issuance of the ITO certificate,



and of the creation of a position of the Compliance Officer. The issue of Program implementation and compliance has also been brought up at all meetings between executives and relevant department heads and employees. In addition to the above, new joiners are being familiarized with the Program and with the reasons for its existence at the Company, during staff briefings which as a rule are held once every calendar month.

As per the understanding reached with the Company's management in terms of how the Program should be implemented, the Compliance Officer conferred beforehand with all individual employees their meetings and communications with persons employed by or otherwise involved with the vertically integrated gas undertaking which might, even theoretically constitute a breach of the rules stipulated by the Program.

In accordance with Articles 2.3.2.2 and 2.3.3 of the Program, the Company also launched a software application which allows Supervisory Board members and the Compliance Officer the sharing of information made available to other companies of the RWE Group, and the sharing of information from meetings whose only participants, aside from the Company, are representatives of the RWE Group. Access to the application is granted on password basis by means of the "Google Drive" application.

The Compliance Officer has been instructing employees, and continues to instruct employees on repeated occasions, of their obligation to abide by the information unbundling rules. The Compliance Officer is unaware of any material breach of the information unbundling rules.

As a part of his duties, the Compliance Officer has been attending meetings between employees and members of statutory bodies of the Company and employees or members of statutory bodies of entities that are a part of the group. In each case, the agenda of these meetings was communicated, or otherwise made available, to the Compliance Officer.

The Compliance Officer notified the Supervisory Board of the Company of the Program and its implementation.

The Compliance Officer was present during all proceedings of the statutory bodies which concerned the matters stipulated in Section 58j (8) of the Energy Act. In each case, the secretarial desk of the Head of Legal Affairs and PR made available the agenda of the pertinent meetings and all documents and material requested. In due course, the Compliance Officer received written minutes of the decision taken by the statutory bodies on a given item of the meeting which the Compliance Officer attended.



#### **IV. Compliance Officer's note of certification**

This report was drawn up based upon material made available by the Company to the Compliance Officer and based upon material obtained by the Compliance Officer in the course of his auditing performance during 2012.

Made in Prague on 25 April 2013

Mgr. Radim Doležálek, LL.M., attorney-at-law

Compliance Officer