

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 1/10

Policy regarding ethical career management

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Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 2/10

DISTRIBUTION LIST

No.	Organizational Entity	Position	Full Name
	All organizational entities	Every position	Entire staff

THE CHECKLIST OF EDITIONS/UPDATES

No.	Date	No. paragraph	Brief of changing content	Author of edition/update
1	27.01.2017		The policy development	SESC

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 3/10

SUMMARY

Distribution list

The checklist of editions/updates

AIM.....	4
APPLICABILITY.....	5
DEFINITIONS	5
THE PRINCIPLES OF THE POLICY	6
RULES OF ENFORCEMENT	8
REPORTING OF NON-COMPLIANCE.....	9

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 4/10

AIM

In accordance with the Code of Ethics and Professional Conduct, the Organisation commits through its human resources department, ethics and compliance department/ officer and legal department to carry out its operations in terms of integrity. The aim of the policy regarding the ethical career management is to protect the Organisation against the risk that potential conflict of interests will be consumed, any reputational risks and any other breaches that could cause damages or could lead to legal sanctions, reducing the Organisation's prestige and profitability, on both short and long term.

APPLICABILITY

This policy is applicable to all Personnel of the Organization, in all the activities performed for or on behalf of the Organisation.

This policy does not affect any other legal right and / or contractual remedy the Organisation is entitled to for satisfying its receivables or claims or for defending its legitimate rights.

DEFINITIONS

Electrica S.A. – refers to Societatea Energetică ELECTRICA S.A., located in Bucharest, str. 9 Grigore Alexandrescu Street, district 1 and registered at the Trade Register under no. J40/7425/ 2000, unique taxpayer reference RO 13267221.

Subsidiaries – means Electrica Furnizare S.A., Electrica Serv SA, Societățile de Distribuție a Energiei Electrice (SDEE Muntenia Nord S.A., SDEE Transilvania Sud S.A., SDEE Transilvania Nord S.A.), Servicii Energetice Muntenia S.A. and Servicii Energetice Oltenia S.A, or any other future legal entity held by Electrica, with or without legal personality.

Organisation – the ensemble of Electrica S.A.'s structures and its subsidiaries, whether they have legal personality or not.

Personnel/ Electrica's personnel – the management, employees and any other persons working within or on behalf of the Organisation, with or without decisional power, paid or not, no matter the legal form of the agreement they have with Electrica S.A., its subsidiaries and other entities, with or without legal personality, inside the Organisation.

Management personnel – managers, and any other persons working within or on behalf of the Organisation, with decisional power and/or coordinating and controlling an activity, according to the organisational chart of the Organisation or other internal documents, paid or not, no matter the legal form of the agreement they have with entities inside the Organisation.

Mandated executive – person working within or on behalf of the Organisation, with decisional power and/or coordinating and controlling an activity, entrusted directly by the Board of Directors, through a contract of mandate.

Cases of violation – refers to any of the following acts or other assimilated:

1. Criminal acts incompatible with the position held or in connection with the activity performed *and/or*
2. Criminal offences of corruption and in performing duties, crimes against property, tax evasion, forgery, criminal offences against the security and integrity of information systems and data, criminal offences under Law no. 656/2002 on prevention and sanctioning money laundering, as well as for setting up some measures for prevention and combating terrorism financing or criminal offences under Company Law no. 31/1990 *and/or*
3. Setting up an organized crime group *and/or*

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 5/10

4. (i) Disclosure of privileged information, or use of such information, in order to obtain or dispose of, or with the intent to obtain or dispose of financial instruments to which these information refer, directly or indirectly, on one's own behalf or on behalf of others;
(ii) Recommendation to a person, based on privileged information, to obtain or dispose of financial instruments to which such information refer;
(iii) Engagement in market manipulation activities.
and/or
5. Any act or deed which has resulted in sanctioning any entity within the Organisation, committed by a person acting (i) in its own name or (ii) as member of a body within the entity or (iii) using a management position based on:
 - (a) A power of attorney from that entity;
 - (b) An authority to take decisions on behalf of that entity; or
 - (c) Tasks related to exercise control within that entity. *and/or*
6. Sanctions imposed by the ASF, ANRE and other supervisory or regulatory authorities.

Convicted person – for the purpose of this policy, the person against whom a court has issued a final judgment of conviction (except for a final conviction to imprisonment, when the employment contract or any other contract under which the person operates within the Organisation ceases as of the date of the final judgment) for one or more Cases of violation, regardless of his capacity as authorship, instigator or accomplice, whether convicted for the act or just an attempt to commit the act.

Code – the Code of Ethics and Professional Conduct

THE PRINCIPLES OF THE POLICY

1. In applying the provisions of the Code the Organisation's Personnel will monitor and avoid the following situations likely to represent a potential violation of the principles and rules of the Code:
 - 1.1. to participate in decision-making processes regarding a person who is husband/ wife, relative or relative by affinity up to fourth degree;
 - 1.2. to recruit, hire or contract a Convicted person for a managing position within the Organisation, in the capacity of Management personnel;
 - 1.3. to promote/assign/mandate in a managing position within the Organisation a Convicted person, in the capacity of Management personnel;
 - 1.4. to maintain a Convicted person in a managing position within the Organisation, in the capacity of Management personnel, in case the termination of the contract has not intervened in accordance with applicable legislation and/or if the Organisation's initiative to suspend, modify or terminate the agreement does not breach its specific provisions or the national labor law.
2. In case of direct or intermediate hierarchical relations between spouses, relatives or relatives by affinity up to fourth degree, the general principle for preventing those potential conflicts of interests from becoming effective is that any decision on the person's occupying the lower hierarchical position career management (professional performance assessment, remuneration, training, promotion, mandate, KPIs, etc.) will be taken either by peers having equivalent executive positions with the decision maker normally in charge (who is conflicted), either by his superior/manager as follows:
 - 2.1. by the Mandated Executive/manager coordinating the person involved in a relation (spouse, relatives or relative by affinity up to fourth degree) with the person subject to the decision, if such executive exists, or
 - 2.2. by two other peers Mandated Executives, having equivalent executive positions with the person involved in a relation (spouse, relatives or relative by affinity up to fourth degree) with the person subject to the decision; usually the two decision makers are the Mandated CEO and the Mandated Division CO, however in this specific situation

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 6/10

- Human Resources Division Mandated CO and the Legal Substitute of the Mandated CEO/Mandated Division CO will be involved in decision making, or,
- 2.3. by exception, only if there is no executive manager and only until the mechanism of mandate contracts will be implemented for all executives coordinating activities/divisions inside Electrica's subsidiaries and they will report directly to the subsidiary's Board of Directors, by a committee including:
 - Electrica S.A. Human Resources Division Mandated Chief Officer,
 - The Manager coordinating the person's subject to decision working area at Electrica S.A. level,
 - The Legal Substitute of the decision maker involved in a relation (spouse, relative or relative by affinity up to fourth degree) with the person subject to the decision.
 3. Any breach of the policy's provisions is considered misconduct/ violation for the responsible Personnel and is sanctioned according to the law, the Articles of Association and/or internal regulations of the company depending on the judicial nature of the relations between the responsible person and the Organisation.
 4. Any benefit, material or of other nature, , obtained by the Personnel based on a decision making process conducted without complying with this policy is considered an undue benefit, and therefore the legal applicable procedure shall be initiated for the purpose of cancelation or refund to the Organisation, and reverting to the situation prior the decision-making process.
 5. The Organisation reserve the right to seek damages if the candidate or its Personnel is responsible for violating any provisions of this policy.

RULES OF ENFORCEMENT

6. Recruiting and Selecting Personnel

- 6.1. During the recruiting and selecting procedures the Organisation will consider not to contract Convicted persons. This provision shall apply by way of total prohibition for contracting executive managing positions within the Organisation.
- 6.2. Selected candidates for a position corresponding to the Management personnel within the Organisation will fill in and sign an affidavit stating they are not Convicted persons and they will submit a criminal record before signing the contract.
- 6.3. Affidavits are registered by the employer and included in the personal file of the recruited.
- 6.4. The personnel nominated in the recruiting/examining commission will fill in a declaration of interests stating in sole responsibility that they are/are not husband/wife, relative or relative by affinity up to fourth degree with any of the candidates.
- 6.5. In case one of the members of the recruiting/examining commission is husband/wife, relative or relative by affinity up to fourth degree with one of the candidates, she/he must abstain from membership and the human resources department will proceed with the proposal to complete the commission with another member.
- 6.6. The Management personnel responsible for signing, endorsement or approval of the topics, bibliography, ads, minutes of selection/examining, decisions or any other documents required in the recruitment process, shall immediately notify the human resources department and the ethics & compliance department/ officer and withhold from the decision making process if her/his husband/wife, relative or relative by affinity up to fourth degree is/are participating in the process.
- 6.7. The attributions of the person in the situation provided by art. 6.6 will be taken over as follows:
 - 6.7.1 by the Mandated Executive/manager coordinating the person's activity, if such executive exists, or

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 7/10

6.7.2 by two other peers Mandated Executives, having equivalent executive positions with the person, in line with art.2.2. provisions, or,
6.7.3 by exception, only if there is no executive manager and only until the mechanism of mandate contracts will be implemented for all executives coordinating activities inside Electrica's subsidiaries and they will report directly to the subsidiary's Board of Directors, by a committee formed according art. 2.3. provisions.

- 6.8. If it is revealed in any way after signing the contract with a person recruited following a contest/ selection process that the provisions of this policy were breached, that one of the affidavits mentioned by art. 6.2. and 6.4. is false, incomplete or incorrect or that the provision of art. 6.5., 6.6. and 6.7. have not been complied, each of such breaches are considered serious disciplinary offenses and the human resources department will proceed to initiate the prior disciplinary investigation and will take all necessary measures according to the applicable law and the Organisation's internal procedures, while informing the CEO or the Board of Directors as case may be.

7. Professional Performance Assessment

- 7.1. The Organisation' Personnel cannot asses the professional performance or countersign the assessment of the professional performance for her/his husband/wife, relative or relative by affinity up to fourth degree.
- 7.2. In case of direct or intermediate hierarchical relations between spouses, relatives or relatives by affinity up to forth degree, duties on the professional performance assessment process will always be taken over as follows:
- 7.2.1. by the Mandated Executive/manager coordinating the person involved in a relation (spouse, relatives or relative by affinity up to forth degree) with the person subject to the decision, if such executive exists, or
- 7.2.2. by two other peers Mandated Executives, having equivalent executive positions with the person, in line with art.2.2. provisions, or,
- 7.2.3. by exception, only if there is no executive manager and only until the mechanism of mandate contracts will be implemented for all executives coordinating activities inside Electrica's subsidiaries and they will report directly to the subsidiary's Board of Directors, by a committee formed according art. 2.3. provisions.
- 7.3. If it is discovered by any mean after the completion of the professional performance assessment, that art. 7.1. and 7.2. have not been complied, the human resources department will proceed to annul the professional performance sheet and shall proceed with the reassessment of the professional performance in line with this policy provisions.

8. Personnel promotion/internal recruitment

- 8.1. Internal recruitment/promotion procedures will not allow recruiting /promoting in management positions Convicted persons.
- 8.2. The Personnel assessed during internal recruitment for positions corresponding to Management personnel will fill in and sign an affidavit stating that they are not Convicted persons and they will submit a criminal record before signing the new contract/addendum.
- 8.3. Affidavits mentioned by art. 8.2. are registered by the company and included in the personal file of the recruited person.
- 8.4. The Management personnel responsible for signing, endorsement or approval of the topics, bibliography, ad, minutes of selection/examining, decisions or any other documents required in the internal recruitment/promotion process, shall immediately notify the human resources department and the ethics & compliance department/officer and withhold from the decision making process if her/his spouse, relatives or relatives by affinity up to fourth degree is/are participating in the process.

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 8/10

- 8.5. The attributions of the person in the situation provided by art. 8.4. will be taken over as follows:
- 8.5.1. by the Mandated Executive/manager coordinating the person's activity, if such executive exists, or
 - 8.5.2. by two other peers Mandated Executives, having equivalent executive positions with the person, in line with art.2.2. provisions, or,
 - 8.5.3. by exception, only if there is no executive manager and only until the mechanism of mandate contracts will be implemented for all executives coordinating activities inside Electrica's subsidiaries and they will report directly to the subsidiary's Board of Directors, by a committee formed according art. 2.3. provisions.
- 8.6. The Personnel nominated in the internal recruiting or assessment commission will fill in a declaration of interests stating in sole responsibility that they are/are not husband/wife, relative or relative by affinity up to fourth degree with any of the assessed persons.
- 8.7. In case one of the members of the internal recruiting or assessment commission is husband/wife relative or relative by affinity up to fourth degree with one of the assessed persons, she/he must abstain from membership and the human resources department will proceed with the proposal to complete the commission with another member.
- 8.8. If it is discovered, by any means, after promoting a person following an internal recruitment procedure, that the provisions of this policy were breached, that one of the affidavits mentioned by art. 8.2. and 8.6. is false, incomplete or incorrect or that art. 8.4., 8.5., 8.6. and 8.7. have not been complied, the human resources department will proceed to the prior disciplinary investigation for the responsible persons inside the Organisation, while informing the CEO or the Board of Directors as case may be.
9. Management Personnel
- 9.1. The Management personnel within the Organisation fill in and sign annually an affidavit stating that they are not Convicted persons.
 - 9.2. The affidavit will be updated and submitted to the human resources department until 01 of June each year, or anytime there is a significant change of the Personnel' status according to art. 7.1.
 - 9.3. If it is discovered by any means after submitting the affidavit, that the provisions of this policy were breached, that the affidavit mentioned by art. 9.1. is false, incomplete or incorrect, the human resources department will proceed to the prior disciplinary investigation for the accountable person inside the Organisation, while informing the CEO or the Board of Directors as case may be.
 - 9.4. If a person occupying a management position cannot sign the affidavit mentioned by art. 9.1. or cannot present a criminal record, she/he will appear before a committee to explain the reasons which do not allow her/him to sign or to present the mentioned documents. The committee will include members from the legal department, the human resources department, the ethics & compliance department/officer, the trade unions and the person's hierarchical superior/a person's peer with mandate contract in case there is no hierarchical superior.
 - 9.5. If the person occupying a position corresponding to the Management personnel finds himself in one of the situations provided under art. 52 paragraph (1) of the Labour Code, the committee mentioned above can propose the suspension of the agreement/ agreements with the Organisation. Considering the particularities of each case, the suspension can operate on all agreements that a person has within the Organisation, no matter the number, the legal form or the legal entity of the Organisation which agreed to them.

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 9/10

- 9.6. After the court's final judgment, depending on the issued judgment of conviction, the suspension will cease and the person will either continue the activity on the same position according to its agreements with the Organisation, with retroactive payment of entitlements for the suspension period, or, under the applicable law, the employment contract or any other existing agreement between that person and any entities within Organisation will be terminated.

REPORTING OF NON-COMPLIANCE

The Organization adopts and implements a policy regarding Whistleblowing, based on the principles outlined in the Code of Ethics and Professional Conduct. Any employee, customer, supplier, contractor and sub-contractor of the Organisation who is related to its operations, may lodge under conditions that ensure the confidentiality of his identity, notifications or complaints on any action of an employee or a person acting on behalf of the Organisation that would violate the law or internal rules on business ethics and conduct of the Organisation, including the provisions of this policy.

The notification of any breach from this policy may be submitted according to the whistleblowing procedure, at <http://www.electrica.ro/en/whistleblowing/> .

Electrica S.A.	Policy regarding ethical career management	Cod: ESC-P-6
	Prevent from manifesting the potential conflicts of interests and prevent reputational risks by monitoring management personnel integrity	Ed. 1, Act. 1
		Page: 10/10

Annex 1

AFIDAVIT

The undersigned,

.....

.....

occupying/as candidate for the

.....

position at

.....

branch.....,

agency.....,

with internal ID¹....., knowing the provisions of art. 326 of the Criminal Code regarding false statements, I declare on my own responsibility that I do not have a criminal record, I am not and have not been Convicted for one or more Cases of violation².

Name and signature

Date:

¹ If exists already

² **Cases of violation** – refers to any of the following acts or other assimilated:

1. Criminal acts incompatible with the position held or in connection with the activity performed and/or
2. Criminal offences of corruption and in performing duties, crimes against property, tax evasion, forgery, criminal offences against the security and integrity of information systems and data, criminal offences under Law no. 656/2002 on prevention and sanctioning money laundering, as well as for setting up some measures for prevention and combating terrorism financing or criminal offences under Company Law no. 31/1990 and/or
3. Setting up an organized crime group and/or
4. (i) Disclosure of privileged information, or use of such information, in order to obtain or dispose of, or with the intent to obtain or dispose of financial instruments to which these information refer, directly or indirectly, on one's own behalf or on behalf of others;
(ii) Recommendation to a person, based on privileged information, to obtain or dispose of financial instruments to which such information refer;
(iii) Engagement in market manipulation activities. and/or
5. Any act or deed which has resulted in sanctioning any entity within the Organisation, committed by a person acting (i) in its own name or (ii) as member of a body within the entity or (iii) using a management position based on:
(a) A power of attorney from that entity;
(b) An authority to take decisions on behalf of that entity; or
(c) Tasks related to exercise control within that entity. and/or
6. Sanctions imposed by the ASF, ANRE and other supervisory or regulatory authorities.