Policy regarding the avoidance and combating conflicts of interest

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AIM

In accordance with the Code of Ethics and Professional Conduct, the Organisation commits, through the ethics, sustainability and compliance department/ officer to carry out its operations in terms of ethics and integrity. The aim of the policy regarding the avoidance and combating conflicts of interests is to protect the Organisation against ethical breaches, and any other issues of noncompliance that could harm the reputational, commercial, and financial 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 Electrica SA and its subsidiaries, in all the activities performed for or on behalf of the Organisation.

This Policy provisions are not representing exemptions from the legal provisions in force. The Personnel have the obligation to comply with applicable laws.

This Policy provisions does not cover procurement procedures, which are covered by dedicated policy and procedure in force.

DEFINITIONS

Affinity – the connection between the spouse and the relatives of the other spouse; the spouse's relatives are in the same line and the same degree, affinity to the other one.

Conflict of interests – the situation in which the organisation's personnel has a direct or indirect\(^1\) personal interest, contrary to the interest of organisation, so it affects or can affect the objectivity and impartiality in decision making or timely fulfilment of their duties during the job performance.


Executive Positions – positions occupied by persons 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.

Personal interest – any material advantage or of another kind\(^2\), pursued or obtained directly or indirectly by Electrica's personnel, for themselves or for others, by using their reputation, influence, facilities, relations, information they have access to, as a result of performing their duties.

Incompatibility – interdiction (specified by law) to concurrently exercise two functions, responsibilities, professions or duties which, by their nature, are contradictory, and make a person unable to exercise or occupy them in the same time.

\(^1\) For the purposes of this Policy, if, for example, an executive with mandate contract within the Organization is also director in a services providing company outside the Organization to enter into a contract with the Organization, this represent a conflict of interest situation and the mandated executive must declare it and refrain from any decision-making process regarding that services provider (offer evaluation, award contract, signing services acceptance protocol, confirming invoiced services, etc.).

\(^2\) For the purposes of this Policy, a benefit of another kind could be a reputational benefit, for example if an executive with mandate contract within the Organization is also president of a nonprofit foundation that submit an application for obtaining financing from the Organization there is a conflict of interest situation and the mandated executive must declare it and refrain from any decision-making upon this financing request.
Organisation – the ensemble of Electrica S.A.’s structures, its subsidiaries, and other entities inside the group, with legal personality.

Business partners – all the persons and legal entities the Organisation maintains or initiates a business relationship with, including institutions or state authorities whose decisions can influence the Organisation’s operations.

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 group.

Coordination 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.

Relative – (1) natural - is the connection based on the filiation of a person from another or that of several people having a common ancestor; (2) civil – is the connection that results from the adoption completed in respect to terms provided by law. Relative is in “straight-line” in the situation of a filiation of a person from another, and can be ascending or descending. Relative is in “side-line” when several people have a common ancestor. Family relationship is established: a) “straight-line” considering the number of births, thus, children and parents are immediate relatives, nephews and grandparents are second-degree relatives; b) “side-line” considering the number of births, coming up from one common ancestor and down to the other relative, thus, the siblings are second degree relatives, uncle or aunt and nephew, of third degree, cousins, of fourth degree.

Labour/Assimilated Relations – relations governed by a contract [such as labour contract, mandate contract, services contract, etc.] concluded in its own name by a Decision-maker and the natural or legal person subject to decision, generating a proven personal benefit for the Decision-maker.

THE PRINCIPLES OF THE POLICY

1. Conflicts of interest and incompatibilities
In applying the provisions of the Code regarding the avoidance of conflicts of interest, Electrica’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. The situation in which a person is called to participate in a decision-making processes (recruitment, evaluation, contracting, etc.) (The Decision-maker) involving:
   i) a person who is his husband/ wife, relative or affiliation up to second degree directly or indirectly, as member of the governance bodies (according to Companies Law no. 31/1990) of a legal person (as shareholder, administrator, executive manager, etc.) or employee with managerial or coordination position within a legal person.
   ii) a natural or legal person with whom he/she had Labour/Assimilated Relations during the last 1 year;

3 Except for contracting after the completion of procurement procedures regulated by the dedicated legislation, the policy POL-ACH and the procedure PO-ACZ-1 in force.
4 According to art. 144 and art. 152 of the Companies Law no. 31/1990 directors and mandated executives (general managers, mandated managers) of the companies have the obligation to inform company’s directors and auditors in case they know their spouses, relatives or relatives by affinity up to forth degree have an interest regarding a certain operation, to not decide and to not participate in any deliberation upon that operation.
iii) a legal person who had the Decision-maker as member of its governance bodies (according to Companies Law no. 31/1990⁵) during the last 1 year.

1.2. Situations of direct or intermediate hierarchical relations between spouses, relatives or affiliation up to second degree.

1.3. Participation in decision-making after they reported receiving gifts outvaluing twice than the limit allowed by the Policy regarding gifts, protocol expenses and prohibition of facilitation payments.

1.4. Holding by the same person of two executive⁵ positions which, by their nature, do not allow moonlighting or imply a relation of subordination between them that may generate conflicts of interest within the Organisation.

1.5. Persons who held control positions within institutions outside the Organisation (e.g.: CCR, ANRE, ANAF, ITM) and participated in audit/controlling missions the Organisation was subject to cannot be employees of the Organisation for 1 year after finishing the activity.

2. Political non-affiliation

2.1. It is not forbidden for Electrica’s Personnel to sympathise or be part of legally constituted political parties, if their political activity do not affect professional performance or they do not make propaganda at work.

2.2. Personal participation in social and political activities, excepting participation to the activities of labour unions, is accepted only outside the working schedule, and only avoiding the use of any visual identity elements of the Organisation which could relate it with those social or political activities.

2.3. The legal provisions in force regarding incompatibilities or leading positions within political parties and entities are strictly applied to the Coordination personnel and the persons occupying Executive Positions inside the Organisation.

2.4. The Organisation prohibits the Personnel to make political propaganda at work, to use the resources of the Organisation, of whatever nature, in supporting political parties, political entities or candidates, as well as to attend any event of political propaganda visibly using Electrica’s visual identity elements so as to induce even indirectly, the idea of Organisation’s support.

2.5. It is forbidden using in any way the position held within the Organisation with the purpose or in the interest of being elected in a public office as well as using in any way the resources provided by the Organisation, the working time or other similar with the purpose or in the interest of being elected in a public office. If for being elected in a public office, the resources provided by the Organisation, the working time or other similar could be in any way affected, since the public announcement of their nomination up until the validation of the election results, the person could ask either vacation, either unpaid leave, either suspension of the legal agreement with parties consent.

2.6. In case any member of Electrica’s personnel is elected for a public office, the labour agreement signed with the Organisation is legally suspended according to art. 50 (d) of the Labour Code, for the entire period of exercising the mandate in public office, unless the law stipulates otherwise.

3. Any breach of the above mentioned obligations is considered misconduct (for the labour agreements)/ violation of contractual obligations (for any other agreement) and is sanctioned according to the law/ the provisions of the agreement signed with the Organisation, depending on the judicial nature of the relations with the Organisation.

⁵ For the purposes of art. 1.4. of this Policy, where a person hold both the mandated executive position and the director position in different entities within the Organization does not represent a conflict of interest, because the director position is a non-executive position.
RULES OF ENFORCEMENT

4. Ensuring compliance

4.1. In the cases mentioned at point 2.6, the persons have the obligation to:
   4.1.1. Immediately report the situation.
   4.1.2. Choose one of the two positions within the permissible period for substantiating an option from the date of the occurrence of the situation, according to the law, resigning from the second position, except for the case in which the labour agreement signed with the Organisation is legally suspended, according to the law.
   4.1.3. Not to participate in any decision making process until substantiating an option; until the substantiation of the option as well as after choosing in favour of the position within the Organisation and until the termination of the incompatibility clause, participation in the decision making process will not be permitted.

4.2. In the cases mentioned at point 1.2. Policy regarding ethical career management provisions are applied.

4.3. In the cases mentioned at point 1.4., the persons who find themselves in such situations have the obligation to:
   4.3.1. Immediately report the situation to the HR department, which notifies the respective person regarding its options for clarifying or fixing the situation.
   4.3.2. Comply with the option communicated by the HR department in the required term.
   4.3.3. Not to participate in any decision making process until complying with the option communicated by the HR department.
   4.3.4. In the situation of non-compliance within the term required by the notification, the HR department will initiate the disciplinary investigation or, as case may be, the procedure stipulated by the agreement signed with the Organisation for agreements provisions breach (for any other agreement except the labour agreement).

4.4. In the situations specified at points 1.1. and 1.3:
   4.4.1. The persons appointed to participate in decision making processes lodge a declaration, before the beginning of the process, stating that they do/do not find themselves in any situation specified in the Code and this Policy, describing the situation, if necessary. This declaration will be filed in after taking note of the parties' identity and will be filed in the folder containing the specific documentation for the decisional process in question.
   4.4.2. If, during the process, the existence of any such situation is revealed, the person involved immediately notifies the ethics and compliance department/officer, makes an abstention declaration and asks to be replaced.
   4.4.3. Decision-making without complying with the Code and the present Policy is considered misconduct (for the labour agreements)/violation of contractual obligations (for any other agreement) for the Personnel involved and is sanctioned according to the law/provisions of the agreement signed with the Organisation, depending on the judicial nature of the relations with the Organisation.

4.5. Persons holding Executive Positions fills in annually statement of assets and interests according to law provisions in force and A.N.I. regulations6.

4.6. Coordination personnel fills in annually declarations stating on sole responsibility that they do/do not find themselves in any situation specified by art. 1.2, 1.4 and 1.5.

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6 https://www.integritate.eu/A.N.I/Legislație.aspx
4.7. The declaration specified at point 4.6. is updated and submitted to the ethics and compliance department/officer no later than 1st of June every year, and every time a relevant change occurs in the personal situation of personnel specified at point 4.6.

4.8. If the analysis carried out regarding the declarations of interests proves a breach of the provisions of this Policy and/or the declaration specified at art. 4.6 is false, the ethics and compliance department/officer shall submit the matter to the HR department and the general manager/CEO.

4.9. If breaches of this Policy are found after the adopted decisions have produced effects, the ethics and compliance department/officer informs the general manager/CEO, proposing a committee (formed by representatives of each of: the legal department, the HR department, the ethics and compliance department/officer, and the department whose activity was affected by the decisions in question, as well as a representative of the employees) that analyses the impact of the decision and the measures for redressing the situation implemented according to the Organization's interests.

4.10. The ethics and compliance department/ officer makes an annually analysis of the risks regarding the conflicts of interests and communicates it to Organization’s personnel holding Executive Positions.

4.11. The ethics and compliance department/ officer will elaborate yearly a separate report or a section included in the yearly report regarding the situation of conflicts of interests during the previous year.

**Reporting of Non-compliance**

Electrica adopts and implements a policy regarding Whistleblowing, based on principles outlined in the Code of Ethics and Professional Conduct. Any employee, customer, supplier, contractor and subcontractor 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/procedura-de-raportare-a-abaterilor-etice/]
DEVELOPMENT OF INTEREST

________________________________________
(last name and first name), holding the position of ____________________________ at ________________________________
HR registration code __________________________, address ____________________________

Knowing the provisions of Art. 326 of the Criminal Code regarding false statements, I hereby declare that I do not find myself in any of the following situations:
- direct or intermediated hierarchical relations between spouses, relatives \(^1\) or affiliation up to forth degree \(^{ii}\);
- holding two executive \(^{iii}\) positions which, by their nature, do not allow moonlighting or imply a relation of subordination between them that generates conflicts of interest within the Organisation;
- holding control positions within institutions outside the Organisation and participated in audit/controlling missions the Organisation was subject to;

Signature/name and position __________________________
Date __________________________

\(^1\) Relative – (1) natural - is the connection based on the filiation of a person from another or that of several people having a common ancestor; (2) civil – is the connection that results from the adoption completed in respect to terms provided by law. Relative is in “straight-line” in the situation of a filiation of a person from another, and can be ascending or descending. Relative is in “side-line” when several people have a common ancestor. Family relationship is established: a) “straight-line” considering the number of births, thus, children and parents are immediate relatives, nephews and grandparents are second-degree relatives; b) “side-line” considering the number of births, coming up from one common ancestor and down to the other relative, thus, the siblings are second degree relatives, uncle or aunt and nephew, of third degree, cousins, of fourth degree.

\(^{ii}\) Affinity –the connection between the spouse and the relatives of the other spouse; the spouse's relatives are in the same line and the same degree, affinity to the other one.

\(^{iii}\) For the purposes of art. 1.4. of this Policy, where a person hold both the mandated executive position and the director position in different entities within the Organization does not represent a conflict of interest, because the director position is a non-executive position.