

Electrica S.A.	“Zero tolerance” to Corruption, Fraud and Money Laundering Policy	Cod: ESC-P-1
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“Zero tolerance” to Corruption, Fraud and Money Laundering Policy

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“Zero tolerance” to Corruption, Fraud and Money Laundering Policy

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 of its operations in terms of ethics and integrity, transparency, and openness to dialogue with stakeholders. The aim of “Zero Tolerance” to Corruption, Fraud and Money Laundering Policy is to protect the Organisation against ethical breaches, and any other issues of noncompliance that could harm reputational, commercial, 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.

Definitions

Corruption – represents the abuse of entrusted power in virtue of the public or private held position, in order to satisfy a personal or group interest or in order to obtain illegitimate material benefits.

Gift – any advantage, material benefit or of any other kind offered during or in connection with the professional duties of Electrica’s Personnel, by a person or legal entity with whom the Organisation undertakes or intends to undertake business relations. Gifts are considered to be, without being limited to: vacation invitations, invitations to unofficial events, financing travel expenses, others than the ones that are in the interest of the Organisation, goods and services, remunerations, rewards that are not subject to the Personnel motivation policy, facilities or privileges of any kind.

Protocol expenses – The expenses covered by the Organisation for hospitality, events, and business meals carried out in its interest, where its own Personnel takes part in, and on a case by case basis, business partners, at Electrica’s invitation .

Travel expenses – The expenses covered by the Organisation for the transportation and accommodation for its Personnel and, on a case by case basis, for the business partners, at Electrica’ invitation of, if the business travels are made for Electrica’s interest.

Conflict of interest – the situation when Electrica’s Personnel has a direct or indirect personal interest, contrary to the interest of the Organisation, that affects or can affect the objectivity or impartiality of the decision making process or the timely fulfilment of their duties during the performance of their held position.

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Personal interest – any material advantage or of another kind, 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.

Organisation – The ensemble of Electrica S.A.’s structures, its subsidiaries and other entities inside the group, whether they have legal personality or not.

Business partners – all the persons and legal entities the Organisation maintains, initiates or intends to initiate 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.

Public sector Personnel – (i) public servant means: any person who holds an legislative, executive, administrative or legal office in a country, whether appointed or elected, permanently or temporarily, paid or unpaid, regardless of its seniority; (ii) any other person who performs public office including in a public body or a public enterprise or who offers public services, as it is defined in the legislation or as it is applied in the state’s special legislation; (iii) any other person defined as a “public servant” in the legislation of the state. Besides the officials from the national public sector, there are the foreign officials, defined by any person who holds a legislative, executive, administrative office or legal person in a foreign country, whether appointed or elected, and any person performing a public function for a foreign country, whether it is a public body or enterprise. Finally, the officials of public international Organisations like international officials or any other person authorised by an international Organisation to act on its behalf.

Bribery – The payment in money or assets with the purpose of obtaining a benefit (obtaining a contract, avoiding a fine, etc.)

Undue advantage – any good, facility or service which can be quantified in money (the subsequent employment of a person who carries out a control in respect to the Organisation and applies no sanction, although there is a substantiation for it) and the person or legal entity who receives it was not entitled in an ethically, legitimate and legally way.

Facilitation payment - A supplementary payment made to determine a person to properly perform their duties, which can lead to preferential treatment.

Misappropriation / embezzlement - The situation in which a person who holds an office in an institution, organisation or company, unlawfully and dishonestly appropriates, uses or puts into circulation, funds or goods that have been entrusted to perform their duties or other related activities in respect to the interest of the Organisation.

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Fraud – the deliberate act of deceit of a person or legal entity in order to obtain an undue advantage.

Tax fraud - is the conduct of the taxpayer who seeks to evade the payment of taxes, contributions and any other amounts owing to the state budget. Tax fraud incorporates the crimes of tax evasion and other acts that have the effect of concealing the taxable object, understatement of taxable or circumventing the laws, by interpreting them in an unexpected combination, contrary to the spirit of the law.

Advocacy – The activity of influencing public decision and the allocation of resources in favour of moral, social, economic or otherwise causes, or for the protection of legitimate interests, using the legal ways of public participation in decision making alone or together with other stakeholders

Lobby - influencing public decisions through activities directly persuading the decision makers by face to face meetings in non-transparent conditions, in favour of individual cases that may be harmful to others.

Money laundering - The process of disguising the origin, ownership and destination of the illegally obtained money or in a dishonest way by hiding them in legal economic activities.

Traffic of influence – the action of receiving or demanding money or other benefits or accepting promises of gifts, directly or indirectly, for himself or for another, committed by a person who has influence or to suggest that he has influence over an official, public servant or other employee, to determine him to do or not to do an act falling within his duties.

Inside information - represents the information, in a procurement procedure, which has not been made public by the contracting authority but which if it would have been provided in a discriminatory manner, can create one/some candidates an advantage over with others.

The principles of the policy

1. Bribery and facilitation payments

1.1. The Organisation forbids the offering, gifting or accepting bribes in any form, including commissions, any part of a contract’s payment or using any other way to offer undue benefits to clients, middlemen, sales agents, contractors, suppliers or their employees, public sector Personnel or any other stakeholders.

1.2. The Organisation forbids its Personnel to facilitate taking or accepting bribes or commissions from clients, middlemen, sales agents, contractors, suppliers or their employees, public sector Personnel or any other stakeholders, for personal benefit or for the benefit of their spouse, of relatives or in-laws up to grade IV, of associates or other persons that Electrica Personnel had or has contractual relationships with (over the last five years).

1.3. The Organisation forbids its Personnel to promise, offer and give, directly or indirectly, to a business partner, public sector Personnel or stakeholder, an undue advantage in

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their interest or in the interest of another person or legal entity, with the aim of determining the beneficiary to act or to refrain from acting in a certain way while performing his/her duties, so that Electrica obtains a non-ethical benefit of any nature.

- 1.4. The Organisation commits not to ask in any way, directly or indirectly, for its Personnel to promise, offer or give, in Electrica’s name, directly or indirectly, to a business partner, stakeholder or public sector Personnel an undue advantage in their interest or in the interest of another person or legal entity, with the aim of determining the beneficiary to act or to refrain from acting in a certain way while performing his/her duties, so that Electrica obtains a non-ethical benefit of any nature.
- 1.5. The Organisation forbids its Personnel to request, to accept or to imply, directly or indirectly, to a business partner, public sector Personnel or stakeholder, an undue advantage in their interest or in the interest of another person or legal entity, with the aim of determining the beneficiary to act or to refrain from acting in a certain way while performing his/her duties, behaviour which violates the provisions of the Code of Ethics and Professional Conduct and can cause damages of any nature to Electrica.
- 1.6. The Organisation recognizes that facilitation payments are a form of bribe, forbids their use and adopts measures for identifying and eliminating any attempt of using them.
- 1.7. The Organisation forbids the offering or acceptance of gifts, protocol expenses, travel expenses or reimbursed expenses, even if these fall under the Policy regarding gifts, protocol expenses and forbidding facilitation payments (within its limits), when such practices can affect the result of commercial transactions and they are not expenses generated in good faith.

2. Abuse of office

- 2.1. The Organisation forbids Electrica’s Personnel the abusive and discretionary use of service duties in order to create a discriminatory situation, a damage or an undue benefit for another member of its Personnel, a client, business partner or stakeholder, person or legal entity.

3. Trafficking and buying influence

- 3.1. The Organisation shows all diligence needed in order to ensure that all sponsorships and charitable contributions will not be used as a subterfuge for bribery, commissions of any type, undue advantages or for the financing or material support of political parties, electoral campaigns or candidates for public office. In this context, Electrica publishes all charitable contributions and sponsorships.
- 3.2. The Organisation and the Electrica Personnel will promote the legitimate interests of the company or group in relation to any decision-maker through public, transparent participation in the decision-making process, as well as by using the available legal means.

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- 3.3. The Organisation and the Electrica Personnel will abstain from using persons and legal entities that are expecting to have an undue influence on decision-makers in order to promote the interests of the company or group.
- 3.4. The Organisation forbids its Personnel to promise, offer and give an undue advantage to public sector Personnel or any other persons in order to determine them to use their influence, real or assumed, to obtain an advantage from a public administration or authority, national or international, as well as from any other public or private entity or in order to fulfil their own interests.
- 3.5. The Organisation forbids its Personnel to request or to receive an undue advantage from any person or legal entity, in order to use their real or assumed influence to obtain an advantage from Electrica or a structure within the group in the interests of the person or Organisation in question.

4. Conflicts of interest

- 4.1. The Organisation recognizes that benefits of any nature for Electrica, for its Personnel or for a third party, including business partners or stakeholders, obtained as a result of a decision made while a conflict of interest exists represents a form of undue advantage (corruption) and as such forbids making decisions in such circumstances and adopts measures to identify and prevent this type of situations.

5. Procurement fraud and unfair competition

- 5.1. The Organisation forbids its Personnel to commit the Organisation to any kind of business relations in conditions that require limiting fair competition or that lead to obtaining an undue benefit as a result of unfair competition practices.
- 5.2. The Organisation forbids its Personnel to request, access or use confidential information from contracting authorities in order to obtain contracts, during procurement procedures in which it acts as a bidder.
- 5.3. The Organisation forbids its Personnel to offer confidential information regarding the procurement procedures taking place in order to give an advantage to a specific potential bidder.
- 5.4. For the procurement procedures in which it acts as a bidder, Electrica and its branches commit themselves to transparently present the way in which the offered price was calculated, respecting the terms of reference set through the request for proposals/tender documentation (quality, quantity, delivery deadlines, parameters etc.).

6. The provisions of sections 1 to 5 also apply to Electrica’s Personnel relations within the Organisation, if involve obtaining a benefit, at least unethical, for one or both parties.

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7. Misuse of resources

- 7.1. The Organisation forbids its Personnel to defraud or misuse, for their personal interest or in the interest of another person or legal entity, the Organisation’s funds, mobile assets, material base, human and informational resources, or any other assets with patrimonial or non-patrimonial value that belong to the Organisation and that are entrusted to him in performing his/her job.
- 7.2. Electrica’s Personnel has the obligation to protect the company’s assets and resources and to prevent their damaging, vandalism or incorrect and/or unauthorized usage.
- 7.3. While performing economic, financial or commercial activities with business partners, clients or other stakeholders, Electrica’s Personnel involved, regardless of their position, are forbidden from defrauding or misusing for their own benefit or the benefit of another person or legal entity, the private funds, mobile assets or any other assets with patrimonial or non-patrimonial value that belong to partners or clients and that are entrusted to him/her in performing his/her job.
- 7.4. The Organisation commits not to request the usage and not to use the assets or resources of a business partner, client or stakeholder in an undue way, in order to obtain an undue advantage for Electrica.
- 7.5. Upon cessation of contract, whether it is an individual employment contract or another kind of contract, Electrica Personnel has the obligation to return what belongs to the Organisation, including documents (in both hard copy and electronic copy).

8. Lack of political affiliation

- 8.1. The Organisation commits not to finance, directly or indirectly, parties, political formations or candidates for public office, on a national and international level, as a collective obligation opposed to all political forces. At the same time, the Organisation will not publicly support a political candidate or party during their electoral campaign or in elections, in accordance with the Policy on avoiding and fighting conflicts of interest.

9. Money laundering and fraud

- 9.1. The Organisation commits not to take part in any actions that involve using funds with unknown origin and not to take part in or initiate pyramidal or circular actions that have hiding the source of the funds as an effect.
- 9.2. Electrica’s Personnel is forbidden to participate, in the position they hold inside the Organisation or to use this position for transferring money or transforming assets, knowing such property is the proceeds of a crime, with the purpose of hiding or dissimulating the illicit origin of this money or assets or of helping any person involved in committing the mentioned crimes in avoiding the legal consequences of their actions.

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- 9.3. Electrica’s Personnel is forbidden to participate, in the position they hold inside the Organisation, in concealing or dissimulating the nature, source, location, use, movement or ownership of money or assets if he/she knows that those are the proceeds of a crime.
- 9.4. The Organisation commits to not carry out fictive or simulated operations, or operations with fictive partners, in order to defraud funds or evade fiscal obligations.
- 9.5. The Organisation commits to not carry out operations through middlemen with the purpose of dissimulating the origin of the funds.
- 9.6. The Organisation commits to not make payments directly to suppliers in the name of third parties, for goods, services or works whose beneficiary is a third party.
- 9.7. The Organisation commits to establish due diligence measures for partners and clients at the beginning of every commercial relation and to update the data regarding them every 3 years, in order to prevent the risk of associating with partners involved in money laundering.
- 9.8. The Organisation commits to designate a person in the financial/accounting department that will monitor the financial flows and the payments made by clients and suppliers, in order to identify any elements capable of indicating the existence of a suspicious transaction. Such elements could be (the enumeration is only meant to exemplify and is not exhaustive):
- 9.8.1. Transactions of a value larger than the RON equivalent of 15000 EUR¹.
- 9.8.2. Transactions in cash whose individual value is smaller than the RON equivalent of 15000 EUR, but which together pass this value, during one bank day and which have or seem to have a connection between them.
- 9.8.3. Payments to a person or legal entity, who on its turn, has debits to the Organisation and who could be the object of compensation according to the provisions of Government Decision no. 685/1999.
- 9.8.4. Suspicions regarding the identity of the person who is making the transaction or to whom the transaction is being made.
- 9.8.5. The existence of notorious connections between the person or the legal entity to whom the payment is being made and a political formation or a candidate for a public office.
- 9.9. The person nominated at each company’s level immediately notify the management of the Organisation and the ethics, sustainability and compliance department/officer in order to adopt the measures necessary to verify the transaction, prevent the Organisation from participating in acts of money laundering and urgently notify the National Office for the Prevention and Combat of Money Laundering, if the conditions provided by the law in this respect are met.

¹ Law no. 656/2002 on preventing and sanctioning money laundering, and the establishment of measures to prevent and combat terrorism financing;

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Rules of enforcement

10. The ethics, sustainability and compliance department/officer is responsible with communicating this Policy and instructing the relevant Personnel with regard to its application in the day-to-day activities of the departments.
11. The heads of department will adopt all necessary measures to ensure the application of this Policy and will otherwise be responsible of lack of diligence.
12. Any breach of the provisions of this Policy constitutes misconduct and is sanctioned according to the legal provisions. Depending on the seriousness of the acts committed, the applicable sanction may go as far as the termination of the contractual relations with the Organisation, regardless of their nature.
13. When a judiciary procedure has been initiated in respect to the same actions, the disciplinary procedure is suspended until the judicial proceeding is settled.
14. In the recruitment procedures, the Organisation will take into account to not contract persons who have in their criminal record the acts which are enlisted in this Policy. This provision applies with the title of interdiction for contracting management positions.

Managing corruption risks

15. Identifying risks

- 15.1. The ethics, sustainability and compliance department / officer, together with the department/ person in charge for risk management at the Organisation level, carries out the process of identifying corruption risks and vulnerable areas each time major changes take place in the Organisation, such as the change of the majority shareholder, naming of a new board, naming of a new executive director, restructuring of the company and of the group, accessing of new markets, listing on a new stock exchange (the list is indicative and is not exhaustive)
- 15.2. Sources for identifying risks and vulnerable areas include:
 - 15.2.1. Complaints filed as part of the procedure for reporting ethical misconduct, irregularities or any other breach of law, through the means of professional complaint (whistleblowing), communicated by the department of Internal Audit of the Organisation as a result of a written request filed by the ethics, sustainability and compliance department / officer.
 - 15.2.2. Reports of the Internal Audit within the Organisation, made available following a written request field by the ethics, sustainability and compliance department/ officer.

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- 15.2.3. The reports of the human resource department of the Organisation, regarding the disciplinary proceedings, made available following a written request filled by the ethics, sustainability and compliance department / officer.
- 15.2.4. Information provided by the legal department regarding the litigations in which the Organisation is involved, respectively litigations that involve the liability of the Organisation or the liability of Personnel members before the Organisation and the compensation of the damages suffered.
- 15.2.5. Monitoring reports of press regarding allegations in the public space regarding the Organisation.
- 15.2.6. Focus-groups and surveys filled in by the Personnel.
- 15.3. The ethics, sustainability and compliance department/officer, in collaboration with the department/person in charge for risk management will carry out an integrated analysis of the indicated sources and will make a list with the risk factors and the vulnerable areas. This list is validated in the consultations with the other departments of the Organisation.
- 15.4. At the request of the ethics, sustainability and compliance department/officer, the department/person in charge for risk management adds to the registry of existing risks the corruption risks which have been identified, specifying: the risk factor, the risk description, the probability that the risk occurs, the impact in the event that the risk occurs, the measures for risk mitigation and prevention, the assessment of the implementation of the proposed measures, the assessment of the remaining risk (annex 1).

16. Risk assessment

- 16.1. In assessing the risks, the following two coordinates will be taken into account: the probability that the risk occurs and the expected impact in the event that the risk occurs.
- 16.2. In assessing the probability that a risk occurs, the following will be taken into account:
- 16.2.1. The nature of the process to which the risk or the corruption situation refers
- 16.2.2. The cases of risk of situations of corruption which have occurred in the Organisation in the past
- 16.2.3. The cases of risk or situations of corruption which have occurred in the energy sector in the past
- 16.2.4. The culture and the local environment in relation to corruption
- 16.2.5. The number of cases concerning a situation or a risk of corruption at Organisation and industry level
- 16.2.6. The number and positions of persons who could be involved in a particular situation of corruption or associated with a specific corruption risk.

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- 16.3. In assessing the impact of a risk in the event that the respective risk occurs, the following will be taken into account:
- 16.3.1. The impact of the corruption incidents which have taken place in the past in the Organisation or in other similar Organisations;
 - 16.3.2. The cost of the fines and other sanctions;
 - 16.3.3. The impact on the Organisation’s operations or on its opportunities to extend, derived from regulatory restrictions applied as consequence of the corruption situation;
 - 16.3.4. The financial impact;
 - 16.3.5. The impact on human resources, related to the opportunities for employment or maintaining the job;
 - 16.3.6. The impact on clients, the relation with them and the costs, which the clients have to bear;
 - 16.3.7. The impact on the stakeholders of capital markets (BVB, LSE, ASF, investors, analysts, and others).
- 16.4. The risk assessment will be carried out by using a scoring system, on a scale from 1 to 5, where 1 represents the lowest probability that the risk occurs and 5 represents the highest probability.
- 16.5. Based on these scores, the degree of risk exposure will be calculated as the arithmetic average of the two scores, in order to prioritize and identify the necessary measures that need to be adopted for preventing and mitigating the risks.
- 16.6. The calculated degree of risk exposure, the prioritization made by the ethics, sustainability and compliance department/officer and the identified measures are communicated to the specialized departments, for validation and adjustment.

17. Risk management

- 17.1. Based on the determined risk degree and the identified measures, the ethics, sustainability and compliance department/officer, in collaboration with the department/person in charge for risk management, sets an action plan for the application of the established measures, which is approved through the decision of the Organisation’s General Director and is fulfilled by the specialised departments, according to their competencies.
- 17.2. The ethics, sustainability and compliance department/officer monitors the application of the action plan for preventing and reducing corruption risks and establishing measures for adjustment, in consultation with the specialized departments, depending on the registered progress and the external factors that can influence the implementation.
- 17.3. On an annual basis, the department/person in charge for risk management in collaboration with the ethics, sustainability and compliance department/officer, assess the efficiency and effectiveness of the measures that have been implemented in the

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Organisation by reassessing the identified risks, communicating the results to the ethics, sustainability and compliance department of Electrica S.A.

- 17.4. Based on these scores of the reassessment the efficiency and effectiveness of the measures for prevention and mitigation of corruption risks is determined being reflected in the residual risk.
- 17.5. The residual risk is the risk that remains after its treatment and after applying these measures.
- 17.6. Based on this analysis, the ethics, sustainability and compliance department/officer fundamentals the revision of the action plan and the involved departments elaborate the explanatory memoranda for the necessary budget for implementing the measures.
- 17.7. The action plan for the mitigation of corruption risks includes: the description of the actions and activities for diminishing or eliminating the risk, the persons responsible with implementation, depending on the area in which each risk occurs, the implementation calendar and the resources allocated to the initiative.
- 17.8. The results of risk management are included in a report, which is forwarded to the department/person in charge for risk management, in order to be included in the annual report regarding risk management at Electrica level as a distinct section, followed by recommendations where applicable.

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 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/> .