

## Remuneration Policy of the members of the Board of Directors

### Proposal

We submit for the GMS approval the Remuneration Policy for the Board of Directors of Electrica and its application from the moment of the Director's election by the General Meeting of Shareholders dated 14 December 2015.

### Background

Based on the best practice used at international and national level and the current situation of the company and the important projects to be developed and implemented under the BoD guidance, the Nomination and Remuneration Committee (NRC) and the Board of Directors (BoD) decided to present to the shareholders a revised proposal regarding the BoD members' remuneration, **having as main pillars a monthly fixed remuneration and an attendance fee**, as follows:

1. **The fixed monthly remuneration** will be kept within the lower quartile, slightly increased, but differentiated for the chairman and the BoD members, respectively EUR 3,000 gross for the BoD members and EUR 4,000 gross for the chairman.
2. **Attendance fee** to the BoD and its committees' meetings, differentiated for the BoD/committees members and the committees' chairmen, respectively EUR 1,000 gross for the BoD/committees members and EUR 1,200 gross for the committees' chairmen. The annual number of meetings to be remunerated is limited to 12 for BoD and to 6 of each committee. Additional committee meetings can be organized only in exceptional situations, according to the chairmen's decision, who are responsible to efficiently organize the bodies' agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.
3. **Reimbursement of every reasonable expenses** related to the execution of the mandate.
4. A **"directors & officers' liability" insurance policy**, supported by the company, the value insured being EUR 10 million, under market terms.
5. **Other legal expenses** sustained by the Director in defending against a third party claim made against the Director in relation to the performance of its duties, the Articles of Incorporation, the BoD Charter or the Legal Framework shall be borne by the Company, to the extent not already covered by the directors & officers' liability insurance policy in force at the time.
6. A **compensation in case of unjustified revocation**.

We present within the Annex 1 the proposed detailed Remuneration Policy for the BoD of Electrica.

### Reasoning

During 2015, the Board of Directors (BoD) conducted the process, triggered by the Nomination and Remuneration Committee (NRC), of analyzing the current remuneration terms of the BoD members and of the executive management of Electrica, compared to the market benchmarks

and best practice at international and national level, having as goal the increasing the organizational efficiency of the company.

For this purpose, AT Kearney and Pedersen & Partners consultants have been contracted and provided the relevant documentation and conclusions:

- describing the basis and recommendations for the remuneration system for the indicated roles, including fixed and variable component and in line with market practice;
- the benchmark includes compensation data from international companies of comparable size in the energy sector, in Romania, as a basis for the analysis. The data was put into perspective and compared to other industries (e.g. Oil&Gas) and other countries in SEE, to display the most suitable data for Electrica;
- most companies choose the range between the median and upper quartile in order to be attractive in market competition, and yet not excessively high. The individual salary of an employee considers also other factors such as: education, experience, technical and leadership competencies, situation of the local labor market (e.g. available pool of valid candidates), individual negotiation position;
- as regards the BoD members' remuneration, the current fixed monthly remuneration is situated at the level of the lower quartile (EUR 2,500 gross); for comparison, according to the study mentioned above, the median level mentions a fixed monthly remuneration of EUR 5,000 gross;
- the international norm, and Electrica is a quoted company on the Bucharest but also on the London stock exchange, is to provide an attendance fee for BOD members participating to BOD and to BOD committees' meetings (please note that the BOD members prior to the privatization of Electrica received a fixed remuneration + a variable component linked to KPIs. However, the practice of a BOD remuneration linked to KPIs could not be found in any of the countries AT Kearney works in). The range for the attendance fee provided by the consultant is EUR 1,000 to 3,000 and the lower amount is proposed for Electrica BoD members.

The proposal represents a balanced approach between the fixed and the variable remuneration linked to the members' involvement and participation to the BoD and its committee meetings and, as a direct, efficient and competent contribution to the company's development, both from business and corporate governance point of view.

## Remuneration Policy for the Board of Directors of Electrica

No.	Component	Description
1	Fixed monthly remuneration	<p>In consideration of the proper performance of its duties and obligations, the Director will receive a fixed gross monthly remuneration of EUR 4,000 as chairman of the Company's board of directors OR a fixed gross monthly remuneration of EUR 3,000 as member of the Company's board of directors.</p>
2	Attendance fee	<p>In consideration of the proper performance of its duties and obligations, the Director will receive a fee for her/his attendance the BoD and its committees' meetings, as follows:</p> <ol style="list-style-type: none"> <li>1. a gross fee of EUR 1,000 for each attended meeting of the board of directors;</li> <li>2. a gross fee of EUR 1,200 for each attended meeting as chairman of the committee reporting to the board of directors OR a gross fee of EUR 1,000 for each attended meeting as member of the committee reporting to the board of directors.</li> </ol> <p>The payment of the remuneration mentioned under items 1 and 2 above shall be done to the Director's bank account, as follows:</p> <ul style="list-style-type: none"> <li>(i) the fixed monthly remuneration shall be paid at the end of each month;</li> <li>(ii) the attendance fee per meeting shall be paid together with the fixed monthly remuneration at the end of the month for the meetings attended during the previous month;</li> <li>(iii) the attendance fee is applicable to all meetings of the board of directors and to all meetings of the committees organized within the board of directors, as follows: <ul style="list-style-type: none"> <li>- both physical attendance, as well as via audio-video or audio conference will be considered valid participations to the meetings and eligible for payment of the attendance fee;</li> <li>- the electronic meetings (a written decision signed or confirmed electronically by all directors of the Board / of the committee – according to art 17 alin (22) of the Articles of Incorporation) shall not be eligible for such payment;</li> <li>- if a Director is represented at a meeting by another Director, he/she shall not be eligible for such payment.</li> </ul> </li> <li>(iv) the annual number of meetings to be remunerated is limited to 12 for BoD and to 6 of each committee. Additional committee meetings can be organized only in exceptional situations, according to the chairmen's decision, who are responsible to efficiently organize the bodies' agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.</li> <li>(v) the remunerations mentioned under items 1 and 2 above shall be paid according to the director's preference in either EUR or RON using the average exchange rate EUR/RON of the 30 days previous to the payment date OR the remunerations mentioned above shall be paid in RON using the average exchange rate EUR/RON of the 30 days previous to the payment date.</li> </ul> <p>Any taxes owed by the Director in relation to the remuneration and benefits received shall be withheld and paid by the Company in the name and on behalf of the Director.</p>

3	Reimbursement of reasonable expenses	The Director shall be reimbursed every reasonable expenses related to the execution of the mandate, on the basis of justifying documents, such as travel in business class, hotel, transport (including taxi), phone and meals.  For the purpose of this clause “reasonable expenses” means any expenses linked to and necessary in order for the Director to properly carry out the duties and obligations.
4	D&O liability insurance policy	The Director shall benefit from a “directors & officers’ liability” insurance policy, the value insured being EUR 10 million, under market terms. The Company shall bear and pay the cost of the premiums under such insurance.
5	Other legal expenses	The legal expenses sustained by the Director in defending against a third party claim made against the Director in relation to the performance of its duties under the Articles of Incorporation, the BoD Charter or the Legal Framework shall be borne by the Company, to the extent not already covered by the directors & officers liability insurance policy in force at the time.
6	Compensation in case of unjustified revocation	In case of unjustified revocation, the Director shall be entitled to receive from the Company compensation for the period of the mandate not executed, as follows: <ul style="list-style-type: none"> <li>a) if the revocation occurs any time prior to the start of the last year of the mandate, the director shall receive compensation accounting for 12 fixed monthly remuneration;</li> <li>b) if the revocation occurs in the last year of the mandate, compensation shall be paid according to the number of months left until the end of the mandate, with a minimum of 6 fixed monthly remuneration.</li> </ul> <p>The payment of this compensation is made within 30 working days after the date of termination of his mandate. This compensation represents the only compensation the Director is entitled to receive in case of unjustified revocation.</p>

## DEFINITIONS

- a) Articles of Incorporation – the articles of incorporation of the Company, as they may be amended from time to time;
- b) BoD Charter – the rules on the functioning of the board of directors of the Company and its committees, as they may be amended from time to time;
- c) General Assembly of Shareholders – the ordinary and/or the extraordinary shareholders’ meeting of the Company, as the case may be;
- d) Legal Framework - all applicable laws, regulations, decrees and any other regulatory deeds, issued by national, international, regional, local public authorities or other governmental authorities, including those applicable taking into consideration the status of the Company as a company listed on the Bucharest Stock Exchange and the London Stock Exchange;
- e) Conflict of Interests - any situation or circumstance determined/determinable according to the Legal Framework, where the personal interest of the Director, whether directly or indirectly, is against the interest of the Company, so that it affects or might affect the independence and impartiality of the Director in making the business decisions or the timely and objective performing of his/her duties of his/her mandate for the Company.