

Avizat/ Endorsed
CEO
Dan Catalin Stancu

NOTĂ/ NOTE

AUTOR/ AUTHOR	Numar/ Number		Directia Financiara/ Finance Division					
	Entitate/ Entity							
1.Referitor la	Audit financiar perioada 2018 - 2020			1. Referring to	Financial audit for the period 2018 - 2020			
2. Pentru		Avizare	Aprobare	Informare	2. For	Endorsement	Approval	Information
	CA				BoA			
	AGA		X		GMS		X	
3. Hotărârea propusă AGOA aproba propunerea privind numirea firmei Deloitte Audit SRL in calitate de auditor financiar al Electrica S.A., precum și stabilirea duratei contractului de audit financiar la 3 ani, respectiv pentru exercițiile financiare 2018, 2019 și 2020.				3. Proposed resolution draft The OGMS approves the proposal to appoint Deloitte Audit SRL as Electrica’s financial auditor, as well as setting the term of the financial audit agreement of 3 years, respectively for the financial years 2018, 2019 and 2020.				
4. Baza legală Actul constitutiv Electrica S.A. in forma aprobata de Adunarea Generala a Actionarilor din data de 27.04.2017 (art. 14, alin. 3 lit. i) care stabileste competenta Adunarii Generale Ordinare a Actionarilor in privinta numirii si revocarii auditorului financiar si a fixarii duratei minime a contractului de audit financiar, prevedere derivata din legea 31/1990r, art.111. Legea nr. 162/2017 privind auditul statutar al situatiilor financiare anuale si al situatiilor financiare consolidate: art. 62 alin.1 prevede „ <i>auditorul financiar sau firma de audit este numita de adunarea generala a actionarilor [...] entitatii auditate</i> ” In intelesul Legii nr. 162/2017: - audit statutar inseamna un audit al situatiilor financiare anuale individuale si al situatiilor financiare anuale consolidate efectuat in conformitate cu standardele internationale de audit; - auditul financiar cuprinde auditul statutar, precum si activitatea efectuata in vederea exprimarii unei opinii asupra situatiilor financiare sau unor componente ale acestora, dar si exercitarea altor misiuni de asigurare si servicii				4. Legal background The constitutive act of Electrica S.A. as approved by the General Shareholders Assembly as of 27.04.2017 (art. 14, alin. 3, lit. i) which stipulates the competence of Ordinary General Shareholders Assembly to appoint and revoke the financial auditor and to establish the minimum duration of audit contract”, provision which is based on Law 31/1990r, art.111. Law no.162/2017 regarding the statutory audit of annual financial statements and consolidated financial statements: art. 62 par.1 stipulates: “ <i>the financial auditor or audit firm is appointed by the general shareholders assembly [...] of audited entity</i> ” Under the law no. 162/2017 the following definitions apply: - statutory audit means an audit of the annual separate and consolidated financial statements performed in accordance with the international standards on auditing; - financial audit includes the statutory audit, as well as the activity performed in order to express an opinion on the financial statements or some of their components, but also the performance of other assurance and professional services missions,				

<p>profesionale potrivit standardelor internationale de audit si a altor reglementari in domeniu;</p> <ul style="list-style-type: none"> - firma de audit este persoana juridica [...] care este autorizata [...] sa efectueze audit financiar; - auditor al grupului inseamna auditorul financiar sau firma de audit care efectueaza auditul statutar al situatiilor financiare consolidate. 	<p>according to international standards on auditing and other regulations in the field;</p> <ul style="list-style-type: none"> - audit firm is a legal entity [...] authorized [...] to perform financial audit; - Group's auditor means the financial auditor or audit firm performing the statutory audit of consolidated financial statements.
<p>5. Continut</p> <p>5.1. Derularea procedurii de selectie</p> <p>a) Introducere</p> <p>Contractul de audit financiar cu auditorul actual (KPMG Audit SRL) include si serviciile de audit financiar al situatiilor financiar la 31 decembrie 2017, dar expira ulterior realizarii auditului financiar pentru 2017.</p> <p>In aceste conditii, a aparut necesitatea organizarii unei proceduri de selectie avand ca scop alegerea si propunerea pentru nominalizare a unui nou auditor financiar.</p> <p>Aspectele cheie cu privire la initierea si derularea procedurii de selectie au fost analizate si discutate de catre Comitetul de Audit si Risc in sedintele din 25 ianuarie, 21 februarie si 5 martie 2018, precum si de Consiliul de Administratie ale Electrica SA in sedintele din 26 ianuarie si din 6 martie 2018.</p> <p>Prevederile Regulamentului UE 537/2014 in ceea ce priveste procedura de selectie a noului auditor au fost analizate si luate in considerare in procesul de selectie. Legea nr. 162/2017 transpune prevederi ale Regulamentului UE 537/2014.</p> <p>b) Serviciile de audit financiar propuse de managementul executiv, avizate de Comitetul de Audit si Risc si aprobate de Consiliul de Administratie sunt urmatoarele:</p> <p>i. Servicii de audit financiar in conformitate cu Standardele Internationale de Audit (ISA) al situatiilor financiare anuale individuale si al situatiilor financiare consolidate intocmite in conformitate cu prevederile Ordinului Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara („IFRS”) adoptate de Uniunea Europeana („IFRS-EU”), pentru exercitiile financiare incheiate la 31 decembrie 2018, 31 decembrie 2019 si respectiv 31 decembrie 2020.</p> <p>Serviciile de audit sunt obligatorii in baza prevederilor legii nr.31/1990r (art.160), OMFP 2844/2016 (art.7), legea nr. 24/2017 (art.63). Auditorul va lua in considerare</p>	<p>5. Content</p> <p>5.1. Auditor selection procedure</p> <p>a) Introduction</p> <p>The audit contract with the current auditor (KPMG Audit SRL) also includes the audit of the financial statements for the year ended 31 December 2017, but expires after the annual audit for 2017.</p> <p>Under these circumstances, a selection procedure with the scope to select and propose for appointment a new auditor was organized.</p> <p>Key aspects related to the initiation and selection proceedings have been analysed and discussed by the Audit and Risk Committee in the meetings held on 25th January, 21st February and 5th March 2018, as well as by the Board of Directors of Electrica SA in the meetings held on 26th January and 6th March 2018.</p> <p>The provisions of EU Regulation 537/2014 in what concerns the selection of new auditor have been analysed and considered in the selection process. Law 162/2017 transposes provisions of EU regulation 537/2014.</p> <p>b) Proposed financial audit services by the executive management, endorsed by the Audit and Risk Committee and approved by the Board of Directors are:</p> <p>i. Financial audit services in accordance with the International Standards on Auditing (ISA) of the separate and consolidated annual financial statements prepared in accordance with Order of Ministry of Public Finance no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards („IFRS-EU”) as adopted by European Union („IFRS-EU”), for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 respectively.</p> <p>The audit services are mandatory based on provisions of law no. 31/1990r (art.160), OMFP 2844/2016 (art.7) and law no. 24/2017 (art.63). The auditor shall take into</p>

la emiterea opiniei de audit si prevederile OMFP 2844/2016 (art. 34-37), respectiv prezenarea unei opinii in ceea ce priveste consecventa raportului administratorilor cu situatiile financiare anuale, intocmirea raportului administratorilor in conformitate cu cerintele legale aplicabile si existenta unor erori materiale in raportul administratorilor.

- ii. **Servicii de revizuire a situatiilor financiare individuale** (doar la solicitarea managementului neexecutiv pentru situatiile financiare individuale, dupa caz) **si consolidate interimare simplificate (revizie limitata)** intocmite in conformitate cu Standardul International de Contabilitate 34 “Raportare Financiara Interimara”, pentru perioada de sase luni incheiata la 30 iunie 2018, 30 iunie 2019 si respectiv 30 iunie 2020.

Serviciile de revizuire limitata a situatiilor financiare semestriale sunt considerate necesare si relevante pentru actionari, avand in vedere statutul de companie listata si dimensiunea Grupului, pentru cresterea gradului de incredere al utilizatorilor situatiilor financiare.

- iii. **Servicii de analiza si verificare a tranzactiilor raportate prin rapoarte curente in conformitate cu prevederile art. 82 din Legea nr. 24/2017** privind emitentii de instrumente financiare si operatiuni de piata, intocmite in conformitate cu Standardele Internationale pentru Servicii Conexe aplicabile misiunilor de proceduri agreeate (“ISRS 4400”) sau in conformitate cu Standardul International “Misiuni de asigurare, altele decat auditurile sau revizuirile informatiilor financiare istorice” (“ISAE 3000”), functie de necesitatile Electrica S.A., pentru semestrele I si II ale anilor 2018, 2019 si respectiv 2020.

Serviciile sunt obligatorii in baza Regulamentului 1/2006 CNVM, iar rapoartele asupra tranzactiilor cu partile afiliate se publica in termen de 30 zile de la incheierea fiecarui semestru.

- iv. **Servicii privind proceduri agreeate pentru verificarea gradului de indeplinire a indicatorilor cheie de performanta ai managementului**, intocmite in conformitate cu Standardele Internationale pentru Servicii Conexe aplicabile misiunilor de proceduri agreeate (“ISRS 4400”), pentru o perioada de 3 ani (2018-2020) egala cu durata contractului de audit financiar.

Aceste servicii vor fi efective utilizate numai in cazul unor solicitare exprese din partea conducerii non-executive, pentru a avea un grad de asigurare suplimentar in ceea ce priveste calculul indicatorilor de performanta.

account the provisions of OMFP 2844/2016 when issuing the audit opinion (art.34-37), namely expressing an opinion on the conformity of BoD report with the financial statements, preparation of BoD annual report in accordance with legal requirements and the existence of any material errors in the BoD report.

- ii. **Limited review services of half-yearly separate** (only upon BoD request for the separate financial statements, as the case may be) **and consolidated simplified financial statements (limited review)** prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, for the six month period ended 30 June 2018, 30 June 2019 and 30 June 2020.

Limited review services of half-yearly financial statements are not mandatory, but are deemed necessary and relevant to shareholders considering the listed company status and the size of the Group, to increase the confidence of users of financial statements.

- iii. **Agreed upon procedures services for the verification of transactions reported by current reports in accordance with the provisions of art. 82 of the law no.24/2017** on issuers of financial instruments and market operations, prepared in accordance with International Standards for Related Services applicable to agreed upon procedures („ISRS 4400”) or in accordance with International Standard on “Assurance Engagements, other than audits or reviews of historical financial information” (“ISAE 3000”), according to Electrica S.A. requirements, for semesters I and II respectively of 2018, 2019 and 2020, respectively.

The services are mandatory on the basis of Regulation 1/2006 of CNVM and the reports on related parties transactions are published within 30 days from the end of each semester.

- iv. **Agreed upon procedurs services for the verification of management’s KPIs (key performance indicators) fulfillment**, prepared in accordance with International Standards for Related Services applicable to agreed upon procedures („ISRS 4400) for a period of 3 years (2018-2020), equal to the duration of the audit contract.

These services shall be used effectively only based on non-executive management requests, in order to have increased assurance on the KPI’s calculations.

<p>c) Procedura</p> <p>A fost organizata o procedura de selectie prin invitarea a sase firme de audit sa participe (PricewaterhouseCoopers Audit SRL, Ernst & Young SRL, Deloitte Audit SRL, KPMG Audit SRL, BDO Audit SRL, Mazars Romania SRL).</p> <p>Din aceste sase firme, patru firme au depus oferte (Deloitte Audit SRL, BDO Audit SRL, Mazars Romania SRL, KPMG Audit SRL).</p> <p>Propunerile managementului executiv privind structura serviciilor de audit si ofertele depuse de firmele de audit au fost supuse analizei Comitetului de Audit si Risc ("ARC"), din perspectiva tehnica si financiara, in vederea formularii unei recomandari catre Consiliul de Administratie si AGA.</p> <p>Comitetul de Audit si Risc a recomandat Consiliului de Administratie avizarea numirii firmei Deloitte Audit SRL in calitate de auditor financiar al Electrica S.A.</p> <p>Consiliul de Administratie a avizat, in vederea inaintarii spre aprobarea de catre Adunarea Generala Ordinara a Actionarilor Electrica S.A., numirea firmei Deloitte Audit SRL in calitate de auditor financiar si stabilirea la 3 ani a duratei contractului de audit financiar.</p> <p>5.2. Propunerea</p> <p>In conditiile prezentate, este supusa aprobarii Adunarii Generale Ordinare a Actionarilor propunerea privind numirea Deloitte Audit SRL in calitate de auditor financiar al Electrica S.A., precum și stabilirea duratei contractului de audit financiar la 3 ani, respectiv pentru exercițiile financiare 2018, 2019 și 2020.</p>	<p>c) Procedure</p> <p>A selection procedure was organized by inviting six audit firms to tender (PricewaterhouseCoopers Audit SRL, Ernst & Young SRL, Deloitte Audit SRL, KPMG Audit SRL, BDO Audit SRL, Mazars Romania SRL).</p> <p>Out of these six firms, four firms have submitted an offer (Deloitte Audit SRL, BDO Audit SRL, Mazars Romania SRL, KPMG Audit SRL).</p> <p>The executive management proposals related to the financial audit services required and the offers submitted by the audit firms were analysed by the Audit & Risk Committee, ("ARC") from technical and financial perspective, with the purpose to formulate a recommendation to the BoD and GMS.</p> <p>The Audit & Risk Committee has recommended to the BoD the endorsement of proposal to appoint Deloitte Audit SRL as independent auditor of Electrica S.A.</p> <p>BoD has endorsed with the aim to submit for the approval of Ordinary General Shareholders Assembly of Electrica S.A., the appointment of Deloitte Audit SRL as financial auditor or Electrica SA and the establishment of the audit contract duration of three years.</p> <p>5.2. Proposal</p> <p>Based on the above mentioned, we submit for the approval of the Ordinary General Shareholders Assembly the proposal to appoint Deloitte Audit SRL as financial auditor of Electrica S.A. as well as the establishment of the duration of the audit contract to 3 years, respectively for the financial years 2018, 2019 and 2020.</p>
<p>6. Avize (dupa caz):</p>	<p>6. Endorsements (as the case may be):</p>
<p>a. Financiar: Onorariile pentru serviciile de audit financiar (inclusiv audit statutar) asa cum sunt prezentate mai sus sunt in suma totala de 785.760 EURO pe intreaga perioada contractuala de trei ani (fara TVA).</p>	<p>a. Financial: Audit fees for the financial audit services (including statutory audit), as presented above are in total amount of 785,760 EURO for the entire contract duration of three years (VAT excluded).</p>
<p>b. Strategie:</p>	<p>b. Strategy:</p>
<p>c. Riscuri:</p>	<p>c. Risks:</p>
<p>Director Executiv/ Executive Director</p>	<p>Semnatura/ Signature</p>
<p>Director Financiar/ Group CFO: Mihai DARIE</p>	
<p>Avizator/ Endorsed by</p>	<p>Semnatura/ Signature</p>
<p>Director Divizia Juridic si Control/ Head of Legal & Control Division: Diana MOLDOVAN</p>	
<p>Autor/ Prepared by: Director Business, Budgets, Controlling Department/ Departament Afaceri, Bugete, Controlling Madalina RUSU</p>	<p>Semnatura/ Signature</p>